

# **THE ALIGNMENT OF WORKFORCE PERFORMANCE MEASURES AND POLICYMAKER NEEDS IN TEN LEADING-EDGE STATES**

Prepared for the Integrated Performance Information Project Meeting  
Miami, Florida  
April 1 - 2 2004

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March 2004



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This paper was prepared for the National Governors Association Center for Best Practices and Washington State's Workforce Training and Education Coordinating Board with funding provided by the U.S. Department of Labor's Employment and Training Administration. The views expressed are those of the authors and do not represent the official positions of NGA, Washington State or the University.

## INTRODUCTION

The purpose of the Integrated Performance Information (IPI) Project is to provide the U.S. Department of Labor (DOL) with input from the states on what is required to support integrated information on the results of an array of workforce investment programs and the One-Stop system.<sup>1</sup> This paper highlights selected promising approaches from the existing performance measurement and management landscape in seven key areas of interest to policy and program leaders participating in the IPI Project:

- Outcomes for employers and the economy;
- Labor market outcomes for program participants;
- Social welfare outcomes;
- Customer satisfaction;
- Skills gains;
- Return on investment; and
- Subgroup and comparative information.

For much of this discussion, researchers at the Ray Marshall Center for the Study of Human Resources utilized findings from two recent reports prepared for the National Governors Association and U.S. Department of Labor, Employment and Training Administration: *Non-federal Workforce System Performance Measures in the States: Overview* and *Non-federal Workforce System Performance Measures in the States: Ten State Profiles*.<sup>2</sup> Our purpose is to be suggestive of what states are doing, rather than comprehensive. Furthermore, we include only common, “systemwide,” and system measures as defined and applied by the states, but that minimally include WIA programs

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<sup>1</sup> Saunders, Ellen O’Brien and Bryan Wilson. *Integrated Performance Information (IPI) for Workforce Development System Planning, Oversight and Management*. Olympia, WA: Workforce Education and Training Coordinating Board, November, 2003.

<sup>2</sup> O’Shea, Dan, Sarah E. Looney, and Christopher T. King. *Non-federal Workforce System Performance Measures in the States: Overview*, and *Non-federal Workforce System Performance Measures in the States: Ten State Profiles*. Austin, TX: Ray Marshall Center for the Study of Human Resources, Lyndon B. Johnson School of Public Affairs, The University of Texas at Austin, December.

and postsecondary vocational education, or act as comprehensive One-Stop measures. Attachment A contains a matrix displaying measures in these key areas of interest that are currently being implemented in these states.

## **OUTCOMES FOR EMPLOYERS AND THE ECONOMY**

A broad area of interest is the collection of integrated information to assess the outcomes of workforce development programs for employers and the economy. Measures used to do so may be part of a more “stand alone” statewide effort to gauge workforce or One-Stop system achievements, while others are embedded in a “tiered approach” such as that being pursued in Oregon, Texas, and Florida. For example, Oregon’s 13 One-Stop Systemwide Performance Measures, which independently assess the accomplishments of the workforce development system, are conceived as a middle tier that draws from more categorical program-driven data in a lower tier to feed the “quality of life” indicators that are the basis of the state’s long-term strategic plan, *Oregon Shines*. Twenty-nine of its 90 benchmarks target economic development and education. “Key” economic indicators that are benchmarked include employment dispersion (rural job growth), new companies, employment concentration in professional services, research and development, and per capita income. The state is also considering closer integration of these education, job training, and employment measures with measures applied within the Oregon Department of Economic and Community Development, including the number of jobs created or retained and companies recruited.

Several states have introduced measures that suggest how well the workforce programs and systems are meeting the needs of employers. In a few states, Michigan for example, the ratio of job orders placed with Michigan Works! Agencies to the number of business on the state’s UI roles, Mystery Shopper results, and a business “awareness” survey have been combined as a measure of Employer Satisfaction.

Other prominent measures for employers and the economy are:

- Employer market share or penetration as a function of job orders placed or significant services rendered;
- Turnaround time for job orders and hastening employment entry/reducing UI spells (and reducing employer contributions to the UI system); and
- Gaps between job-seekers' skills and employers' needs.

In order to more efficiently fill job orders, Utah is developing and several other states are considering improving their automated labor exchange capacity to match skills sets rather than merely occupations. Also, labor market information is commonly being upgraded to address current and future skills shortages, including those associated with demographic transition. Expanding interest and use of National Directory of New Hires (NDNH) data as well as the Wage Records Interchange System (WRIS) allows states to observe whether graduates and trainees are helping to meet the needs of employers in other states. California and Texas are among states targeting or tracking placements in industry sectors; the health care industry has been frequently a focus of their efforts.

## **LABOR MARKET OUTCOMES FOR PARTICIPANTS**

Employment entry, entry wages, job retention, and wage gains remain fundamental outcomes measured by these states. Although WIA requires these measures, several states—notably Washington, Florida, and Texas—introduced these measures prior to the Act and others were moving steadily towards implementation.

Market penetration as an indicator of the share of the workforce that accesses or finds employment through workforce services is commonly pursued in the states. Utah goes a bit further and monitors staff-assisted and individual placement rates. Pennsylvania, in addition to market penetration and services associated with employment entries, has considered the percent of individuals entering employment in each wages income decile as a measure worth pursuing. Washington State has perhaps taken the most comprehensive approach to assessing labor market results and career development prospects. Among others, the state measures the number of students who are

WorkSource participants, rates of employment and credential attainment, and rates of employment or further education.

The effectiveness of the workforce system at returning the unemployed to the ranks of the employed and reducing the duration of Unemployment Insurance receipt is an objective for which policy makers have sought more and better information as well. California tracks pre/post program participation results regarding rates of individual UI receipt and the average duration in weeks. Texas now measures the rates of all UI claimants placed and those placed within ten weeks among its many workforce performance measures.

## **SOCIAL WELFARE OUTCOMES**

States increasingly recognize that social welfare outcome indicators are essential to understanding how effectively workforce development initiatives help disadvantaged individuals and families improve their prospects for self-sufficiency. Promoting self-sufficiency enhances their quality of life and reduces the financial burden of public assistance programs for taxpayers.

Nevertheless, self-sufficiency is difficult to both define and measure. Is self-sufficiency simply getting by without public assistance, earning a wage that brings household income above the Federal poverty guidelines, or earning a “living wage”? Representatives from the California Workforce Investment Board noted that setting standards for family self-sufficiency is especially difficult in large states where incomes and cost-of-living vary significantly by region. The state of Missouri has experimented with establishing cost-of-living standards for each county but they have not yet incorporated self-sufficiency standards into their performance measures due to data collection challenges. Ohio’s proposed performance measures include a metric for the percentage of households at or above regional self-sufficiency standard.<sup>3</sup>

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<sup>3</sup> Ridley, Neil. National Governors Association Center for Best Practices. Email, “Fw: Draft Indicators,” to Christopher T. King, March 25, 2004.

Because of these barriers, social welfare performance measurement is still in its developmental stages. Moreover, because generally states try to avoid collecting new data, there is a preponderance to rely on required data for categorical programs such as TANF and Food Stamp E&T. Nevertheless, several states are expanding Federal program measures or creating new measures to capture a more holistic picture. Popular measures include:

- Size of public assistance caseloads
- Number of workforce program participants who stop receiving public assistance
- Number of public assistance recipients who obtain jobs through the workforce system and their wages
- Number of people who move from below to above the poverty line
- Number of people who change status from tax receiver to tax payer

State agencies and elected officials are not the only stakeholders interested in social welfare measures. With support from the Rockefeller foundation, advocacy organizations in Texas, Washington, Illinois, and Massachusetts have been developing their own performance indicators in an effort to hold state workforce systems accountable.<sup>4</sup> Similarly, the Working Poor Families Project - an initiative supported by the Annie E. Casey, Ford, and Rockefeller foundations - uses a four-part framework of indicators developed to assess whether state policies and program practices are effectively positioned to help working poor families to achieve economic self-sufficiency.<sup>5</sup>

## **CUSTOMER SATISFACTION**

Not unlike service-sector businesses, many state workforce systems are interested in evaluating the experiences of their customers. Increasingly, workforce system satisfaction measures target multiple customer groups: employers, program participants,

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<sup>4</sup> For example see Michigan League for Human Services. *Working for a Living in Michigan: State Workforce Policies and Low-Income Workers*. Lansing, MI, May 2003.

future workers, and other stakeholders. For example, Michigan’s Customer Satisfaction Index measures the extent to which employers, workers, job seekers, parents, and students know about, use, and value the Career Development System.<sup>6</sup> In addition to the aforementioned employer satisfaction measures, the remaining components of the Customer Satisfaction Index are:

- Customer service volume – Number of client contacts in-person, by phone, and via Internet
- Job-seeker satisfaction – Mystery shopper ratings for service centers
- Customer awareness – Marketing and public relations surveys of parents and workers

In addition to surveys and “mystery shoppers” that ask employers and program participants to rate workforce system services, states have taken other approaches, including counts of repeat customers and One-Stop foot traffic. Washington State’s WorkSource Performance Indicators address the customer’s perception of “seamlessness” and the staff’s perception of integration, as well as employer satisfaction and participant satisfaction.

## **SKILL GAINS**

The connections between education, training, and livelihood prospects are well established. States have introduced several relevant measures as part of their integrated performance information efforts. In Texas, one of the four Tier One System Measures is educational achievement. This is fed by several of the eight Tier Two Critical Strategy Measures, including secondary drop-out and retention rates, post-secondary education

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<sup>5</sup> See <http://www.aecf.org/initiatives/jobinitiative/workingpoor.htm> for additional information.

<sup>6</sup> The Customer Satisfaction Index and the multi-measure Career Development System Index together form the state’s system indicators. Michigan established 2000 as the base year, collected data, and assigned an index value of 100 to the year 2000 data. Each year the most current data is compared to the base year and a new index score is calculated. A score of 113 in 2001, for example, indicated a 13% improvement in customer satisfaction. A clear advantage of this strategy is that the index is easily explained to any stakeholder, be it state legislator or the average taxpayer.

articulation, post-secondary participation rate for target populations, and certification rate for post-secondary academic and workforce programs. Tier Three System Action Plan Specific measures include Adult, Secondary, and Post-secondary achievements and other process, strategy-driven, and capacity-building indicators that have specific links to Tier Two results.

To measure skill gains for their workforce systems, states collect and integrate information regarding:

- Increase in basic skills
- Rates of advancement to higher education
- Completions of education or training

Michigan has developed a notable approach for assessing the career development contributions of its adult education efforts. The state has created a success index based on the annual ratio of educational functional levels (EFLs) achieved to the total number of adult learner contact hours. Others are experimenting with counting only adult learners who are in school for occupational, not academic advancement. California has contributed a helpful method to measure the relationship between education and work by developing clear definitions of completers and leavers, which enable the state to only include individuals who have a reasonable expectation of further education or career benefit in their outcomes measures.

## **RETURN ON INVESTMENT**

Several states have at least considered return-on-investment (ROI) analysis as a measure for their workforce systems, but few have made a concerted effort to undertake the task. Washington State includes ROI among its Seven Desired Outcomes and its biennial

Workforce Training Results report presents the outcomes.<sup>7</sup> The approach combines net impact and benefit/cost analysis to estimate ROI based on results in the observed post program period extended out to age 65 for the participants. Oregon is considering ROI, but has not yet acted.

Other states have pursued less ambitious approaches. For example, Michigan calculates the ratio of the 6-month aggregate earnings of WIA participants who exit the program and enter employment to the total WIA expenditures as an index for Workforce Development Success. New York captures total system investment and Utah estimates cost per participant and per employment entry. The Workforce Leadership of Texas and the Ray Marshall Center produced aggregate taxpayer perspective ROI estimates for an array of programs for 17 of the state's 28 workforce investment areas.<sup>8</sup>

## **SUBGROUP AND COMPARATIVE INFORMATION**

States are exploring ways to conduct subgroup analysis. Washington State's biannual *Workforce Training Results* report, for example, regularly includes information on select subgroups by gender like "Earnings and Wages of Women Compared to Men During Third Quarter After Training" or "Racial and Ethnic Composition of Program Participants" for the 10 programs in the reports.<sup>9</sup> Florida's system measures cluster Tier Three programs for similar targeted populations beneath Tier Two aggregate outcomes expected for the populations of those clustered programs. Programs for primarily for youth support "First Jobs/First Wages" outcomes. Generally disadvantaged and harder-to-serve populations are associated with "Better Jobs/Better Wages" outcomes.

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<sup>7</sup> Washington State Workforce Training and Education Coordinating Board. *Workforce Training Results 2002: An Evaluation of Washington State's Workforce Development System*. Executive Summary. Olympia, WA, 2002.

<sup>8</sup> King, Christopher T., Dan O'Shea, Sarah Looney, C. Andrew Redman, and W. Lee Holcombe. Ray Marshall Center for the Study of Human Resources. *Return-on-Investment (ROI) Estimates for Workforce Services in Texas, State Fiscal Year 2000-2001*. Austin, TX, April 2003.

<sup>9</sup> See Washington State Workforce Training and Education Coordinating Board. *Workforce Training Results: An Evaluation of Washington State's Workforce Development System 2002*. Executive Summary. Olympia, WA, 2000.

Experienced and better-educated populations support the “High Skills/High Wages” outcomes.

California’s Performance Based Accountability System similarly groups programs according to the type of customers targeted. Target customer categories include Currently Employed, Prior Work Experience, No Prior Work Experience Required, and Disabled. California also evaluates how well its system serves different socioeconomic groups by dividing earnings indicators into four program participation groups:

1. Persons earning greater than or equal to minimum wage in the year prior to program participation
2. Persons earning less than minimum wage in the year prior to program participation
3. Persons with no earnings in the year prior to participation who received public assistance in California
4. Persons with no income or public assistance history in California.

Reliable comparative data is more difficult than integrated subgroup information. A number of states are using performance measures to compare outcomes between local boards, often by adopting tiered performance measurement structures. Florida developed a performance measurement dashboard called the “Red and Green Report” to help monitor local boards’ status relating to Federal performance measures.<sup>10</sup> Similarly, Texas produces a monthly scorecard for 17 WIA measures at the Board level, but also produces state level system scorecard using Tier One measures.

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<sup>10</sup> There are instances in which it is difficult to discern which outcomes result from poor management and which result from regional economic conditions, in effect limiting the usefulness of comparability. Missouri and other states experimenting with local adjustments or regional cost-of-living standards may provide a solution to this constraint.

measures.<sup>11</sup> Similarly, Texas produces a monthly scorecard for 17 WIA measures at the Board level, but additionally produces state level system scorecard using Tier One measures.

Comparing integrated performance information across workforce systems could provide valuable insights, but such a process might not be possible presently. Key challenges include:

- *A lack of standardized definitions and formulas.* The challenges of inconsistent definitions between programs within states and varying formulas for calculating system indicators that are being developed limit comparability between states.
- *Problems with reporting and service delivery practices.* Research has demonstrated that at times similar events may be reported differently. Preventing difficult-to-serve clients from entering programs with strident performance measures, delaying enrollment dates, controlling exits, and other machinations, can control outcomes. Such activities undermine fair comparisons.
- *Economic and demographic differences between different regions and program populations.* Comparing workforce program outcomes between California's Silicon Valley and Texas' Rio Grande Valley would be like comparing apples and oranges. Formulas that account for regional economic, demographic, and other state and local conditions into account must be developed before accurate cross-site and cross-program comparisons can occur.
- *Difficulty linking databases across programs.* The American workforce system relies upon hundreds of IT applications to track data. A comparison between states or, in some instances, between programs is often challenging because data storage systems may not be structured to share information and/or use different definitions and calculations that make the data incongruent.

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