



WORKFORCE DEVELOPMENT COUNCIL

317 W. Main Street
Boise, ID 83735-0790

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MEMORANDUM

February 13, 2004

TO: Workforce Development Council

FROM: David Lehman, Office of Governor Kempthorne

SUBJECT: Workforce Performance Management

ACTION REQUESTED: Information Only

BACKGROUND:

At the fall meeting of the Workforce Development Council, the Council demonstrated interest in exploring measures to test the effectiveness of the workforce enterprise. We have invited Dr. Christopher T. King, a leading national expert in performance management and measurement to share insights with the Council on state of the art measurement systems across the country. Dr. King directs the Ray Marshall Center for the Study of Human Resources at the University of Texas at Austin. He has been engaged in the study of performance evaluation for a number of years and is widely published. Among other responsibilities, Dr. King serves on the faculty of the 21st Century Workforce Policy Academy and has graciously agreed to spend time with us at our meeting on the 13th to discuss options for creating a system.

Dr. King will be sharing information from his latest studies. We have included a series of papers for those wishing to gain greater information about the subject.

Enclosures

Contact: Primary Cheryl Brush (208) 332-3570 ext. 3312
Secondary David Lehman (208) 334-2100

Non-federal Workforce System Performance Measures in the States

Overview

Dan O'Shea
Sarah Looney
Christopher T. King

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Lyndon B. Johnson School of Public Affairs
The University of Texas at Austin
3001 Lake Austin Blvd., Suite 3.200 Austin, TX 78703 (512) 471-7891

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Marc Perrett, Oregon Employment Department

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Pennsylvania

Ed Legge, PA Department of Labor & Industry

David Pistner, Team PA WIB

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Toni Strong, Team PA WIB

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Executive Summary

Researchers from the Ray Marshall Center for the Study of Human Resources at the University of Texas at Austin (RMC), working closely with the National Governors Association's Center for Best Practices, conducted interviews and reviewed pertinent documentation with key state administrators and staff of ten states that are recognized leaders in the area of workforce performance measurement and management. These states are pursuing performance measures that are more encompassing and comprehensive than the standard measures for federal/state categorical reporting requirements. In all of these states, this is a dynamic and evolving process as agencies and work groups refine measures and respond to shifts in policy and service delivery contexts. This report is drawn from our profiles of the seven more advanced states (California, Florida, Michigan, Oregon, Texas, Utah, and Washington) and briefs of the three states (Missouri, New York, and Pennsylvania) that remained in a relatively early phase of development.

Design and Implementation

Led by governors and state legislators, and, in the most successful states, codified in state law or reinforced by executive order, state efforts have depended on close collaboration of workforce professionals, business leaders, state agency administrators, elected officials, and community leaders, among others. Currently in many states, these interests are coalesced within the state Workforce Investment Board. Local Board members and administrators played key roles in selecting and designing the non-federal performance measures as well.

Types of Measures

Our analysis distinguishes between *common measures* that are discretely applied to each of the multiple elements and funding streams that comprise the workforce system, and *system measures* that assess the combined performance of all the elements. Several states started with common measures as a basis for getting to system measures, while most are moving toward using a combination of the two. Other non-federal performance measures include market or population-level measures, self-service measures, and day-to-day program management measures or indicators. Business measures, particularly market penetration measures, are increasingly popular. Several states have begun to move beyond clusters of common and system measures toward multi-tiered measurement models linked to statewide strategic goals, workforce system-building, and continuous improvement.

Data Collection and Management

While some states have fared exceptionally well, for most, data collection and management activities proved to be a time-consuming challenge, even when relying primarily on Unemployment Insurance and other administrative records. One key barrier is that local data systems tend to be decentralized and varied. Data collection is also impaired by varying geographic boundaries and reporting cycles of the different programs and funding streams. In addition to standard data sources, states are using a variety of data gathering tools including surveys, swipe cards, and monitoring Website use, particularly for automated labor exchange placements. “Mystery shoppers” appear to be an increasingly popular method for monitoring the quality of customer services for both businesses and jobseekers.

Data collection efforts for non-federal performance measurement were typically supported by in-kind and monetary contributions from participating programs, although some states did receive legislative appropriations or used federal block-grant funds. Many states managed data collection and analysis in-house, but some contracted out these services with third-party vendors. Some states have made significant and innovative investments in IT infrastructure that have vastly improved their data management and performance reporting capabilities.

Continuing Challenges

The Family Educational Rights and Privacy Act (or FERPA) was the most commonly discussed barrier to creating a true “system” picture with workforce performance measures. The majority of states reported that they were not able to capture some education-related outcomes data due to FERPA limitations. The shortcomings of UI wage records (e.g., industry coverage, out-of-state employment, time lags) also make tracking earnings-related outcomes difficult for some states. Tracking self-service activities, such as self-directed job searches and Web-based activities, is still a hurdle for many, if not most, state workforce systems.

Uses and Consequences

A variety of audiences and uses for performance measures were reported by the states included in this study. Four major trends dominated: accountability, continuous improvement, system-building, and institutional support. States have demurred from tying non-federal performance measures to sanctions and incentives, indicating that doing so is premature while they are building interagency and program collaboration on behalf of workforce system development.

Prominent Lessons

State staff identified a number of key lessons for consideration based on their experiences, as follows:

- The measures development process works better when all relevant partners buy-in and participate.
- Developing broader, non-federal performance measures facilitates system building and shared vision.
- Both the limitations and the potential of the data supporting these performance measures need to be recognized.
- Planning ahead for IT infrastructure can minimize the reporting burden of new performance measures on workforce partners.
- Key performance definitions should be clarified from day one.
- New performance measures selected for use will need to be tested patiently before full implementation.
- Legislation or Executive Orders help considerably with the development and implementation of new performance measures.
- Data acquisition issues related to FERPA and UI wage data limitations will also need to be addressed from the outset.

Promising Prospects

Promising prospects for future development and implementation of non-federal performance measures include:

- Multi-tiered models that address system performance and other desired outcomes, enhancing the ability of states to monitor and plan performance goals at every level of the workforce system.
- Holistic approaches to workforce development, combining measures for economic development, customer satisfaction, and poverty reduction.
- Connecting performance measurement to continuous improvement..
- Using emerging information technologies to improve performance measurement.

Several states have pursued non-federal workforce performance measures for more than a decade; others have only recently begun. Beyond helping states and localities to better understand how well they are serving employers, job-seekers, and their communities, non-federal performance measures increasingly support workforce system development. Increased data-sharing assistance from the federal government, more active communication between the states, and research into the process of developing and implementing measures could result in rapid progress that would, in turn, further strengthen workforce development programs and systems.

Background

For a decade or more, many prominent state and local workforce leaders have been addressing some variant of the basic question:

“How well are our education, training, and economic development efforts preparing individuals for successful livelihoods, adding value to business, and generally improving the quality of life in our communities?”

To find out, a number of states have been striving to design and implement appropriate performance measures that cut across traditionally disparate programs, agencies, and funding streams and move towards a more systemic approach.¹ The experiences of states pursuing performance measures that are more revealing of comprehensive achievements than those more standard measures for federal/state categorical reporting requirements is the subject of this report. In all of the states examined, this is a dynamic and evolving process as agencies and work groups refine measures and respond to shifts in the policy and service delivery contexts.

The impetus for developing non-federal system measures can be understood through several basic trends and events. First, the 1990s saw a major movement by states towards streamlining and better integrating a plethora of federally funded workforce education and training programs. In several states (e.g., Texas, Michigan, Utah), this resulted in organizational restructuring and the consolidation of major programs within a single state agency. Even among those states that have not revamped their agencies, the more unified and comprehensive approach to workforce development has shifted the focus from individual program performance to the performance of the system as a whole – a focal point that existing federal measures simply did not address.

Second, a heightened interest in accountability and, subsequently, performance measurement tools has also emerged. In Oregon and Missouri, for example, comprehensive measures of state programs—the “Oregon Shines” benchmarks and “Show-Me Results” indicators—were developed to monitor progress for strategic planning initiatives. Adapting a systemic approach to monitoring state services naturally percolated down to the workforce system. Additionally, accountability is seen as a way of galvanizing support for workforce development programs, allocating incentives or sanctions, and performance-based contracting.

Third, workforce investment board members and professionals have also recognized the need for more timely and appropriate measures for program management, self-monitoring, and continuous improvement. In New York, for instance, it was local workforce investment board directors that pushed for system measures to ensure that

¹ For this analysis, we distinguish between system measures that assess the performance of the workforce development system across the entire state as a spatial unit or across all local spatial units (e.g. WIB, local labor markets) within the state and common measures that are applied across multiple federal/state funding streams that comprise the system. Most of the leading-edge states participating in this study have elements of both in their performance measures package.

business customers' needs were being met. Other states began looking at additional measures out of frustration that federal measures provided no feedback for near-term program management, a criticism that is regularly launched at measures based in Unemployment Insurance (UI) wage data for outcomes under the provisions of the Workforce Investment Act (WIA) of 1998. In recent years, several states including Florida and Texas have prepared "scorecards" on a monthly or quarterly basis so that states and localities can view a snapshot of their current status on key measures.

Fourth, many states also benefited from their participation in the National Governors Association's (NGA) core definitions and common measures project that began in 1994. Others gained impetus from the U.S. Department of Labor's One-Stop Planning Grants in the mid-1990s. These grants initiated a movement to better coordinate, and in some cases consolidate, an array of employment, training, and education resources under a single service delivery umbrella. Subsequently, the Workforce Investment Act of 1998 institutionalized the One-Stop service delivery model for workforce investment areas across the nation. Such efforts have reinforced interest in common, cross-program measures and led to discussions about more comprehensive workforce system measures.

More recently, the Office of Management and Budget has recommended and several federal agencies have agreed to implement a series of common performance measures for workforce development programs, spanning seven federal agencies, including the Departments of Education, Health and Human Services, and Labor starting in Fiscal Year 2004. While this effort is noteworthy in that it signals federal intent to streamline similar, yet distinctive and often duplicative categorical reporting requirements for federally supported workforce-related programs across agencies and programs, leading-edge states have been a laboratory of experimentation for cross-program and system measures. States and localities are engaged in a constantly evolving process to design, refine, and implement measures that support program management, accountability, and outcomes valued by business and jobseekers in their communities.

This report is an overview of the experiences of ten states with the design and implementation of non-federal workforce performance measures. Researchers from the National Governors Association (NGA) and the Ray Marshall Center for the Study of Human Resources at the University of Texas-Austin (RMC) conducted an environmental scan of practitioners and researchers to select a sample of states recognized for leadership in the area of performance measurement. The ten states are: California, Florida, Michigan, Missouri, New York, Oregon, Pennsylvania, Texas, Utah, and Washington. Researchers subsequently conducted interviews with key state administrators and staff of the ten selected states, and reviewed print and web-based documentation before preparing profiles of the seven more advanced states and the three (MO, NY, and PA) that remained in a relatively early phase of development. These profiles are available in an accompanying report.² This report is drawn from those profiles.

² Dan O'Shea, Sarah Looney and Christopher T. King, *Non-federal Workforce System Performance Measures in the States: Ten State Profiles*, Austin: Ray Marshall Center for the Study of Human Resources, Lyndon B. Johnson School of Public Affairs, The University of Texas at Austin, December 2003.

Design and Implementation

Development

Led by governors and state legislators, and—in most successful states—codified in state law or reinforced by executive orders, state efforts have depended on close collaboration of workforce professionals, business leaders, state agency administrators, elected officials, and community leaders, among others. Currently in many states, these interests are coalesced within the state Workforce Investment Board, or—for those states that began the process earlier—in the State Job Training Coordinating Council or a similar multi-representational entity. Many of the states in this study indicated that local board members and administrators played the key roles in selecting and designing non-federal measures, even when the original impetus came from the executive or legislative branches.³ All states spoke of performance measure development as an ongoing, evolving process and emphasized the importance of involving the relevant partners in the developmental process.

Examples from a few states reveal features of this process:

In Washington, a 1991 legislative mandate disbanded Washington's State Board for Vocational Education and replaced it with the new Workforce Training and Education Coordinating Board (WTECB). The new organization was designed to increase local authority, create a statewide governance system, and reduce fragmentation among the state's workforce development programs.⁴ WTECB, an independent Board that operates no programs, was made responsible for developing a comprehensive state plan, establishing performance standards, conducting biennial program evaluations, and completing a net impact and cost-benefit system analysis every five years. WTECB was also required by the authorizing legislation to incorporate UI wage records data into its research and evaluation activities. Subsequent to the implementation of WIA, WTECB serves also as the state Workforce Investment Board.

In 1993, the Texas Legislature passed Senate Bill 642, the Workforce and Economic Competitiveness Act, creating the Texas Council on Workforce and Economic Competitiveness (TCWEC). TCWEC was responsible for strategic planning and oversight of all of the state's workforce-related programs, including adult education/literacy, job training, work-related education, welfare employment, and others (which remained in separate state agencies). Subsequent legislation enacted in 1995, consolidated two-dozen workforce programs into a single new agency, the Texas Workforce Commission, and maintained TCWEC as the state human resource council, now within the Governor's Office. More recently, the Council has been working with the

³ In a few states, including Texas and Pennsylvania, a number of local boards have developed independent measures that align with their values, goals, and objectives.

⁴ Membership included representatives from business and labor, the Superintendent of Public Instruction, the Executive Director of the State Board of Community and Technical Colleges, and the Commissioner of the Department of Employment Security.

Governor's Office, the Legislative Budget Board and its partner agencies to implement the provisions of SB 429, a bill passed in 2001 that mandated the "development and use of formal and less formal measures in system performance evaluation, the establishment of two funding formulas, and the inclusion of all agencies with workforce programs in systemic strategic planning."⁵

California passed legislation in 1995 to modify the state's Unemployment Insurance code to prepare the state for block-granting federal job training program funds that was being discussed at the national level and in response to concerns that state legislators had no way to compare performance across workforce programs. Framed as a statewide report card on education, training, and employment programs, Senate Bill 645 set out to create an infrastructure that measured achievements, identified skill-level standards for employers and job seekers, and provided objective outcome data for continuous improvement and assigned responsibility to the State Job Training Coordinating Council. In response to its legislative mandate, the SJTCC began by creating a Special Committee on Performance Based Accountability (the PBA Committee) that was comprised of a very inclusive array of stakeholders.⁶

In other states, governors, at times influenced by their state's Workforce Investment Board (WIB), have consolidated programs and agencies, formed task forces or interagency policy groups, and issued executive orders to engage the major workforce program partners with systemwide measures. Many state and workforce leaders believe that system measures and shared accountability can drive behaviors leading to increased collaboration and, subsequently, more systemic development. The majority of states reported that selection and refinement of non-federal measures were conducted in ad hoc working groups composed of representatives from local workforce boards, education, business, labor and other participating agencies and departments. A few states, including Missouri and Michigan, hired consultants from universities or private firms for assistance.

It was common for some agencies to be hesitant to participate initially. Education programs, for example, sometimes felt that workforce measures would be a burdensome and unproductive addition to what many feel are already arduous accountability practices. State university systems appear to be the least committed partners across the study states. Conversely, a few states reported that programs eagerly volunteered to participate. In

⁵ Texas Council on Workforce and Economic Competitiveness, *3rd Annual Report on the Implementation of the Texas Workforce Development Strategic Plan for FY 2000-2004*, Austin, Texas, TCWEC, December 2002. Nine agencies identified by the state Comptroller's Office to be substantially involved in education, training, or employment services for current or future jobseekers and business fall under the purview of the Act. This includes the five agencies that sit on the Council—the Texas Education Agency, the Texas Higher Education Coordinating Board, the Department of Economic Development, the Department of Human Services, and the Texas Workforce Commission. The four non-sitting agency partners are the Texas Commission for the Blind, the Texas Youth Commission, the Texas Department of Criminal Justice, and the Texas Rehabilitation Commission.

⁶ The Committed included representatives from the Governor's office, the State Legislature, the private sector, labor, the Chancellor's Office of California Community Colleges, the California Department of Education, the California Department of Rehabilitation, the California Department of Social Services, the California Employment Training Panel, and the California Employment Development Department.

California, for example, the Department of Rehabilitation volunteered to join the PBA Committee in an effort to be at the table from day one. A few states, including Missouri, New York, Pennsylvania, and Utah, are presently more focused on workforce systems comprised of core programs available at the One-Stops.⁷ The remaining states in this analysis have highly inclusive approaches to identifying components of the workforce system beyond the principal employment training programs.

Popular performance measure development processes included conducting an environmental scan, recruiting information technology (IT) personnel to analyze data integration feasibility, and establishing systemic workforce goals as a way of giving focus to performance measures. Some states also developed performance measurement guidelines. Participants in the Pennsylvania process, for example, attempted to avoid any indicators that were vulnerable to manipulation (e.g. “creaming”) and only considered measures for which data were already available.

New York is a revealing case for process. The New York System Indicators Team, composed of local WIB directors, initially approached performance measurement by developing a set of Operating Principles to guide the measures development process (see Box A). The Operating Principles resulting in the selection of three performance measures for use in the first year: Market Penetration, Total System Investment, and Customer Repeat Usage.

Successful states also recognized their limitations by initially adopting only those measures for which the necessary data were already available. Several states were overly

Box A
New York System Indicators Team
Operating Principles

1. The recommended system indicators are a starting point for working towards and developing more refined indicators of system performance.
2. Focus should be Statewide local measures, and should reinforce “system”, not “center” or “program.”
3. The recommended indicators must be relevant to the State and Local Workforce Investment Boards, Chief Local Elected Officials (CLEO) and system partners.
4. The two primary customers of the system are:
 - o Businesses; and
 - o Individuals (e.g., emerging, transitional and incumbent workers).
5. There must be a strong commitment by all local areas to supply the core data to a common database (electronically or otherwise), in order to establish consistency in measuring and interpreting indicators.
6. The data collection process to support calculation of the indicators must not be onerous on system partners.
7. The indicators should lend themselves to a system report card.
8. Report cards should provide a local context (e.g., local economic conditions) for the indicators.
9. The indicators should promote system integration and continuous improvement.
10. The indicators should be designed to highlight success rather than failure.
11. All system partners would share system outcomes (successes).

Source: <http://www.workforcenewyork.org/swib/sitdraft.htm>

⁷ While Utah’s single-WIB structure simplified negotiating priorities and definitions, collaborating with state educational entities presented challenges due to historically divergent institutional goals.

ambitious during early trials of measures, the result being measures that had to be dropped or depended on highly unreliable data. It is worth noting, nonetheless, that some states simply delayed the implementation of measures until mechanisms could be put in place to record additional data.

Box B
Performance Measures Adopted by the California PBA Committee, Year One

1. Rate of Employment
2. Length of Employment Retention
3. Earnings Before and After Program Participation
4. Rate of Change in UI Status
5. Rate of Change in Status from Tax Receiver to Tax Payer
6. Rate of Advancement to Higher Education

Source:
<http://www.sjtcc.cahwnet.gov/pba/Disk1/main/pba645.htm>

Types of Measures

We distinguish between two broad types of measures—*common measures* that are discretely applied to each of the multiple elements that comprise the system and what we define as *system measures* that assess the combined performance of all the system elements. Several states have started with common measures as a basis for getting to system measures; many are moving toward a combination of the two.⁸

We also reviewed an array of other non-federal measures including:

- Market or population-level measures that assess the use and outcomes of services to customer groups, including businesses, job-seekers, students, and others. stakeholders.
- Self-service measures to track individuals using web-based and low-intensity services.
- Program management measures that assess operational effectiveness and contribute to continual improvement of the workforce development system (e.g., dashboards and scorecards.)

The most popular measures across the states examined for this study were typically variations of existing measures used for federal workforce education and training programs (see California’s Year One Measures, Box B). These included employment entry and retention, earnings and earnings gain, customer (employer satisfaction and job-seeker) satisfaction, credential/educational achievement, and receipt of public assistance. To these states also have added others, most commonly job-seeker and employer market-penetration, job order cycle time, post-secondary educational achievement, and an array

⁸ Oregon refers to common measures applied across multiple federal/state funding streams as “systemwide” measures, which may prove a useful in the lexicon of performance measures to distinguish between common and system measures, both of which are considered “system” measures in today’s practice.

of measures supporting state-specific goals such as individual career development (in contrast to basic job creation), economic development, and general quality of life.

Perhaps influenced by WIA's touting of a business-driven system, considerable attention has been given to business measures that go beyond the Act's customer satisfaction measure. Market penetration measures are by far the most common. The simplest and most direct penetration measure is change in the numbers of employers served. The more refined approach tracks the number of employers that place job orders or receive some significant service from One-Stop Centers as a share of the universe of all known employers, usually at the state level. The turnaround time for filling a job order is another popular business measure. More detailed customer satisfaction surveys and "mystery shopper" ratings are increasingly used as business measures.

One of the more creative attempts at a business measure was California's pursuit of an employer satisfaction measure based on employee wage gains in the first year. The underlying rationale was that wage gains reflected increased productivity. The measure was eventually discarded. Oregon probed an "employer investment in the workforce system" measure, but became bogged down with trying to define "system"—all employer-related training or only that coordinated with the One-Stops—and is likely to drop this in lieu of a more basic market-penetration measure.

Reducing the number of UI claims and shortening benefit duration, both of which keep employer costs down, have also emerged as measures of business services among some states; in others, these are still viewed as jobseeker measures. California's UI status measures focus on pre-/post-receipt and the duration of benefits. Texas has recently proposed similar measures, including initial claimants placed within ten weeks of benefit receipt and total placements among UI claimants.

Challenges and Responses

As stated earlier, the design and implementation of the measures is an ongoing, dynamic process. States have learned that not all measures that they have selected can be implemented, usually because data were not available or were incomplete. For example:

Currently, only three employment measures (placement, retention, and wage gains) and two welfare measures (caseload reduction and recidivism) among Oregon's fourteen One-Stop Systemwide Performance Indicators are fully operational. "Bits and pieces" of the others are in place, but not fully implemented because of data limitations. Moreover, their return-on-investment (ROI) measure is on the back burner for now, and the employer investment measure may be moving toward a market penetration rate.

California had considered a self-sufficiency measure that proved too challenging, given the wide range of cost-of-living conditions in the state. Moreover, its measure of advancement to higher education has been impaired by lack of access to data beyond that provided by the community college systems. As mentioned, California also piloted a measure of earnings increase within the first year of employment as a proxy for business satisfaction, which it discovered was too unwieldy. Other states have dropped or modified similar measures as well. Oregon's Performance Accountability Planning Group (PAPG), for instance, determined Workforce Readiness to be conceptually "too

fuzzy” to develop as a measure. Determining the cost of front-end investments for ROI has also been too complex for the state to adequately address at this time.

Refining and operationalizing common, systemwide or system measures face other challenges as well, particularly when trying to avoid or minimize new data collection and draw from currently available data. A major challenge is creating compatible definitions across programs that define events differently under their categorical reporting requirements—all states must eventually address this and most hope that the federal government can help them out. Employment measures have been more readily accessible, but even these can be confusing. For example, Oregon’s Wage Gain measure is drawn from UI wage records data for the first and fifth quarters after employment entry and should not be confused with WIA Wage Gain measures. Even “employment entry” is inconsistently defined across programs. For WIA adults, inclusion depends on employment status (i.e., not employed) at registration, whereas other programs generally include any individual who entered employment subsequent to participation.

In Texas, similar definitions have been developed for each measure and relevant agency. Some measures being reported by multiple agencies have slightly different definitions because of their federal reporting requirements and agency-specific language. Oregon’s Performance Reporting Information System Management (PRISM) receives data from the various partner agencies and processes it in accordance with the agreed upon performance indicator definitions. Alignment is facilitated by use of a data dictionary that identifies the various elements of partner systems on a common basis.

Whom to count in a measure is itself an issue. Should vocational education programs be accountable for *all* students who take classes? States have responded in creative ways. In California, distinctions between “completers” and “leavers” have been discreetly defined for each program. Basically, completers are individuals who have substantially fulfilled all of the program requirements and for whom the expectations for positive outcomes and accountability are justified. Leavers are individuals who have not fulfilled the requirements and are no longer participating. The sum of leavers and completers is total participants.

As simple and direct as this distinction sounds, it can quickly get complicated. Where data are available and the distinction based on mission, goals, and objectives makes sense, completers, rather than total participants, are used in the measure’s formula. Accordingly, persons who receive an associate degree or vocational certificate from the community college system are “completers.” Students who finished at least three units but less than twelve; completed at least twelve units in an occupational area, but did not receive a certificate or degree; or completed occupational programs of less than eighteen units are considered leavers. For employment, retention, and earnings measures for the community college system, only completers are factored in, limiting the universe of individuals to those for whom labor market success is a reasonable outcome, as opposed to those who may be taking classes for more casual reasons or continuing their academic pursuits in four-year setting. Alternatively, all CalWORKs “participants” are factored into the employment entry measure because preparation for and employment entry are core objectives for all who receive these services. Consequently, common measures are

not comparable across programs, but they do indicate the partner program/agency contribution to workforce development.⁹

Box C
Team Pennsylvania WIB System
Indicators

1. Percent of employers using services coordinated through the local workforce investment board.
2. Percent of individuals using services coordinated through the local workforce investment board.
3. Percent of jobseekers who receive intensive or training services and obtain employment.
4. Median cycle time to fill a job.
5. Percent of individuals that used Careerlink service and entered employment in jobs with wages in the following deciles:
0-10%, 11-20%, 21-30%, 31-40%, 41-50%, 51-60%, 61-70%, 71-80%, 81-90%, 91-100%

Source:
<http://www.subnet.nga.org/workforcecouncilchairs/BestPractices/TeamPA.asp>

Simple or Complex?

The degree of performance measurement complexity varied widely across states. States newer to the system measures world, like New York and Pennsylvania, use only a handful of very basic, system-level metrics. The Team Pennsylvania WIB created a performance evaluation subcommittee in 2000 to develop system indicators. The group considered 22 measures and eventually selected the five listed in Box C. New York's System Indicators Team originally brought over 40 proposed indicators to the table for consideration, but eventually only three performance measures were recommended as an initial starting point

Other states have quite detailed measures. As indicated above, California has a richly textured approach to its measures. For example, California can disaggregate outcomes for four different subgroups based on their pre-/post-earnings experiences. The four pre-program groups include those whose earnings were:

1. Greater than or equal to the minimum wage
2. Less than the minimum wage
3. Zero, but receiving UI or eligible for AFDC/TANF or SSI/SSP
4. Not found in any matched database

Post-program subgroups for first and subsequent years earnings measures include those who had:

1. Earnings in all four quarters of the subject year
2. Earnings in any of the four quarters
3. Zero earnings, but were receiving UI or eligible for AFDC/TANF or SSI/SSP

⁹ This non-comparability is mitigated by the longitudinal focus that California has taken by collecting and reporting similar data across programs annually.

4. Not found in any matched database

Tiered Approaches

Several states have begun to move beyond clusters of common and system measures toward multi-tiered measurement models linked to statewide strategic goals, workforce system-building, and continuous improvement. Texas has been revising and refining its measures in step with the system itself as it deepens partnerships, improves its strategic plan, and generally increases capacity. TCWEC originally (1999) framed its system measures conceptually as Business, Labor Market, and Learning Measures that aligned with the goals established in the state's strategic workforce development plan. Since then, the measures have been reconfigured, and the number of partner agencies and their associated programs have increased. In 2001, TCWEC adopted sets of Formal Measures (Entered Employment, Employment Retention, and Earnings Gains) and Less Formal Measures (Employer Participation, Educational Achievement, Youth Indicator, TANF Indicator, and Customer Satisfaction). These measures are aligned with the five system goals, and data are gathered from each agency based on availability and the relevance or appropriateness of specific programs to a particular goal.

As a result of the 2003 strategic planning process, Texas is further clarifying its approach to system measurement by considering a tiered model. Tier 1 System Measures would encompass the five measures now found in the state's monthly and annual scorecards. Tier 2 Strategy Critical Measures would include ten or so measures linked to agency strategies that will help prepare individuals for success, such as secondary dropout and retention rates or postsecondary articulation rates. Tier 3 System Action Plan Specific Measures would attempt to assess cross-agency progress toward specific system milestones and objectives, as well as program-specific links to Tiers 1 and 2. The purpose of this tiered approach would be to enhance shared accountability for strategies and outcomes across agencies that reinforce an institutional culture shift towards workforce system development.

Florida's Annual Performance Report also relies on a three-tiered approach to assessing the performance of its workforce development system. Each tier reflects and relates to the outcomes of the tier below. The state has identified more than thirty programs/funding streams in Tier Three, which includes process/output measures (e.g. UI timeliness), regionally adjusted, program-specific outcomes, and special federal performance requirements (e.g. TANF participation). These outcomes feed the assessment of Florida's three strategic approaches (i.e., First Jobs/First Wages, Better Jobs/Better Wages, and High Skills/High Wages) in Tier Two, which focuses on

Box D **Florida's Three Tiers Uniform Measures**

1. Total # Individuals
2. Initial employment (post-exit)
3. Earnings
4. Continued Employment
5. Initial Earnings (avg/yr)
6. Earnings Growth
7. Public Assistance (at exit)
8. Public Assistance (1 yr post-exit)
9. Continuing Education

Source: Workforce Florida's Annual Performance Report,
http://www.workforceflorida.com/wages/wfi/news/annual/02_appendices/Table11.pdf

Box E
Utah Performance Measure Categories

Outcome measures: “Indicators of results – they tell the organization whether or not it achieves goals and objectives”

Process measures: “Indicators of procedure – they describe how the organization reaches goals and objectives”

Efficiency measures: “Indicators of the use of department resources – they describe the costs and inputs to processes used to meet goals and objectives”

Activity measures: “Indicators of volume – they provide information on the quantity of workload and customers served”

Source: Utah Department of Workforce Services (2003). Strategic and Operational Outcomes: Draft 2 Planning Document. Salt Lake City: UDWS.

Box F
Oregon One-Stop Systemwide Performance Indicators

1. Increase in basic skills proficiency
2. Demonstrated competency in workforce readiness skills
3. Completion of Educational Degree/Certification
4. Placement in Postsecondary Education or Training
5. Completion of Occupational Skills Training
6. Employer Investment in Workforce Development
7. Employment/Placement
8. Employment Retention
9. Wage Gain
10. Customer Satisfaction - Job Seekers
11. Customer Satisfaction - Employers
12. Welfare Caseload Reduction
13. Recidivism
14. Return on Investment

Source: Perrett, Mark. Oregon Workforce Development Performance Accountability Summary. (2002) Oregon Employment Department: Salem, Oregon. Revised June.

program-specific outcomes for targeted populations. Tier One features broad outcome measures that can be applied almost universally to measure system performance and provides aggregated and unduplicated system output across all programs/funding streams. Tier One currently reports the total number of individuals served, the number and rate of employment entries, and the rate of employment retention. The state now has four years of data to track many outcomes longitudinally by cohorts. See Box D for an overview of the nine uniform measures included in Tier One.

Utah, one of only a few single-WIB states, similarly chose to develop a three-level model that reflected their management structure. Level One measures focus on executive management and have a strategic, system-oriented focus. Level Two measures attempt to connect strategic and operational goals and target regional and center management. Front-line workers, lead workers, and supervisors are covered by Level Three measures that target areas for operational improvement and personal accountability. Utah’s measures have been divided into four categories (see Box E) that address their system’s four Key Business Processes: Employment Counseling, Eligibility, Business, and Unemployment Insurance Services.

Oregon has perhaps the oldest and broadest array of non-federal measures, and its three-tiered system takes a slightly different approach. State legislation in 1989 created the Oregon Progress Board and charged it with developing a statewide strategic plan,

Oregon Shines, to promote good jobs, vibrant communities, and healthy natural environments. The Board also established state benchmarks that span general quality-of-life measures in areas that include civic engagement, public safety, economy, social support, community development, education, and environment.

At the top of Oregon’s three-tiered system are the 90-plus measures affiliated with Oregon Shine’s benchmarks tied to the state strategic plan. At the bottom are 144 program performance measures to which the partner agencies and One-Stop programs are subjected. Bridging the two layers (Box F) are the 14 “interim” indicators that serve as the One-Stop Systemwide Performance Indicators. Oregon administrators perceive these in clusters grouped as Critical Investments and Outcomes that assess Customer Performance and System Management. The input-critical investment measures (#s 1-6) feed the output measures (#s 7-9), and system performance is assessed by the remaining output measures (#s 10-14).

Box G
“Red & Green” Report Measures

1. Welfare Entered Employment Rate
2. Welfare Transition Entered Employment Wage Rate
3. Welfare Return Rate
4. Adult Employed Worker Outcome Rate
5. WIA Adult Entered Employment Rate
6. WIA Adult Wage Rate
7. WIA Dislocated Worker Entered Employment Rate
8. *WIA Dislocated Worker Entered Employment Wage Rate*
9. WIA Youth Goal Attainment Rate
10. WIA Youth Positive Outcome Rate
11. Wagner-Peyser Entered Employment Rate
12. Wagner-Peyser Entered Employment Wage Rate
13. Wagner-Peyser New Hire Involvement Rate
14. Wagner-Peyser Employer Involvement Rate
15. Customer Satisfaction – WIA Individuals
16. Customer Satisfaction – Wagner – Peyser Individuals
17. Customer Satisfaction – Employers

Example:

	Board A	Board B	Board C	Statewide
Welfare Entered Emp. Rate	20.9	30.3	24.6	28.1

Source: Red & Green Report Definitions,
<http://www.workforceflorida.com/wages/wfi/news/red-green/definitions.doc>

Scorecards

Florida and Texas also have developed “scorecard” approaches to improving system management capacity. The Workforce Florida, Inc. (WFI) Board, encouraged by local Boards, recently chose to develop two reports out of concern that the longitudinal WIA measures were not providing local Boards with sufficient data for day-to-day program management. The *Red & Green Quarterly Short-Term Report* evaluates regional boards on measures for WIA, Wagner-Peyser, and TANF work programs. This report focuses on exits and immediate outcomes in the local MIS that will later be verified by longitudinal follow-up. Using an Excel spreadsheet, the report indicates the top-performing quartile of regions in green and the lowest-performing

quartile in red (see Box G). The Monthly Management Report (the *Purple and Orange Report*) presents results for 24 similar measures on a monthly basis. All measures were selected by the Red/Green Report Working Group and approved by the WFI Board. Regional standards were negotiated for all of these measures.

For FY 2002, Texas also introduced a system performance scorecard, which had been recommended by the staff of the state's Sunset Commission. The scorecard is an attempt to portray system progress beyond categorical agency/program results associated with the common measures used for the bulk of the state's annual strategic progress report. The five scorecard measures are shown in Box H.¹⁰ The actual number of participants in each program is the basis for weighting each agency's data. TCWEC recognizes the limitations of this method as it generalizes across initiatives, some of which serve populations for which these outcomes are less valued. Nonetheless, TCWEC believes it serves as a vehicle for system awareness and provides a broad snapshot of system attainment.¹¹

Box H
Texas System Performance Scorecard

1. Entered employment rate
2. Employment retention rate
3. Earnings gains rate
4. Percent of program participants receiving a degree or credential
5. Number of individuals served (participants and employers)

Source: TCWEC. (2003). 3rd Annual Report on Implementation of the Texas Workforce Development Strategic Plan FY 2000-04. TCWEC: Austin.

Data Collection and Management

While some states have fared exceptionally well, for most, data collection and management activities proved to be a time-consuming challenge, even when relying primarily on UI wage and other administrative records. One barrier is that local data systems may be decentralized and highly varied. For example, in New York through 2002 only about 60 percent of local Boards had access to monthly data on customers through its One-Stop Operating System case management software. Data collection is also impaired by the varying geographic boundaries and reporting cycles of the different programs. California, for instance, has 50 local workforce Boards, 58 counties, and 72 community college districts. CalWORKs is county-administered and lacks a statewide database. K-12 data are managed at the independent school district level.

In addition to standard data sources, states are using a variety of data gathering tools including surveys, swipe cards, monitoring Web site use, particularly for automated labor exchange placements, and “foot traffic” counts. “Mystery shoppers” appear to be an increasingly popular method for monitoring the quality of customer services for both businesses and jobseekers.

¹⁰ TWC also produces a “scorecard” as part of its monthly performance report for 17 WIA measures at the Board level.

¹¹ WIA Youth and clients of the Texas Commission for the Blind and the Texas Rehabilitation Commission are subgroups for which the Council has recognized the limitations of employment entry and retention measures.

Data collection efforts were typically supported by in-kind and monetary contributions from participating programs, although some states did receive legislative appropriations or used federal block grant funds. A few states reported frustrations over unfunded mandates.

Many states managed data collection and analysis in-house but some have contracted these services out to third-party vendors. Missouri, for example, initially hired University of Missouri-Columbia researchers who had experience working with UI wage records data. California hires vendors through a competitive bidding process.

One motivation for contracting out is the limited IT capacity of many states' workforce systems. While workforce organizations shifted to a more integrated systems model in the 1990s, legacy IT systems have not always kept up. Many of the states in this study reported recently completing or currently planning major systems overhauls which they expected to greatly improve their data collection capabilities. Entities participating in the California systems measures initiative currently deposit data for performance measures at a centralized server housed at a vendor's worksite. The state is proposing to convert to a "data-mart" approach that will be housed in its State Data Center.

Innovative Use of Technology

Utah, Washington, Texas, and Florida have made significant and innovative investments in IT infrastructure that have vastly improved their performance reporting capabilities. Utah approached data management through a multi-tiered system architecture that allows employment counselors and clients to access data via a traditional Web browser. The UWORKS database went live in November 2002, with features including automated job matching, career counseling, and tracking of all training and employment services.

UWORKS has additional innovative features. For example, an employment counselor can conduct a Knowledge/Skill/Ability search from the pool of jobseekers in a particular zip code to identify individuals who are potentially qualified for a new job opening, without disrupting the other on-line processes of the UWORKS system. The system was also designed to support use by either self-service customers or program staff. Utah DWS is currently working to replace "disparate and outdated" mainframe systems that feed data into UWORKS in the near future.¹²

In addition to UWORKS Utah recently went online with its new data warehouse, YODA (Your Online Data Access). YODA is a Web-based system that combines data from all workforce programs and allows for advanced queries that serve program management purposes. This strategy offers two major advantages. First, a Web-based application eliminates the need for time-consuming and expensive upgrades to software each time the system is modified. Additionally, the multi-tier architecture enables data warehousing, a practice that takes advantage of declining data storage costs by duplicating some online data for use in reporting and queries.

¹² Interview with Rick Little, Management Information Services and Reporting Manager, DWS 04/24/03

When the Texas Workforce Commission (TWC) was created to consolidate Texas workforce programs, it faced a familiar challenge of facilitating information sharing across programs with incompatible computer systems. The result was an information architecture called The Workforce Information System of Texas (TWIST). TWIST is a case management and data collection tool that tracks records on individual participants/users across programs. Additionally, TWIST regularly links participant data with UI records, publishes standard management reports, and is responsive to selective queries for specialized reports. In November 2002, TWC began to roll out a new system, WorkInTexas.com, a Web-based system that will replace both the current automated labor exchange system (HireTexas.com) and the Job Service Management Information System (JSMIS) used for Wagner-Peyser Act Employment Service activities and have reciprocal data exchange capacity for ES with TWIST.

Florida, whose history of comprehensive performance measurement in education predates its current workforce system, has been capturing education related outcomes using its Florida Education and Training Placement Information Program (FETPIP) program since 1988. FETPIP currently boasts linkages to the Florida Department of Education, Florida Department of Corrections, Florida Department of Children and Families, Florida Agency for Workforce Innovation, U.S. Department of Defense, U.S. Postal Service, and U.S. Office of Personnel Management. Additionally, in recent years FETPIP has expanded data collection by obtaining linkages with the National Student Clearinghouse (NSC) for out-of-state enrollments and the Wage Record Interchange System (WRIS) for out-of-state employment data.

In April 2002, Washington implemented a new data management system known as SKIES (Services, Knowledge, and Information Exchange System) to replace JobNet and DataFlex. SKIES is a single statewide information repository that users access via the Internet. Derived from Utah's UWORKS, it presently supports 1,350 users from a cross-section of public and private employment and training providers. Future performance measures will be based on SKIES data, which may create some difficulty in cross-year comparison in the short-term.

Continuing Challenges

Tracking self-service programs such as self-directed job searches and Web-based activities is a hurdle for many, if not most, state and local workforce systems. Strategies for improving data collection in this area include such simple solutions as tracking Website hits and foot traffic in workforce centers to estimate service demand. Many states are slowly moving towards more sophisticated tactics, including Web-based services that track individual users based on Internet provider (IP) address or login identifier. Several workforce development programs, including local Boards in California and New York, have begun experimenting with swipe cards to track self-services activities at workforce centers.

The scarcity of data in two other areas was consistently cited as a major roadblock to developing and implementing comprehensive system measures. First, the limitations of

UI wage records make tracking earnings-related outcomes difficult. Outcomes are also difficult to track in states where a large part of the population is employed by the military, federal government, or religious institutions, groups that are not covered by UI data. Highly migratory populations and/or worker populations that live in one state and cross the border to another to work further complicate performance measures based on UI wage records. Some state workforce systems are investigating data linkage agreements with neighboring states and/or the military in hopes of improving accuracy and coverage.

California uses Memoranda of Understanding (MOUs) and interagency agreements to set up data sharing arrangements with various state-administered programs and agencies, as well as with external data agents through which the PBA initiative has expanded the range of databases included in the employment and earnings data. The limitations of the state UI wage data regarding government and military employment (but not self-employment/entrepreneurship) have been alleviated through MOUs that give the California state WIB access to U.S. Department of Defense, the Office of Personnel Management, and U.S. Postal Service data. MOUs to support data exchanges with Washington and Oregon are also under consideration. In some other states, MOUs have not realized the intended data sharing outcomes, which has been more effective in those states with legislative mandates or executive orders that reinforce interagency/program cooperation. Access to education data is particularly perplexing where state agencies perceive their core missions as divergent or take narrow and “risk-free” positions regarding disclosure of education data under the provisions of the Family Educational Rights and Privacy Act (FERPA), the second major data challenge.

FERPA was the most commonly mentioned barrier to creating a true “system” picture with performance measures. The majority of states reported that they were not able to capture some education-related outcomes data due to FERPA limitations. A few states have found ways to circumvent FERPA-related issues nonetheless. The State of California will contract out future performance measures studies through the state community college system. Florida captures education-related outcomes through its FETPIP program, which is housed in an education agency. All publicly released outcome reports include only aggregated data, and all individually identifiable data are protected from public disclosure, allowing education and training administrators to satisfy both FERPA and reporting needs.

Structural arrangements at times facilitate data sharing. The fact that Washington’s WTECB devolved from the State Board for Vocational Education and WTECB’s status as a state eligible agency under the federal Perkins Act permits access to vocational education data. (Administrative data for other programs, i.e., adult education, vocational rehabilitation, apprenticeship, etc., are collected from the operating agencies under interagency agreements.) Oregon’s community college and WIA Title I-B data are contained in the same agency (Community College and Workforce Development), facilitating data sharing and matching.

Collectively, UI limitations and FERPA data linkage problems serve as serious barriers to reliable outcomes measurement and thus hinder states’ ability to enforce accountability measures and pursue continuous improvement programs. This finding points to the need for a concerted federal effort to support data collection for workforce performance measures, especially as federal reporting requirements move towards a systems focus.

Uses and Consequences

A variety of audiences and uses for performance measures were reported by the states included in this study. Four major trends dominated: accountability, continuous improvement, system-building, and institutional support.

Accountability

All states reported that performance measures helped them insure that workforce programs were accountable to state boards, elected officials, job-seekers, employers, and the general public. Texas and a few other states mentioned that cross-program system measures were especially useful for presenting outcomes to state legislators who at times have difficulty distinguishing different programs. Several states reported reviewing performance data when making contracting decisions; only Florida and Washington reported connecting additional performance measures to sanctions or incentives at this time.¹³ Many states reported that they hope to engage in similar practices once they have had time to solidify their measures and definitions.

Continuous Improvement

Continuous improvement was another universally popular use for performance measures, though many states struggled to

Box I Michigan's Career Development System Indicators

Customer Satisfaction Index:

Client contacts – *Customer service volume for in-person, phone, and web-based services*

Job-seeker satisfaction – Mystery shopper ratings for service centers

Parental and worker awareness – *Marketing and public relations survey results*

Employer satisfaction – *Employer market penetration and mystery shopper ratings*

Career Development System Success Index

Workforce development success – *Ratio of wage gains to WIA expenditures*

Postsecondary success – *Ratio of credentials awarded to enrollment*

Career preparation success – *Rate of completion for Career and Technical Education programs*

Success for adults with disabilities – *Ratio of cases closed to total enrollment*

Adult education success – *Skills levels attained per 100 hours of instruction*

Post-welfare success – *WorkFirst case closure rate*

Career readiness skills gap – *Difference between WorkKeys skill ratings for job-seekers and employer job profiles*

Source: Internal Documents, 4/16/03 Draft

¹³ Florida uses the “Red & Green” Quarterly Short Term Report based on administrative data for incentives funded with WIA, TANF, and Wagner-Peyser set-asides. Long-term incentives are based on outcomes verified with UI wage records. Interestingly, local Boards must expend at least 50 percent of their funds on training to initially qualify for incentives. Texas awards incentive grants to the best performing small, medium, and large Boards from a small pot of WIA statewide reserves. Pennsylvania reported that they had intended to use federal performance awards as incentives but did not have funds available to do so.

Box J
Basic Components of Washington's PMCI Framework

1. Desired Outcomes and Indicators of Performance – *Seven desired outcomes (competencies, employment, earnings, productivity, reduced poverty, customer satisfaction, and return on investment) were selected by the state board. Indicators for each outcome are measured for the population as a whole as well as women, people of color, and people with disabilities.*
2. Performance-Based Consequences – *WIA Title I incentive funding will be allocated to boards that exceed expectations.*
3. Measuring and Reporting Results – *The Workforce Board tracks outcomes for secondary and post-secondary vocational-technical education, WIA, work-related adult education and family literacy, the WorkSource one-stop system, and other workforce development programs.*
4. Continuous Quality Improvement – *Annual self-assessments using the Baldrige Quality Criteria and goal setting process conducted by local councils.*
5. Implementation Measures – *Regular report to the Governor on key goals, objectives, and strategies outlined in the strategic plan.*

Source: High Skills, High Wages: Washington's Strategic Plan for Workforce Development 2000

<http://www.wtb.wa.gov/hshwplan.pdf>

formally connect performance measures data to strategic planning.

Furthermore, the timing of the recent economic downturn coincided with the development of measures in many states, making interpreting cross-year performance difficult.

One of the more unique continuous improvement models came from the Michigan Department of Career Development. In 2001, Michigan created a simple tool for monitoring year-to-year progress by developing two indexes—the Customer Satisfaction Index and Career Development System Success Index—that attempt to provide policymakers with a “30,000-foot view” of year-to-year successes and challenges (see Box I).

Washington State is currently transitioning from common and cross-program measures to system performance measures with careful attention to maintaining established continuous improvement practices. The existing Performance Management for Continuous Improvement (PMCI) framework, developed with the assistance of the National Governors Association in 1996, connects goal setting and strategic planning to the performance measurement process (see Box J).

Moreover, the WTECB has been able to combine additional research and analysis that it conducts to adjust strategies and improve outcomes. For example, WTECB compared outcomes from the regular adult education curriculum with outcomes from adult education tied to occupational skills training and found that the latter had a positive impact whereas the former had none. Similarly, WTECB found that training in low-wage fields (e.g.,

cosmetology) had no impact, while training in higher-skill occupations (e.g., health care, information technologies, building trades) did. Such analyses have influenced the curricula available at community colleges, the major training providers.

System-building

Every state in this study has acknowledged the importance of common and system measures development and implementation as a process that stimulates cross-agency and cross-program awareness of common goals and outcomes. More importantly, the process helps to delineate the inter-connectedness of the unique contributions that multiple stakeholders grant in the production of a skilled and economically viable workforce. As a result non-federal measures development has acted as a catalyst for better understanding of systemic goals and the development of important cross-program relationships.

Texas is an excellent example of a state that has explicitly tied its common and system measures to its five workforce strategic goals that nine state agencies subscribe to. Keeping the partners engaged and buy-in over time is expected to further push system integration. In turn, this may build critical mass for further analysis and measure refinement. Additionally, it may help the system better target strategies for critical populations and intersections of programs and services of the workforce partner agencies.

Table A: Sample Quarterly Management Dashboard						
Performance Measure	Goal 80% of Goal	Board A	Board B	Board C	Board D	Average
1 Entered Employment Rate	60% 48%	67%	61%	61%	48%	59%
2 Wage Gain Rate	50% 40%	45%	41%	9%	13%	27%
3 GED Completion Rate	53% 42%	53%	42%	44%	28%	42%
	AT 100% OF STANDARD OR BETTER		BETWEEN 80 AND 99% OF STANDARD		BELOW 80% OF STANDARD	

Institutional Support

Performance measures data were used for consolidating support for workforce institutions across the board, typically by promoting increased and/or continued investment in workforce systems by governors, state legislatures, and the business and labor communities. The majority of states published their findings in quarterly or annual reports, but some have begun to experiment with new models of communication. User-

friendly models—including dashboards, scorecards, and Web-based reports—beyond potentially improving the utility of performance measures for short- and near-term management and long-term planning, also provide a snapshot for a variety of audiences. “Dashboards” present performance measures in a graphic format that is easily visualized and interpreted. Table A demonstrates a hybrid dashboard/scorecard similar to Florida’s Red and Green Report. Web-based reports may eventually include dynamic, longitudinal content that provides both immediate feedback for day-to-day management and multiple years of data for analyzing long-term system performance, all of which can highlight the benefit of public investments in education and training.

Other Common Uses

Several other applications for performance measures were reported. Economic development was a planned use for performance measures in many states. For some, economic development was a key institutional priority—Missouri’s Division Of Workforce Development, for example, is part of the state’s Department of Economic Development. Other states had more specific economic development goals. Pennsylvania hoped that performance measures data would help shine a light on potential industry clusters. Some states have developed the capacity to target very specific economic targets. For example, California monitors specific data on the vocational nursing market, an industry that expects to experience increasing demand as the baby boomer population reaches retirement age. Some states reported that they planned to use performance measure reports to promote greater equity through social justice and poverty elimination programs in their states.

Most states report out on the non-federal performance measures at the state level and have chosen not to disaggregate (other than scorecards) at the local Board or other substate level. With the exception of Florida and Washington, states have demurred from tying performance measures to sanctions and incentives to date. For the most part, states indicate that doing so is premature, as they are in the process of building interagency and program collaboration on behalf of greater system development. Even leading-edge states tread lightly regarding local buy-in. For example, Washington has held roughly 2.5 percent of its WIA statewide funds in reserve for local Board incentives, but Boards remain more concerned with categorical reporting requirements.

Prominent Lessons

All states included in this research emphasized that performance measure development and implementation is a dynamic, ongoing, and evolving process. Flexibility, experimentation, and continuous refinement of measures are key. Spokespersons reported that their participation had been a learning experience and they identified a number of key lessons, as follows:

The measures development process works better when all relevant partners buy-in and participate. Consensus-building across sometimes disparate agencies and programs is a

critical ingredient for progress. This is time-consuming and difficult, but will provide the foundation for continuing success.

Developing broader, non-federal performance measures facilitates system building and shared vision. Again, common and system measures generate awareness of shared goals and outcomes related to strengthening the productive capacity of citizens and communities. When measures are implemented, stakeholders gain a better understanding of systemic goals and the development of important cross-program relationships. It is also very helpful if the entity responsible for reporting on measures is a neutral convener, not a program operator or agency with its own agenda.

Both the limitations and the potential of the data supporting these performance measures need to be recognized. States should initially take advantage of and build upon currently available data. Most states in this study have wisely adopted measures that relied on data that are readily available. Nevertheless, states should not shy from implementing measures that benefit from expanding available data and databases. For example, states may implement multi-state data sharing arrangements to capture out-of-state employment. Greater access to the Wage Record Interchange System and overcoming the constraints associated with FERPA are both within states' reach.

Planning ahead for IT infrastructure can minimize the reporting burden of new performance measures on workforce partners. Rapidly changing technologies offer significant potential for states to introduce new data collection and distribution systems that can be placed at the fingertips of stakeholders. States should review the limitations of their current IT systems and the prospects of emerging technologies.

Key performance definitions require early clarification. Categorical reporting requirements and their associated definitions create real challenges for innovative, cross-program performance measurement. For example, states must clarify the difference between “exiters” and “terminees.” Which populations should be considered and are they to be weighted for specific measures? Other terms are subject to being manipulated for the purpose of enhancing outcomes. What constitutes a “credential” has become very controversial under WIA as well.

New performance measures selected for use will need to be tested patiently before full implementation. Many measures will need to be ‘tweaked’ to accurately gauge outcomes. This will take time. Initial benchmarks should be perceived as a starting point to test measure reliability, not as the ultimate basis for accountability. Regression-based adjustments may help to account for important contextual and economic variation within states. Longitudinal data may illustrate trends and patterns over time.

Legislation or Executive Orders help considerably with the development and implementation of new performance measures. A legal mandate can provide an initial basis for gaining consensus on principles, purpose and possible uses for developing measures before getting into specifics of the measures and standards themselves. Once stakeholders are involved in the process, measures can be selected and refined.

Data acquisition issues related to FERPA and UI wage data limitations will also need to be addressed from the outset. True accountability cannot be realized without accurate data and complete coverage of educational and labor market outcomes. States currently

have quite different interpretations of the FERPA rules and varying capacities to collect wage data from UI wage and other administrative records. National comparisons of workforce systems will remain out of reach until this situation is resolved. States and localities might benefit if the federal government initiated changes to FERPA and UI policy that create a more equitable and stable reporting environment.

Promising Prospects

Our discussions with these leading-edge states also surfaced a number of promising prospects for future development and implementation of non-federal performance measures, several of which are summarized here.

Multi-tiered models that address system performance and other desired outcomes. This report highlights several states—e.g., Oregon, Texas, Utah, and Florida—that have already begun exploring multi-tiered performance measurement and management approaches. These robust models offer states the ability to plan and monitor performance at every level of the workforce system, whether maximizing the effectiveness of front-line caseworkers or strategic planning by executive management. Tiered models rely on mature reporting systems that are capable of supporting rigorous reporting while minimizing the reporting burden.

Holistic approaches to workforce development. States understand that workforce development is both a necessity for general economic progress and a tool to address larger issues of social justice. Keeping both of these missions in mind, a number of new, holistic approaches have emerged in some of these states. For example, some states have adopted workforce system performance measures that track quality of life issues and career development, in addition to business-oriented measures such as the number of repeat business customers and job order cycle time. Combining economic development, customer satisfaction, and poverty reduction is increasingly an area of interest for many workforce systems and warrants continued attention and research.

Connecting performance measurement to continuous improvement strategies. Continuous improvement is a prominent goal of performance measurement and management, but many states are struggling to design and implement policies that effectively tie performance measurement to accountability and strategic planning processes. As measures mature and states begin to set performance benchmarks, this situation may change rapidly and is expected to lead to the adoption of sanctions and incentives. Some states, including Michigan, Washington, Texas, and Florida, are making progress in this area and will likely serve as models for others.

Emerging information technologies that can improve performance measurement. Information technologies continue to rapidly evolve, offering workforce systems the opportunity to store, link and manage data in innovative ways and to take advantage of falling prices. Data warehousing, swipe cards, Web-based reporting, and other technologies all create promising new options in support of performance measurement.

Because technology investments are expensive and time consuming, it is crucial that states communicate best practices to one another.

Several states have pursued non-federal workforce performance measures for more than a decade, while others have only recently begun to do so. Beyond helping states and localities to better understand how well they are serving employers, jobseekers, and their communities, such measures increasingly support workforce system development on many levels. Increased data-sharing assistance from the federal government, more active communication between the states, and expanded research into the process of developing and implementing more comprehensive performance measures could result in rapid progress that would, in turn, further strengthen workforce development services and systems.

**Return-on-Investment (ROI) Estimates for
Workforce Services in Texas, State Fiscal Year 2000-2001:**

Composite Workforce Development Board

Prepared for

WORKFORCE LEADERSHIP OF TEXAS

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Prepared by

Christopher T. King
Dan O'Shea
Sarah E. Looney
C. Andrew Redman
W. Lee Holcombe

Ray Marshall Center for the Study of Human Resources

Lyndon B. Johnson School of Public Affairs

The University of Texas at Austin

3001 Lake Austin Blvd., Suite 3.200

Austin, Texas 78703

512.471.7891

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EXECUTIVE SUMMARY

This report outlines the approach used to estimate returns on investment (ROI) for workforce services delivered in 18 of the 28 local workforce areas in Texas. It also presents ROI estimates for the Composite Workforce Development Board, one that demonstrates the “average” experience of participating boards. The Workforce Leadership of Texas, the statewide association of board chairs and directors, initiated this ROI effort—the first to attempt estimation of ROI across many of the important workforce funding streams—contracting with researchers at the University of Texas at Austin’s Ray Marshall Center to develop these estimates.

Our approach produces *reasonable first-approximations* of the returns to taxpayers on an array of workforce investments at the board level. Reasonable first-approximations of the net returns to taxpayers for major workforce investments in the Composite Workforce Development Board are presented for both 5- and 10-year periods. The 5-year net ROI for workforce investments is estimated to be *600 percent*. Another way of stating this is that every public dollar invested in these workforce services in 2000-2001 resulted in \$6.00 returned to taxpayers over five years. Over 10 years, the net ROI from workforce investments is estimated to be *800 percent*. Thus, every public dollar invested in workforce services in 2000-2001 resulted in \$8.00 returned to taxpayers over ten years.

A number of benefits and costs associated with workforce investments in the community have not been factored into our ROI estimates. Excluded benefits include returns associated with additional years of schooling for youth, the value of program output, and savings from reduced criminal involvement as well as teen pregnancy. Among the costs excluded are those associated with program transition costs and childcare costs not directly associated with the delivery of employment and training services. These exclusions lend our estimates a conservative bias.

This report outlines the approach used to estimate returns on investment (ROI) for workforce services delivered in 18 of the 28 local workforce areas in Texas. It also presents ROI estimates for the Composite Workforce Development Board, one that illustrates the “average” experience of the participating boards. The Workforce Leadership of Texas, the statewide association of workforce board chairs and directors, initiated this ROI effort—the first to attempt estimation of ROI across many of the important workforce funding streams—contracting with researchers at the University of Texas at Austin’s Ray Marshall Center to develop these estimates. This ROI project builds upon an earlier phase of the project that developed and recommended systemic outcome measures for Texas workforce services (Workforce Leadership of Texas, 2001).

APPROACH & KEY ASSUMPTIONS

Our approach produces *reasonable first-approximations* of the net returns to taxpayers from an array of workforce investments at the board level. ROI estimates presented here address the question: what is the taxpayers’ net rate of return on key workforce investments? Key steps and assumptions in this approach are as follows: ¹

- Defining the *workforce program array*. We focus primarily on federal/state funding streams that are *directly controlled* by local workforce boards, namely Workforce Investment Act (WIA) Title I serving adults, dislocated workers, and older youth; TANF Choices; Food Stamp Employment and Training (Food Stamp E&T); Welfare-to-Work (WtW); and Child Care. Our estimates also encompass funding streams administered by the Texas Workforce Commission that are only *indirectly controlled* by boards, namely the Employment Service (ES) and Veterans Employment and Training (VET) programs. In some areas, other funding streams are under board control as well, such as Trade Adjustment Assistance (TAA)-NAFTA and Skills Development grants.
- Selecting the *cohort and time periods*. We focus on individuals served in the key funding streams during State Fiscal Year 2001, i.e., September 2000 to August

2001. We project returns for 5- and 10-year periods following the period of investment. Projections over longer periods would be inappropriate for two reasons. First, most public workforce investments, with the exception of some postsecondary education and training, are of limited scope and scale and are unlikely to yield longer-lasting benefits. Second, labor markets have become far more dynamic in recent years with skill sets becoming obsolete much sooner.

- Estimating by *service strategy* and *target group*. We classify services across the various funding streams into two basic types: core/intensive and training and estimate impacts accordingly. We also estimate costs and impacts by major target populations, where appropriate and feasible, (e.g., adults, dislocated workers, youth, welfare), before aggregating them.²
- Documenting *workforce investment expenditures*. We use detailed expenditure reports secured from local workforce Boards and TWC to ensure that we fully capture the costs of all of the relevant workforce investments. Board-specific program expenditure data are shown in Appendix A.
- Documenting initial *workforce investment outcomes* and projecting them into the future. We accessed The Workforce Information System of Texas (TWIST) outcomes data maintained by TWC. In addition to the effects on participants' employment and earnings, we factor in related employer productivity increases *over and above* the portion that individuals have secured in the form of compensation increases.
- Adjusting program outcomes for *attribution* and *decay rates*. Only a portion of observed labor market outcomes constitute true impacts resulting from program participation due to the fact that many participants would have become employed and posted earnings without any intervention. We base our impact estimates on both observed labor market outcomes data and impact results from the evaluation literature (see References). Moreover, impacts resulting from participation in

¹ Detailed assumptions used in estimating ROI are available on the Ray Marshall Center's website: www.utexas.edu/research/cshr/pubs/.

workforce services may decay or diminish over time. Recent evaluations comparing labor force attachment (LFA) and human capital development (HCD) approaches to workforce services suggest that earnings impacts of LFA diminish over time while those from HCD persist over the longer term. For example, earnings impacts for welfare women in various training programs remained undiminished fully 7-8 years later (e.g., Couch, 1992 and Hotz et al. 2000). We thus apply *decay rates* that vary from zero to 100 percent, depending on the particular service and target group.

- Applying *spending multipliers* to program impacts on earnings and employer productivity. Participant and employer impacts are the first-round effects of workforce investments. As these dollar impacts make their way through the economy, they lead to further effects in subsequent rounds. These spending ‘multiplier’ effects are computed only on *increments*, not gross outcomes. OMB guidelines for benefit-cost analysis state that multipliers greater than one can be justified when resources are not fully employed. We apply a spending multiplier of 2.0 to our estimated impacts on earnings and employer productivity, given that unemployment rates in all Texas labor markets are above full-employment levels.
- Selecting an appropriate *discount rate*. Discounting is necessary to render future benefits into present values. Discount rates used in ROI and cost-effectiveness analyses can vary widely. We utilize a 3 percent real (inflation-adjusted) discount rate as prescribed by the Office of Management and Budget (2002).
- Conducting *sensitivity analysis* for our ROI estimates. The final step in the estimation process entails varying key assumptions to demonstrate how sensitive ROI results are to changes in their values. For example, as indicated above, we compute changes in our ROI estimates over 5- and 10-year periods.

Below-the-Line Benefits and Costs. A number of important benefits and costs are not factored into our ROI estimates. We refer to these as “below-the-line” benefits and costs. Including such benefits would lead to increased returns, while including additional costs

² David Baggerly of the Gulf Coast Workforce Board provided Management Summary Reports and Extract Files from TWIST that gave us access to workforce program participant characteristics, services, and

would lower them. We cannot precisely estimate the degree to which excluding these benefits and costs might bias our ROI estimates, but the direction of the bias is likely to be downward. Thus, our ROI estimates should be viewed as *conservative*.

Among the benefits not factored into our analysis are economic impacts of workforce spending, returns associated with related educational investments, the value of program output and reduced criminal activity, and savings from declining teen pregnancy. Spending for service provision would lead to multiplier effects on earnings as providers spend these dollars. Including such effects would be appropriate for an economic impact analysis. Substantial returns also would result from postsecondary education not financed by WIA or TANF (e.g., tuition and fees, Pell grants), as well as private training investments. Younger WIA youth who complete additional years of schooling due to participation also would enjoy enhanced lifetime earnings. And, as the recent Job Corps evaluation showed (Burghardt et al. 2001), participation leads to substantial long-term reductions in the costs associated with involvement in the criminal justice system, as well as increased program output. Measuring such effects is difficult and costly and has not been attempted. Among the excluded expenditures are those associated with program transition costs and childcare costs not directly associated with the delivery of employment and training services, as well as costs associated with community and technical college enrollment in the form of tuition and fees, and various publicly funded grants and loans.

RETURN-ON-INVESTMENT ESTIMATES

We have developed net ROI estimates for both 5- and 10-year periods that serve as reasonable first approximations of the returns to taxpayers for major workforce funding streams in this area. The 5-year net ROI estimate for the Composite Workforce Development Board is 600 percent, with a range from 450 to 775 percent (see Table 1). Another way of stating this is that every public dollar invested in these workforce services in 2000-2001 resulted in \$6.00 returned to taxpayers over five years. The higher figure results from applying the most favorable set of assumptions, while the lower figure

outcomes. UI wage records data in TWIST enabled us to estimate earnings outcomes for the Boards.

**TABLE 2: TEN-YEAR NET RETURN ON INVESTMENT, STATE FY 2000-2001,
COMPOSITE WORKFORCE DEVELOPMENT BOARD**
Taxpayer Perspective, Per-Participant Basis

	Years 1-5	Year 6	Year 7	Year 8	Year 9	Year 10	Total
Expenditures/Participant							
Administration	\$60	-	-	-	-	-	\$60
E & T Services	\$235	-	-	-	-	-	\$235
Child Care Services	\$165	-	-	-	-	-	\$165
Tax Credits	\$60	-	-	-	-	-	\$60
<i>Total Expenditures</i>	\$520	-	-	-	-	-	\$520
Returns/Participant							
Increased Earnings	\$895	\$50	\$50	\$50	\$50	\$50	\$1,145
Increased Employer Output	\$445	\$25	\$25	\$25	\$25	\$25	\$570
Welfare Savings	\$15	\$0	\$0	\$0	\$0	\$0	\$15
UI Savings	\$5	\$0	\$0	\$0	\$0	\$0	\$5
Increased Taxes	\$530	\$65	\$55	\$55	\$55	\$55	\$815
Multiplier Effects	\$1,335	\$80	\$80	\$80	\$80	\$80	\$1,735
<i>Total Returns</i>	\$3,215	\$220	\$210	\$210	\$210	\$210	\$4,285
Net Returns/Participant	\$3,121	\$214	\$204	\$204	\$204	\$204	\$4,160
					Net PV of Returns		\$3,640
					10-yr ROI		800%
					Range		650% 1000%

			Total Administration	\$4,367,300
			Total Program	\$25,186,834
			Total Childcare (Adj.)	\$14,734,755

Sources & Notes: Board and TWC expenditure data. Expenditures for “start-up” and other programs were excluded, including: WIA or One-Stop Transition and Provider Certification, TANF Rural Expansion, TAA (largely in El Paso), , and 70 percent of WIA youth (note: outcomes are only computed for Older Youth). Zeros are inserted in cells with excluded expenditures. Childcare budget and fund codes that are not exclusively associated with workforce programs are excluded or adjusted. See www.utexas.edu/research/cshr/ for details on expenditure adjustments.

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**Estimating Return-on-Investment (ROI) for
Texas Workforce Development Boards:**

Lessons Learned and Next Steps

Prepared for

WORKFORCE LEADERSHIP OF TEXAS

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Prepared by

Christopher T. King
Dan O'Shea

Ray Marshall Center for the Study of Human Resources

Lyndon B. Johnson School of Public Affairs

The University of Texas at Austin

3001 Lake Austin Blvd., Suite 3.200

Austin, Texas 78703

512.471.7891

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This report describes challenges faced and offers lessons learned from an initial attempt to estimate the returns on investment (ROI) in workforce services in Texas (King et al. 2003). It also suggests a number of possible next steps for enhancing and improving upon our initial effort. The Workforce Leadership of Texas, the statewide association of workforce board chairs and directors, initiated this project to estimate workforce services ROI, contracting with researchers at the Ray Marshall Center for the Study of Human Resources, a research center of the Lyndon B. Johnson School of Public Affairs at the University of Texas at Austin. This project builds directly upon an earlier phase of the project (Workforce Leadership of Texas, 2001).

CHALLENGES

We adopted an ROI estimation approach that was simpler, quicker and cheaper than conducting experiments or quasi-experiments, but it was also less precise. It avoided the principal pitfalls of the most common approach practiced across the country in both the public and the private sector, namely under-measurement of costs and over-attribution of benefits. But, it fell short of estimating ROI based on true net program impacts. Given budget and time constraints, our approach did produce *reasonable first-approximations* of the returns on key workforce investments for Texas boards. In the process, we encountered several two major challenges: serious data-related problems, and inadequate resources. There were others as well, but these were the most serious given the task.

Data-related Problems

At the beginning of this project, we anticipated that the data required to estimate workforce investment returns would not be of the highest quality and would be somewhat difficult to obtain. In fact, the data were in far worse shape than we had expected. The problems with the data have several dimensions. First, individual level data simply were not available for all relevant workforce development funding streams (e.g., ES, NAFTA/TAA, adult education) in a form that we could use for estimating ROI. For example, community and technical college data might be available but were not for the time frames necessary for this analysis.

Second, data that were available were not readily accessible or usable. For example, while the TWIST system contains earnings data (UI wage based) for many of the workforce funding streams, they were incomplete or covered timeframes that were too short to accurately capture earnings gains for participants.

Third, data quality was an important issue for many of the information sources. Examples include expenditures data for the various programs, as well as outcomes data for a number of the programs.

Fourth, data variability was also a major challenge. Lack of common definitions and timeframes, variations in accounting practices and reporting approaches among the boards and the various funding streams were serious challenges. We derived our own taxonomy of services to bridge between the funding streams and attempted to validate it with local board staff; this process could be improved upon.

Fifth, the absence of unit-of-service measures that would allow us to more reliably analyze service costs was also an issue affecting the data available to us, especially since individuals are often co-enrolled in different funding streams.

Inadequate Resources

The resources we were able to devote to the ROI estimation project were inadequate to the task as we anticipated they would be when we began. While we were able to perform relatively simple ROI analyses at the board level, a number of relatively powerful enhancements were not possible. For example, we were unable to allocate a Center systems analyst's time to access TWIST data directly and perform the requisite data runs. Another example is that with additional funding, this systems analyst could have prepared unduplicated, individual-level files by Social Security Number and then paid the Texas Workforce Commission to link longer-term pre- and post-services labor market outcomes data (i.e., UI wage records) to allow us to directly measure outcomes (and indirectly attribute impacts) for nearly all of the major workforce funding streams at the individual board level. Finally, resource constraints precluded preparation of the ROI "how-to" guide that we had hoped to prepare with additional funding.

LESSONS LEARNED

We also learned a series of important lessons in the process of estimating workforce ROI at the board level that would allow us to carry out our task far more efficiently and effectively in future efforts.

Additional Resources Are Needed

As indicated above, additional resources would have allowed us to do a much more complete job of estimating ROI in many respects, including directly accessing board-level participation and outcomes data, estimating quasi-experimental net impacts for key workforce services, expanding the project's scope to encompass more of the major workforce funding streams (e.g., community and technical college participation), and developing a detailed "how-to" guide for ROI estimation at the board level.

Centralizing Data Acquisition and Analysis Is Needed

One of the more time consuming tasks involved in estimating ROI was accessing data (for both expenditures and returns). While we had anticipated this at the start of the project, it turned out to be far more time consuming and difficult than expected. In addition, centralizing this task would facilitate data quality control in important respects.

Expenditures Data Are Problematical

Wide variations in data collection and reporting of expenditures by board and funding stream merit more careful attention.

Existing Workforce Data Systems Are Program Patchworks, Not a 'System'

While TWIST is a relatively comprehensive data collection and reporting system that allows for statewide analysis, it remains largely a patchwork of programs rather than a true "system." Considerable work is required – some of which is already underway – before Texas has a real workforce information system.

Impact Estimation Is Feasible, But More Costly

Working with partners at the Upjohn Institute for Employment Research on a project for USDOL/ETA, we have developed and refined techniques for estimating net impacts from participating in workforce services that could be applied to the development of ROI

estimates (e.g., Hollenbeck et al., 2003; Hollenbeck, King and Schroeder, 2002). Doing so would require additional resources, but it would also substantially improve the precision and quality of our ROI estimates.

Data Reported for Performance Management May Be Unsuitable for ROI

Much of the data collected and reported for performance management purposes (e.g., WIA wage change and wage replacement measures) is not suitable for workforce ROI estimation. Texas maintains archived UI wage records that span many years before, during and after participation in workforce services that are far more useful for estimating ROI than is the WIA performance measures information maintained in TWIST.

OPPORTUNITIES & NEXT STEPS

We see several opportunities in the near future that suggest fruitful next steps for our ROI estimation efforts.

Build Upon and Leverage Existing Efforts

The Center is and has been engaged in several related research and evaluation efforts — ranging from WIA services, client flow and net impact estimation in seven states for the U.S. Department of Labor, tracking subsidized child care outcomes in five states and evaluating Texas’ welfare reforms to documenting patterns of participation and analyzing the returns from Texas career and technology education — all of which present major opportunities for improving our ROI estimation efforts in the future.

Enhance the Data

There are enhancements to Texas workforce data that also present opportunities. First, TWIST is now entering Phase IV, which will allow program staff (and researchers) to drill down by individual participants to determine more easily and reliably the various workforce funding streams that have touched them. Such capability will allow associating multiple investments with common outcomes. It should also be possible to develop mechanisms for allocating costs for units of service across these funding streams.

With added resources, we could also access existing TWIST participation data from the Center, create individual level files with identifiers necessary for linking to longer-term pre- and post- employment and earnings data, as well as welfare and related information. Directly collecting individual-level data over longer time frames would be a considerable improvement for this work.

Wider Investment Scope

We could also expand the scope of our ROI efforts to encompass postsecondary education and training, special training projects, and other workforce investments at the local board level that we were unable to include in this phase of our ROI estimation.

Additional Perspectives

We could also expand our analysis of the costs and returns associated with workforce services to include both the individual's and society's perspectives. From an economic standpoint, with respect to justifying the allocation of scarce resources, society's perspective is the most important perspective. If an investment fails to generate positive net returns to society, it should not be made, unless it can be justified on non-economic grounds.

Economic Impact Estimation

Some workforce board members have asked whether it might be possible to gauge the broader economic impact of workforce services expenditures in their regions. In fact, Center staff have conducted analyses documenting the University of Texas at Austin's contribution to the regional economy in the recent past, and we are currently discussing conducting a comparable analysis for one of the larger community colleges in the state. Such an analysis would differ in key respects from ROI estimation. It would serve a different need and answer a different question.

In terms of specific next steps (and timelines), we propose to:

- ❑ Develop a ROI estimation prospectus and budget for Phase III (during April 2003).
- ❑ Circulate the prospectus to interested funding sources, including the Rockefeller and Ford Foundations, the Texas Workforce Commission, the Texas Council on Workforce

and Economic Competitiveness, as well as the national and regional offices of the U.S. Department of Labor's Employment and Training Administration (April & May 2003).

- Secure funding commitments from these sources, as well as additional matching funds from the Workforce Leadership of Texas, to expand, enhance and continue our ROI estimation in Phase III (June through August 2003).
- Launch Phase III of an expanded and enhanced workforce services ROI project (September or October 2003).

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