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Setting and Adjusting Workforce Performance Targets

Presentation to:
Congressional Staff Network Forum

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Background

- Each year, the Office of Management and Budget (OMB) requires revisions to the Government Performance and Results Act (GPRA) performance goals for federal workforce programs
- At the national level, Employment and Training Administration (ETA) established targets using prior year's results with an incremental increase to encourage continuous improvement
- At the state level, ETA negotiated goals with state governments
- Mid 2008, ETA recognized a need to better understand the effects of labor market conditions and participant characteristics on program performance
- W.E. Upjohn Institute analyzed the effect of these factors on program performance and found that they had a significant effect on the common measures, and thus on the ability to achieve targets
- For PY2009, ETA used these estimates to set national performance targets in order to account for economic downturn
- ETA is currently considering using this methodology to adjust (set) targets for states

Issues with Current Performance Measures

- Empirical evidence shows that factors “outside the control” of local administrators influence performance outcomes
- Unadjusted performance measures, as currently used at the national level and by states and Workforce Investment Boards (WIBs), do not accurately represent the contribution of workforce programs to participant employment outcomes
- States/WIBs are credited (or blamed) for performance outcomes that are not entirely related to their contribution
 - States/WIBs with favorable economic conditions or a favorable mix of participants (more highly education, fewer employment barriers, fewer economically disadvantaged) have higher performance
 - States/WIBs with unfavorable factors have lower performance
- Current (unadjusted) performance measures do not tell us how well the workforce system is performing
- Current performance measures create incentives to game the system, by incentivizing WIBs to register and exit those with favorable characteristics or outcomes
- Leaves behind those who truly need the services: for example, economically disadvantaged, disabled, homeless

Purpose of the New Methodology

- Focuses on the value-added of workforce services
 - Helps to level the “playing field”
 - Reduces “cream skimming”
 - Adjusted targets credit service providers for performance not for favorable factors
- Accounts for factors “outside the control” of state and local programs
 - Local labor market conditions (unemployment rates)
 - Personal characteristics of participants (prior work history, educational attainment, barriers to employment)
- Offers a systematic, objective and transparent framework for:
 - Setting performance targets
 - Focusing on the value-added of workforce programs
 - Diagnosing workforce program performance

Framework for Regression Analysis

- Procedure follows the basic regression-adjusted approach used to adjust JTPA performance targets
 - A few states (Michigan, Texas and Washington) use a regression-adjusted approach
 - Michigan has developed VAPIS (Value-Added Performance Improvement System) that allows WIBs to better understand the factors that affect performance
- Contribution of factors to performance is based on the experience of individual participants within their local labor markets
- Allows performance outcomes and factors to be aggregated from the individual to the WIB to the State to the Nation
 - By using the same weights for each level of jurisdiction, the differences add up
 - Thus the targets are consistent across jurisdictions
- Uses estimates of the effects of unemployment rates and personal characteristics on performance outcomes, based on all WIA exiters in all 50 states

Variables Included in the Estimation

Unemployment rate	Personal Characteristics	Other
WIB unemployment rate	Gender	WIB dummy variables
	Age (5 categories)	Year-Quarter dummy
	School attainment (8 categories)	Urban indicator
	Race/ethnicity (6 categories)	Industrial structure
	Disabled	
	Veteran	
	Limited English	
	Single parent	
	TANF	
	Other assistance	
	Low income	
	UI claimant/exhaustee	
	Prior employment	6

Performance Measures included in the Estimation

	WIA				TAA	ES
	Adult	Dislocated Worker	Older Youth	Youth		
Entered Employment	x	x	x		x	x
Retention rate	x	x	x		x	x
Earnings	x	x	x		x	x
Credentials	x	x	x			
Placement in education or employment				x		
Degree or certificate attainment				x		
Literacy & Numeracy				x		

(Note: Shaded cells indicate that the corresponding performance measure is not recorded for that program.)

Sample Description

	Adult	Dislocated Worker	Youth
Unit of observation	Individual participants, quarterly	Individual participant, quarterly	Individual participant, quarterly
Number of observations	480,000-645,000	455,000-680,000	60,000-105,000
States included	All+PR+DC	All+PR+DC	All+PR+DC
Demographic variables Employment history	YES	YES	YES
Geographical unit of unemployment rates	WIB (2000:q3-2007:q3)	WIB (2000:q3-2007:q3)	WIB (2000:q3-2007:q3)

Effects of Selected Personal Characteristics

	Entered Employment			Retention		
	Adult	Dislocated Worker	Older Youth	Adult	Dislocated Worker	Older Youth
Older Worker (age 56-65)	-9.0	-11.0	---	-2.6	-2.1	---
Education: less than HS	-5.3	-3.5	-10.0	-5.1	-2.4	-6.8
Disabled	-8.2	-4.8	-6.8	-2.6	-2.4	-0.2
Veteran	-0.3	-0.7	---	-1.4	-1.0	2.6
Single Parent	-0.2	0.1	1.6	0.3	-0.4	0.1
Low Income	-1.2	---	-1.1	-2.4	---	-2.0
TANF recipient	-3.0	---	-1.7	-2.5	---	-1.3
Other income assistance	-3.1	---	-2.3	0.3	---	-0.02
Homeless	---	---	-3.8	---	---	-3.1
Offender	---	---	-2.9	---	---	-5.9
Outcome mean	77.4%	83.7	74.7	84.2	89.6	82.8

(Note: Estimates are percentage point differences in the entered employment rate due to a participant in each of the five programs having that specific characteristic compared to not having it.)

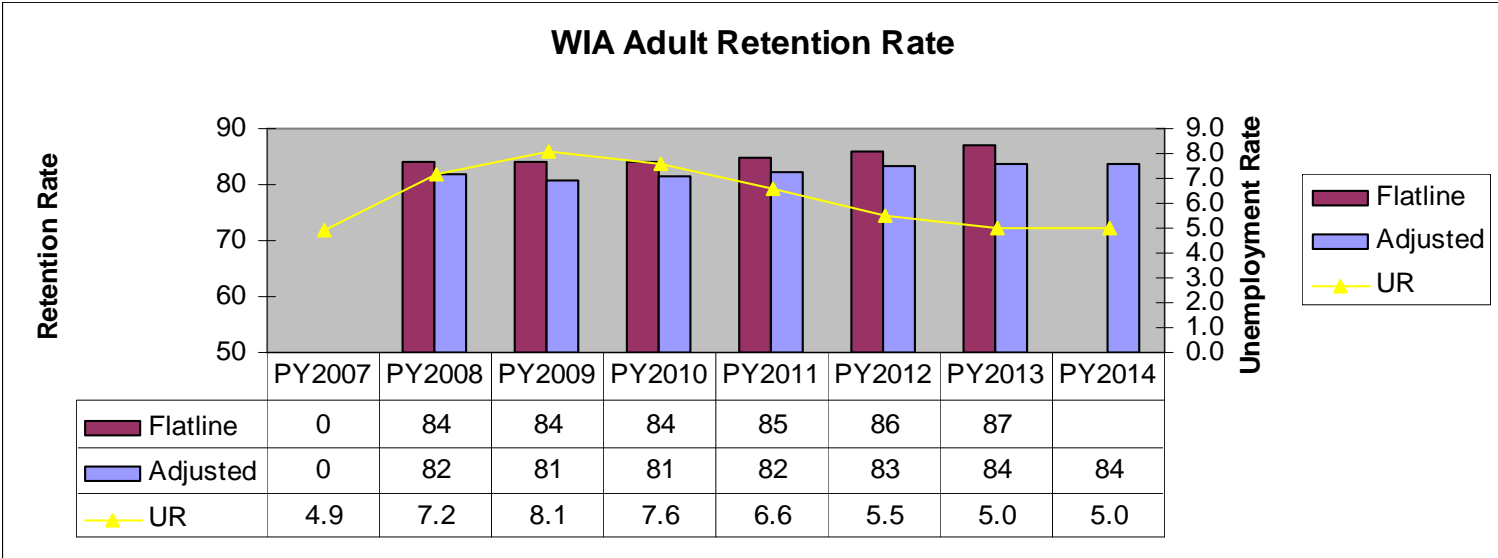
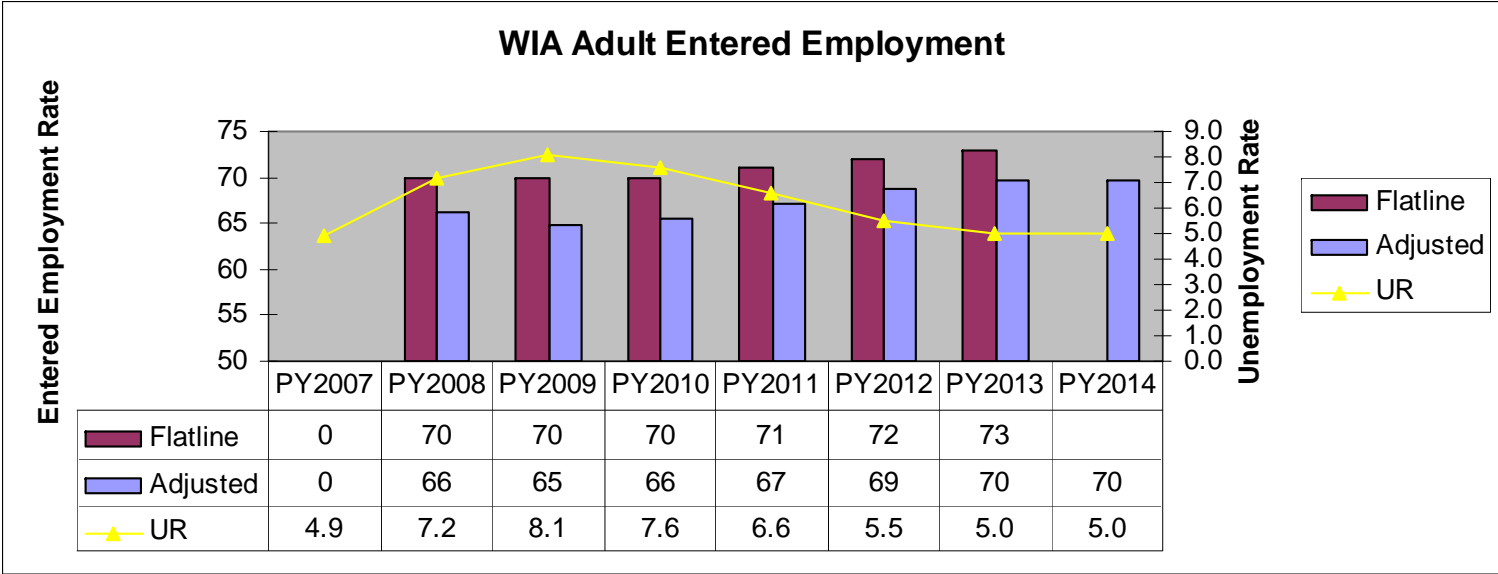
Estimates of the Effect of the Unemployment Rate on Performance Measures

	WIA		
	Adult	Dislocated Worker	Older Youth
Entered Employment	-1.8***	-1.0***	-1.7***
Retention rate	-0.8***	-1.0***	-0.6*
Earnings	-\$266**	-\$123**	-\$101*
Credentials	-3.5***	-1.7**	-1.4*

(Percentage point change (or dollar change) of the performance measure associated with a one percentage point change in the unemployment rate; estimates are statistically significant at the 0.001 (***) , 0.01 (**) and 0.10 (*) confidence levels)

Procedure to Set and Adjust Target Estimates

- Three step process: one for each jurisdictional level: national, state, WIB
- **Step One:** Adjust the national targets for assumed changes in unemployment rates
- **Step Two:** Use the national adjusted targets as the departure for setting state performance targets
 - State and national performance outcomes differ because of differences in unemployment rates and participant characteristics
- **Step Three:** Use each state's adjusted targets as departure for setting targets of WIBs within the state
 - WIB and state performance outcomes differ because of differences in unemployment rates and participant characteristics



Step Two: State Estimates for Targets

- State estimates differ from national performance goals:
 - Differences in unemployment rates
 - Differences in personal characteristics
- Add adjustment to the departure national target rate

	A	B	C	D	E
WIA Adult Entered Employment	State A	National	Difference (A-B)	Effect on EE (weights)	Adjustment: Weighted Difference (C * D)
Unemployment rates	12.6%	10.0%	2.6	-1.8	-4.68
High School drop out	0.203	0.176	0.027	-5.3	-0.14
Disabled	0.095	0.131	-0.036	-8.2	0.29
TANF recipient	0.143	0.096	0.047	-3.0	-0.14
Other Assistance	0.142	0.132	0.010	-3.1	-0.03
Adjusted Target	63.4	68.1	Total adjustment (add column E)		-4.7

Examples of Performance Adjustments

State	Adjustment	Adult			Dislocated			Youth		
		ee	ret	earnings	ee	ret	earnings	place	att	lit
Illinois	Adj. Target	60.5	80.2	11748	69.8	85.6	15848	54.9	43.5	17.3
Illinois	Adj. Factor: Unemp. Rate	-1.3	0.7	-188	-0.7	0.7	-87	-1.0	-1.5	-1.7
Illinois	Adj. Factor: State	-0.1	0.1	15	0.2	0.2	35	0.0	0.0	0.0
Illinois	Adj. Factor: Personal	-3.0	-1.5	-675	0.2	0.7	1127	-2.6	-3.8	-2.2
Indiana	Adj. Target	64.8	81.6	12851	72.0	85.6	15780	62.6	48.8	20.2
Indiana	Adj. Factor: Unemp. Rate	-0.2	-0.5	-35	-0.1	-0.5	-16	-0.2	-0.3	-0.3
Indiana	Adj. Factor: State	0.0	1.1	9	1.3	1.6	22	0.0	0.0	0.0
Indiana	Adj. Factor: Personal	0.2	0.2	280	0.6	0.6	1001	4.3	0.2	-0.7
Kansas	Adj. Target	70.1	84.3	13996	72.9	86.4	16143	58.4	51.4	23.9
Kansas	Adj. Factor: Unemp. Rate	2.5	0.8	370	1.4	0.8	171	1.9	2.9	3.3
Kansas	Adj. Factor: State	0.0	0.5	-5	0.6	0.7	-12	0.0	0.0	0.0
Kansas	Adj. Factor: Personal	2.8	2.2	1034	0.7	1.0	1211	-2.0	-0.3	-0.7
Michigan	Adj. Target	58.4	79.3	11665	68.4	85.0	15914	53.1	41.6	13.4
Michigan	Adj. Factor: Unemp. Rate	-4.8	-0.4	-709	-2.7	-0.4	-328	-3.7	-5.6	-6.4
Michigan	Adj. Factor: State	0.0	0.5	9	0.6	0.8	22	0.0	0.0	0.0
Michigan	Adj. Factor: Personal	-1.6	-1.7	-232	0.2	0.7	1446	-1.7	-1.6	-1.4
Minnesota	Adj. Target	63.7	80.7	12391	70.8	86.2	17190	54.1	50.3	21.1
Minnesota	Adj. Factor: Unemp. Rate	0.6	0.6	86	0.3	0.6	40	0.5	0.7	0.8
Minnesota	Adj. Factor: State	0.0	0.4	-2	0.5	0.5	-5	0.0	0.0	0.0
Minnesota	Adj. Factor: Personal	-1.7	-1.1	-291	-0.1	1.2	2382	-4.9	0.8	-0.9
Missouri	Adj. Target	61.2	79.6	11699	64.4	82.3	15183	59.5	50.3	18.8
Missouri	Adj. Factor: Unemp. Rate	-0.5	0.3	-75	-0.3	0.3	-35	-0.4	-0.6	-0.7
Missouri	Adj. Factor: State	0.0	0.1	0	0.1	0.1	0	0.0	0.0	0.0
Missouri	Adj. Factor: Personal	-3.1	-1.6	-822	-5.6	-2.1	445	1.4	2.1	-1.7

The adjusted targets, and their components, are shown for six states. It should be noted that the direction of the effect of the unemployment rate may be different for retention than for the other two performance measures since retention is estimated as the change in unemployment. Differences in the changes in the unemployment rate between the state and the nation may be different from the differences in the levels.

Step Three: WIB Estimates for Targets

- WIB performance estimates differ from the state estimates:
 - Differences in unemployment rates
 - Differences in personal characteristics
- Add adjustment to departure state target rate

	A	B	C	D	E
WIA Adult Entered Employment	WIB A in State A	State A	Difference (A-B)	Effect on EE (weights)	Adjustment: Weighted Difference (C * D)
Unemployment rates	11.0%	12.6%	-1.6	-1.8	2.88
High School drop out	0.15	0.203	-0.053	-5.3	0.28
Disabled	0.085	0.095	-0.01	-8.2	0.08
TANF recipient	0.09	0.143	-0.053	-3.0	0.16
Other Assistance	0.11	0.142	-0.032	-3.1	0.10
Adjusted Target	71.6	68.1	Total adjustment (add column E)		3.50

Summary

- Target-adjustment procedure provides a systematic, transparent, and objective way to set national, state, and WIB performance targets for workforce programs
- Provides a better measure of the contribution of the workforce system to participant employment outcomes
- Reduces the incentive to cream skim
- Increases the likelihood that people who truly need workforce services will receive them, such as economically disadvantaged workers and the disabled
- Adjustment factors, since related to factors that are familiar to administrators, can be easily scrutinized to better understand and diagnose the effectiveness of programs and improve service delivery
- National performance targets are already being adjusted for unemployment rate changes using this methodology
- ETA is considering using this methodology to set state targets

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