Chapter 4 (pp. 101-133) in: 
*Labor Exchange Policy in the United States*  
David E. Balducchi, Randall W. Eberts, and Christopher J. O'Leary, eds.  
Kalamazoo, MI: W.E. Upjohn Institute for Employment Research, 2004  
DOI: 10.17848/9781417550005.ch4
In program year (PY) 2002, the Employment and Training Administration (ETA) of the U.S. Department of Labor (USDOL) implemented a new outcomes-based performance measurement system for the public labor exchange. This came during a period that saw the federal government place renewed emphasis on performance measurement of federally funded programs in general and workforce development programs in particular. Policymakers embraced performance measurement both for its potential as a management tool and as a means of informing the federal budget process. The enactment of the Government Performance and Results Act of 1993 (GPRA) and the Workforce Investment Act of 1998 (WIA) exemplify the federal emphasis on performance measurement. Both emphasized the measurement of programmatic outcomes and greatly influenced the development of the labor exchange performance measurement system.

Since the early 1980s and until only recently, the public labor exchange operated during a period in which the federal role in performance measurement had been rather limited. During that time, ETA required state employment security agencies (SESA) to collect and report summary statistics on labor exchange activities; however, little emphasis was placed on using this information to assess program performance across states, such as through the use of performance indicators or the establishment of performance targets or standards. This had partly been a result of the management and administrative authority for labor exchange programs having been devolved to the states under the 1982 amendments to the Wagner-Peyser Act that were included in the
Job Training Partnership Act (JTPA). In the present one-stop delivery system environment, states still are afforded wide latitude in the administration and management of labor exchange service delivery as part of state one-stop delivery systems. For example, each state may offer a different mix of services and draw upon a range of funding streams in providing labor exchange services. However, the new labor exchange performance measurement system requires SESAs to use common performance indicators to assess their performance in delivering labor exchange services under the Wagner-Peyser Act.

This chapter examines the performance measurement practices of the public labor exchange during an era where increased scrutiny is being placed on the accountability of government programs. It describes efforts to develop a comprehensive system to measure and account for the delivery of labor exchange services under the federal-state Employment Service (ES) program authorized under the Wagner-Peyser Act and which operates as part of state one-stop delivery systems as required under WIA. The chapter also describes how labor exchange performance measurement has been influenced by WIA and GPRA.

**THE FEDERAL ROLE IN PERFORMANCE MEASUREMENT**

We begin with a brief overview of performance measurement in general and how it applies to government programs. Performance measurement can be viewed as the process of assessing the operation of a program for purposes of providing program managers, policymakers, and the public with relevant information about whether the program is accomplishing its intended purpose. The *National Performance Review* (NPR 1997, p. 6) has defined *performance measurement* as:

A process of assessing progress toward achieving predetermined goals, including information on the efficiency with which resources are transformed into goods and services (outputs), the quality of those outputs (how well they are delivered to clients and the extent to which clients are satisfied) and outcomes (the results of a program activity compared to its intended purpose), and the
effectiveness of government operations in terms of their specific contributions to program objectives.

Performance indicators may be used to assess progress toward achieving overarching goals. Again, the NPR (1997, p. 6) has defined a performance measure as, “a quantitative or qualitative characterization of performance.” Performance measures also commonly are referred to as performance indicators.

A performance measurement system typically consists of a number of broad performance goals, performance indicators, associated standards to measure progress toward the achievement of those goals, and a means of reporting on that progress. Information obtained through program evaluation may be used to enhance a performance measurement system. For example, information from net impact estimates, which measure the added value attributable to a program, may be used to help establish benchmarks or performance standards.²

Performance measurement requirements for federal programs generally can be traced to either of two sources: the program’s enabling legislation or governmentwide mandates. The former might require or authorize the use of performance indicators; for instance, in monitoring aspects of program operations across states or for purposes of providing awards or imposing sanctions based on program performance in relation to performance standards. States or grantees exhibiting strong performance according to designated performance indicators might be provided with additional funding or might be authorized to distribute a portion of the funds they receive according to criteria based on performance. If awards or sanctions are to be based on performance measurement information, however, care must be taken to apply awards or sanctions based on program effectiveness, rather than raw or unadjusted outcomes.

Governmentwide mandates generally require agencies to measure and report on the performance of the programs they administer as a means of informing the federal budget process or to account for the use of federal funds. The executive branch and Congress might view programs that demonstrate sound performance according to established performance criteria as being effective in serving their intended purpose and worthy of continued or increased funding. Conversely, those demonstrating poor performance might receive decreased funding or be targeted for elimination.
PERFORMANCE MEASUREMENT AS ADMINISTERED UNDER THE WAGNER-PEYSER ACT

From the early 1980s, when the Wagner-Peyser Act was amended under JTPA, until only recently, ETA has acted under the Secretary’s authority to exercise only a limited role in ES labor exchange performance measurement and offered minimal guidance. SESAs, meanwhile, were left to their own to develop techniques for performance measurement. Many SESAs were innovative in developing their own performance measurement systems which provided them with valuable information for management purposes. It has only been since the ES labor exchange began operating alongside other workforce development programs as part of state one-stop delivery systems that ETA has again made labor exchange performance measurement a federal priority. In doing so, ETA has been keen to work in partnership with SESAs as it has begun reestablishing a federal role in labor exchange performance measurement. This section provides a brief history of labor exchange performance measurement.

Performance-Based Funding

Prior to the 1982 amendments to the Wagner-Peyser Act, the secretary of labor was authorized to consider performance measurement information in determining the allocation of funds to states. In the 1970s, for instance, annual grants to states were based on funding formulas that were weighted according to a number of performance-based criteria. The Balanced Placement Formula (BPF) was used in 1975 and 1976 to determine states’ funding allocations based on a combination of performance factors, including individuals placed per staff year, placement transactions, placements of target group members, and job market penetration, with the greatest weight applied to the first of these factors (USDOL 1977, p. 184). Basing states’ grant allocations on performance-based criteria proved effective in focusing SESAs’ attention on the secretary’s priorities, which at the time had included job placements within the labor exchange function. In 1977, the BPF was superseded by a slightly revised performance-based funding formula, the
Resource Allocation Formula (RAF), which used similar performance factors, as well as other criteria, in determining states’ funding allocations.

However, allocating state grants according to performance criteria resulted in some unintended consequences, most notably providing inadequate services to hard-to-serve clients. In many cases, local office staff became so focused on placements that they concentrated their efforts on placing the most job-ready of applicants at the expense of those with greater needs. This often is referred to as “cream skimming” or “creaming.” In labor market programs, the occurrence of creaming raises concerns about social equity and also about the efficient use of public resources. If only the most able are served, those with the most pressing needs might be denied adequate service, and the benefit to society may not be maximized. Ultimately, some of these practices raised concerns about ES’s compliance with Titles VI and VII of the Civil Rights Act of 1964 (USGAO 1980). To address these concerns, ETA proceeded to make further modifications to its funding formula and to develop new procedures for performance measurement.

In 1980, an advisory committee and a technical working group comprised of representatives from SESAs, public interest groups, and the national and regional offices convened to develop and make recommendations on performance standards for the labor exchange (USDOL 1981). Based on the working group’s recommendations, ETA planned to implement a single performance indicator on a test basis for fiscal year (FY) 1983: the number of individuals placed in jobs. As part of the Program and Budget Planning process, a performance standard would be developed for each state through the use of an analytic model. The model would adjust the performance standard based on eight local factors using data for the preceding seven years (USDOL 1982). During the initial test year, ETA would not apply any awards or sanctions.

**Wagner-Peyser Act Funding and Performance Measurement in the JTPA Era**

In 1982 the Wagner-Peyser Act was amended under JTPA to provide for state grant allocations to be based on each state’s proportionate share of the civilian labor force and unemployed individuals, rather
than on performance-based criteria. The secretary’s authority over performance measurement also was enhanced, although specific performance indicators were not mandated. Rather, the Wagner-Peyser Act provides the secretary with authority to establish performance standards for the activities carried out under the Wagner-Peyser Act. It also requires the reservation of 10 percent of the funds granted to each state for use by the governor, among other purposes, to provide performance incentives consistent with the performance standards established by the secretary.

While the 1982 amendments to the Wagner-Peyser Act had added language authorizing the secretary to develop performance standards for the delivery of labor exchange services, performance standards were not implemented in a timely fashion. Some observers have charged that ETA’s failure to implement a labor exchange performance measurement system may have been a contributing factor to the decline in funding provided for state ES administration. Others suggest that reductions in funding would have occurred even had ETA implemented a labor exchange performance measurement system due to a favoring of job training programs over job search assistance programs by policymakers, and due to competing national priorities, such as federal debt reduction. Nonetheless, there seems to be some recognition that institutionalizing performance measurement might have supported the case of those who advocated for increased Wagner-Peyser Act funding.

Since FY 1984 and the implementation of JTPA, federal Wagner-Peyser Act funding for state ES administration of labor exchange service delivery has remained fairly constant at approximately three-quarters of a billion dollars, rising above that amount for only a few years in the early 1990s. Adjusting for inflation, over the 19-year period through FY 2003, this represents a real decline of 33.9 percent in funding (see Figure 4.1).

States have used a variety of strategies to respond to diminishing federal Wagner-Peyser Act grants. Some have attempted to offset the relative decline in federal grants by enacting additional taxes or tax surcharges on employers through diversions of unemployment insurance (UI) tax contributions. Others have attempted to achieve cost savings by decreasing their reliance on costly staff-assisted services and in-
Increasingly relying on automated or electronic self-services to meet the needs of job seekers and employers. A few have been forced to close local offices and cut services.

In the 1980s and early 1990s, the U.S. General Accounting Office (USGAO) issued a number of reports to Congress critical of labor exchange performance measurement practices (USGAO 1983, 1989a, 1989b, 1991). These reports stimulated a number of initiatives to bring improved performance measurement to the labor exchange. In large part, however, the task of bringing performance measurement to the labor exchange has not been slowed by an aversion to performance measurement in principle. Rather, it appears that the challenges of developing and agreeing to appropriate indicators and of achieving an acceptable balance between federal authority and state autonomy in managing the federal–state labor exchange system have been more substantial stumbling blocks.

Figure 4.1 Wagner-Peyser Act Funding for State ES Administration (FY 1984–FY 2002)

SOURCE: USDOL, ETA Budget Office.
Labor Exchange Reporting

As already noted, for much of the past two decades, the public labor exchange has operated without a comprehensive national system of performance measurement (i.e., one consisting of performance goals, performance indicators and standards, and regular reports, common across all states). However, SESAs have been required to submit quarterly reports to ETA with summary information on labor exchange activities, both for applicants seeking employment and job vacancies listed. Prior to 1985, SESA reported performance information in a uniform manner to ETA through the Employment Security Automated Reporting System. After July 1, 1985, however, ETA stopped requiring all states to use the same standardized automated reporting system, and through the end of the 1990s, SESAs provided ETA with data on labor exchange services through the Public Employment Reporting System.

The primary structure for reporting performance information has been the ETA 9002 quarterly report (financial information is reported separately on SF 269 Reports). The ETA 9002 reports have provided ETA regional and national office staff with an array of data on job seekers who registered with the labor exchange in each state. These data include their demographic characteristics; the number who received various types of labor exchange services; and outcome information, such as the number who were placed into jobs, or who obtained employment on their own. The reports also have provided ETA with summary information on jobs listed with the labor exchange according to occupation and industry. ETA has used this basic information for purposes such as monitoring the operation of the labor exchange in each state and for justifying budget requests.

During the period when ETA received ETA 9002 reports from the SESAs through PERS, however, a number of concerns were raised about the validity and reliability of the data being reported. A 1996 review by USDOL’s Office of the Inspector General (OIG) found at least eighteen different reporting systems being used by the states to compile the information reported on the ETA 9002. In its review, OIG found that ETA accepts the ES performance data from these offices at face value, and does not test or verify the source data for the USES an-
In part as a result of the OIG’s findings, ETA has engaged in an agencywide data validation project to ensure that the data reported for performance measurement of all ETA administered programs are of sufficient reliability for its performance measurement purposes. Also, ETA is implementing a new agencywide reporting system called the Enterprise Information Management System, which will integrate the reporting of performance and financial information. The ES labor exchange is part of ETA’s data validation project. ETA recently released guidance on the reporting of labor exchange performance measurement information, which includes data validation procedures (USDOL 2002c).

Through the 1990s, the ETA 9002 reports have provided ETA with an array of data about the operation of the labor exchange, nearly all of which has been in the form of basic summary information for each state. This has sufficed for indicating counts of a range of service outputs and a limited number of outcomes. ETA has used this information to report on performance indicators included in its annual performance plans required under GPRA. However, these plans have not been clearly linked to performance requirements applicable at the state agency level.

Selected data from ETA 9002 reports are presented in Figure 4.2. The data indicate that over the most recent seven years for which data are available—PY 1995 through PY 2001—the number of job openings employers listed with the labor exchange trended upward. The number of job seekers registering with the labor exchange increased in PY 2001 after a period of decline in the late 1990s. Approximately two-thirds of these job seekers received reportable services beyond registering with the labor exchange.10 During this period, the number of job seekers reported as entering employment has increased from year to year, except for a slight dip in PY 1998. The data also reveal a striking change in the role of the labor exchange in assisting job seekers enter employment. Whereas more than two-thirds of those reported as entering employment in PY 1995 did so by being placed into jobs by ES staff, by PY 2001 less than one-third were placed into jobs. The proportion of those reported as entering employment after being served by the labor ex-
change, but not being placed into jobs (i.e., obtaining employment), has increased precipitously.

It is difficult to interpret these trends because over the time period for which data are presented, a number of states began registering and recording employment outcomes for job seekers who only received labor exchange services through the self-service mode (and hence would not have been placed into a job). Many states also began verifying entry into employment through the use of UI wage record matching, whereas previously this was done primarily by staff follow-up. Thus, it is unclear whether there is a shift in the relative proportion of job seekers obtaining employment as opposed to being placed into jobs, or if a greater proportion of job seekers who registered with the labor exchange have been counted as obtaining employment due to the increased use of UI wage record matching. Issues such as these suggest that a comprehensive performance measurement system, with the capacity for making adjustments based on various factors is needed to assess the performance of the labor exchange with any degree of confidence.

INITIATIVES TO DESIGN A LABOR EXCHANGE PERFORMANCE MEASUREMENT SYSTEM

Following USGAO’s reports to Congress critical of labor exchange performance measurement practices, many in the labor exchange community, both within and outside of ETA, sought to develop a performance measurement system for the labor exchange. Several efforts during the 1990s resulted in a number of proposals that included a wide array of performance indicators.

In 1992, state ES directors, under the coordination of the Interstate Conference of Employment Security Agencies (ICESA), proposed a performance measurement strategy for the state employment services that consisted of performance indicators for employer-oriented activities and job-seeker activities, cost-effectiveness indicators, and the use of customer satisfaction surveys (ICESA 1992). The proposal was developed around parameters that called for consistent measurement of basic ES functions across states, the preservation of a degree of state flexibility in service delivery, and the prospect for increased funding, particularly for high performance.
In embarking on this initiative, ICESA recognized that the labor exchange could not continue to function effectively without challenging performance measurement requirements. ICESA and its members also perceived advantages to seizing the initiative in developing performance measurement requirements themselves. These included the belief that ETA and Congress might favorably consider their recommendations for implementation, given that they had the backing of the states, and that in the absence of state action, performance measurement requirements would be mandated by the federal government.

Following ICESA’s proposal, ETA contracted with Social Policy Research Associates (SPRA) to explore the prospects for implementing ES performance requirements (USDOL 1992). SPRA analyzed the availability of data that could support a range of performance indicators, including many of those proposed by ICESA. Primary sources of data identified were the ETA 9002 reports, data collected by SESA but not reported to ETA, and UI wage records. SPRA also examined the relationship between different potential performance indicators and po-
tential procedures for setting performance standards based on a statistical model. Ultimately, however, this did not lead to the implementation of a performance measurement system.

In 1998, the Workforce Development Performance Measures Initiative (WDPMI), organized under ETA stewardship, led to a proposal for a system of performance indicators organized around the one-stop delivery system (USDOL 1998b). The WDPMI’s guidance for developing a system of performance indicators was twofold: first, to establish a “core” of system indicators that would allow for comparisons across states and localities, and which could be compiled at the state or national levels; and second, to develop other indicators that could be applied in a more flexible manner across states with different service strategies. The WDPMI proposal consisted of nine core performance indicators, nine noncore performance indicators, and six developmental indicators. As a component of the one-stop delivery system, performance of the labor exchange would be measured using the WDPMI performance indicators.

At approximately the same time as WDPMI, a federal–state workgroup was organized to develop performance indicators for labor exchange services provided under the Wagner-Peyser Act. The workgroup developed and recommended a series of labor exchange performance indicators to ETA that were primarily organized around the three modes for delivering labor exchange services: self-help services, facilitated self-help services, and staff-assisted services. The proposed self-service indicators were counts of services provided through the America’s Job Bank (AJB) system. Indicators proposed for facilitated self-help services included a count of customers served and a measure of customer satisfaction, which could be determined by each state. A series of more rigorous indicators were proposed for staff-assisted services to job seekers and employers. Finally, two systemwide indicators were proposed: cost per entered employment, and a measure of the impact of staff-assisted services on the duration of UI benefits provided to UI claimants. Just prior to WIA being enacted into law, ETA published the proposed performance indicators in the Federal Register for public comment (USDOL 1998a).

In large part due to the uncertainty surrounding the implementation of WIA, action on these performance indicators proceeded little beyond the analysis of the comments received. After the enactment of WIA, ETA became focused on implementation issues, to include the drafting
of regulations to implement WIA and the amended Wagner-Peyser Act, and the development of a performance measurement system for WIA Title I-B programs. Once again, performance measurement of the labor exchange ceased to be a top priority for ETA.

However, upon the enactment of WIA, ETA did not abandon labor exchange performance measurement entirely. For instance, it funded a study by Westat, Inc. of the feasibility of developing performance indicators that would express the value of the staff-assisted labor exchange services provided to clients (Jacobson and Petta 2000). This study of the effects of referrals and placements on the duration of unemployment of job seekers in the states of Oregon and Washington revealed potential for developing performance indicators for the labor exchange that could be used to monitor net impacts. ETA may consider referring to this study should it seek to develop measures of the net impact of the labor exchange. Based on data from the two states, Westat’s analysis revealed that the benefits of providing job seekers with placements outweighed the costs by a ratio of 1.8:1.

In 2000, ETA would engage in yet another initiative aimed at developing a performance measurement system for the public labor exchange. This initiative would have the benefit of learning from all that had preceded it over the past two decades. It also would operate in an environment where the performance measurement requirements of other federal legislation could not be ignored. In partnership with the SESAs, ETA would develop a new performance measurement system for the public labor exchange and begin its implementation in PY 2002. Before discussing the new performance measurement system in detail, however, it is first useful to discuss briefly the performance accountability requirements of WIA, for they would have a significant influence on the development of a system of performance measurement for the labor exchange.

**WIA AND ITS INFLUENCE ON LABOR EXCHANGE PERFORMANCE MEASUREMENT**

In 1998, WIA supplanted JTPA as the primary federally funded employment and training program administered by ETA. Under WIA, the delivery of federally funded workforce development programs (in-
cluding labor exchange services provided under the Wagner-Peyser Act) is coordinated through state one-stop delivery systems. Title I-B of WIA authorizes funding for employment and training programs targeted to adults, dislocated workers, and youth. WIA also establishes a performance accountability system for Title I-B programs. Many characteristics of the WIA performance accountability system would prove influential as ETA developed a performance measurement system for labor exchange services provided under the Wagner-Peyser Act.

The WIA Title I-B performance accountability system specifies performance measurement requirements for the program at both the state and local levels. Statutory performance measurement requirements for each state include core indicators of performance and customer satisfaction indicators, and the establishment of performance standards for each indicator. It also provides that states may develop additional indicators on their own. Under WIA, states were required to include in their five-year plans the targeted levels of performance they had established for each of the specified performance indicators for the first three years that they would administer WIA programs. ETA has interpreted WIA to require 17 separate performance indicators, although several of these indicators are similarly defined, differing primarily in the program to which they apply. Several characteristics of the WIA performance accountability system, including the performance indicators themselves, are relevant for this discussion of labor exchange performance measurement.

First, the WIA indicators are applied to programs with respect to individuals who have completed receiving the services provided under the relevant program (with the exception of follow-up services). Here, it is important to note that individuals may receive services under WIA Title I-B for periods ranging from a number of months to a number of years. Second, WIA requires that UI wage records be the primary source of employment and wage information for the core performance indicators. Third, as mentioned earlier, states are required to include performance targets for each of the WIA performance indicators in their five-year strategic or unified plans. Finally, in implementing the performance ac-
countability system, ETA has provided states with flexibility in developing their own policies over when participants are to be included in the measurement pool for performance accountability purposes. Often, states base this on the level of service participants receive.

The WIA core performance indicators for the adult, dislocated worker, and youth (age 19–21) programs are the entered employment rate, the employment retention rate at six months following entry into employment, earnings change (or replacement, for dislocated workers), and a measure of credential attainment. The customer satisfaction indicators apply across programs for individuals served under WIA Title I-B. Customer satisfaction of employers is measured with regard to the services they receive through the one-stop delivery system, regardless of funding stream.

States are required to prepare annual performance reports, which must contain information on the core and customer satisfaction indicators, as well as additional longer-term indicators. States also are to include in their reports information on evaluations that they may conduct on the operation of the WIA employment and training programs. Finally, WIA also contains other performance measurement and reporting requirements beyond those described here, such as fiscal and management accountability.12

The WIA performance accountability requirements only apply to those programs funded under Title I-B of WIA, with distinct performance indicators for each of the adult, dislocated worker, and youth funding streams. While these performance indicators are designed to measure the outcomes of individuals served by each Title I-B funding stream, they do not account for the extent to which services received through other one-stop partner programs (e.g., job search assistance provided under the Wagner-Peyser Act) also have an effect on the outcomes being measured. Thus, the WIA performance measurement system falls short of providing a clear account of the services provided by and the outcomes jointly attributable to the many one-stop partner programs serving job seekers in a seamless fashion. In contrast, a comprehensive and unified performance measurement system that encompassed users of all one-stop partner programs potentially would provide a far better indication of the extent to which the various components of the one-stop system contributed to employment outcomes being measured.
LABOR EXCHANGE PERFORMANCE MEASUREMENT IN THE 21st CENTURY

As ETA completed the initial stages of developing and implementing the WIA performance accountability system, it began focusing on designing and implementing a performance measurement system for the labor exchange. In early 2000, ETA in partnership with ICESA, formed a working group comprised of staff from SESAs, ETA, and the Veterans’ Employment and Training Service (VETS) to develop a performance measurement system for the labor exchange. The working group had three tasks: 1) develop a set of performance indicators, 2) revise ETA’s reporting structure to support data collection on labor exchange activities for performance measurement, and 3) develop procedures for setting performance standards. The labor exchange performance measurement and reporting requirements effective for PY 2002 are the product of the working group’s recommendations. Procedures are not yet in place for the establishment of state performance standards.

Labor Exchange Performance Indicators

At present, ETA’s labor exchange performance measurement system consists of four performance indicators and a series of quarterly reports. There are two outcome indicators—the job seeker entered employment rate, and the job seeker employment retention rate at six months; and two customer satisfaction indicators—one for job seekers and one for employers. These indicators are substantially similar to those required under WIA. The labor exchange performance indicators are presented in Table 4.1.

The entered employment rate measures the percentage of individuals registered with the labor exchange who become employed with a new employer in either of the two quarters following the quarter in which they registered with the labor exchange. For job seekers with recent employment histories, a new employer is defined as any employer other than one who employed the job seeker in the quarter prior to the registration quarter. This indicator is designed to show the success of the labor exchange both in assisting unemployed workers and those
new to the labor market find new jobs, and in assisting currently em-
ployed workers find different jobs.

The employment retention rate measures the percentage of job
seekers counted as having entered employment according to the entered
employment rate indicator, who also are employed in the second quar-
ter after they first were counted as having entered employment. Accord-
ing to the indicator, job seekers need not remain employed with the
same employer to be counted as having retained employment, but
rather may be employed by any employer in the time periods specified
in the indicator. This indicator is designed to measure longer-term out-
comes of the labor exchange. Such outcomes might be the result of a
good initial job match, a series of job matches, or a job seeker success-
fully applying job search skills enhanced by the receipt of labor ex-
change services.

Both the entered employment rate and the employment retention
rate indicators rely on the use of UI wage records to indicate the attain-
ment of the desired employment outcome. For both indicators, in order
for the outcome being measured to be counted, a job seeker’s UI wage
records must contain earnings greater than zero for the appropriate
quarter(s). UI wage records are discussed in further detail below.

To measure customer satisfaction with labor exchange services,
ETA has adopted the American Customer Satisfaction Index (ACSI)
methodology that it requires states to use in measuring satisfaction with
WIA services. In these telephone surveys, job seekers and employers
are asked a series of three questions about their perception of the ser-
vices they received through the one-stop system. The survey is admin-
istered to job seekers 60–90 days after registering with the labor ex-
change; employers are surveyed 30–60 days after listing a job opening.
The job seeker customer satisfaction indicator mirrors the WIA partici-
 pant customer satisfaction indicator, with the survey questions being
slightly modified to refer to labor exchange services, rather than those
provided under WIA. As ETA has instructed states to measure employ-
ers’ satisfaction with the services they receive through state one-stop
delivery systems without regard to funding stream, it has decided sim-
ply to use the WIA employer customer satisfaction score as an indicator
of employer satisfaction with labor exchange services.

ETA has issued a handbook (ET Handbook No. 406) to aid states in
implementing the new labor exchange performance measurement sys-
Table 4.1 Labor Exchange Performance Indicators

Job Seeker Entered Employment Rate (JSEER):

\[
JSEER = \frac{\text{Number entered employment with a new employer}}{\text{[Number new registered job seekers – Number employed or reemployed with same employer]}}
\]

Job Seeker Employment Retention Rate at Six Months (JSERR):

\[
JSERR = \frac{\text{Number retained employment two quarters after entered employment with a new employer (age 19 and over)}}{\text{Number entered employment with a new employer (age 19 and over)}}
\]

Job Seeker Customer Satisfaction Score:

Scaled score of the American Customer Satisfaction Index (ACSI) survey administered to job seekers registered with the labor exchange.

Employer Customer Satisfaction Score:

Scaled score of the ACSI survey administered to employers who use one-stop services.

ETA has encouraged states to report the results of the WIA employer customer satisfaction survey for this indicator, as the WIA employer survey measures employer satisfaction with one-stop services in general, regardless of funding stream (e.g., services funded under WIA, the Wagner-Peyser Act, etc.).


The handbook contains detailed specifications for calculating the performance indicators and for preparing ETA 9002 quarterly reports—the mechanism for reporting labor exchange performance information. Both the handbook and the reports have been completely revised to support the new labor exchange performance measurement system and are products of ETA’s agencywide data validation project.
Scope of Measurement

Despite developing standardized definitions for each of the performance indicators and the data elements for the ETA 9002 quarterly reports, a key characteristic of the labor exchange performance measurement system allows each state to measure services and outcomes somewhat differently. This is the determination of whom to include in the population that is counted for performance measurement purposes. For the performance indicators and the general reporting requirements applicable to job seekers, ETA has defined the measurement population as *registered job seekers*. According to ETA’s *ET Handbook No. 406*, registered job seekers are:

- Job seekers who complete registration or receive a service with the labor exchange during a reporting period consisting of four consecutive calendar quarters.
- Job seekers may be registered upon contacting the labor exchange through the one-stop delivery system or as required by state law or policy; however, job seekers receiving staff-assisted services funded under the Wagner-Peyser Act must be registered. Job seekers who use self-services or facilitated self-help services also may be registered, but this is not required. (USDOL 2002b, p. 8)

Thus, whereas one state might register (and hence count for performance measurement purposes), only those job seekers who receive staff-assisted services funded under the Wagner-Peyser Act, another state might count all job seekers who receive labor exchange services, regardless of the method of delivery (e.g., self-services, facilitated self-help services, or staff-assisted services) or the funding stream under which they are provided (e.g., Wagner-Peyser Act, WIA Title I-B, Title 38, state funding, etc.). With more job seekers using automated labor exchange services, however, ETA and the SESAs may wish to reexamine this registration policy and further explore ways to encourage and facilitate the registration of self-service users.

ETA has provided similar flexibility to states with respect to the reporting of job openings received. Again, according to the *ET Handbook No. 406*:

- Job openings listed through staff funded under the Wagner-Peyser Act must be included in the count of job openings. Job openings
listed through staff of other partner programs may be included
[emphasis in original] in the count of job openings in accordance
with state policy. Job openings initially listed with America’s Job
Bank and imported into the state job bank may be included in the
state’s count of job openings. (USDOL 2002b, p. 9)

This parallels the policy ETA adopted in implementing the WIA
performance accountability system and provides states a degree of flex-
bility in how they deliver and account for labor exchange services.
However, it also limits ETA’s ability to make comparisons across states
or to compile statistical information at the national level. To make such
comparisons requires taking into account the many differences between
states in how they deliver labor exchange services.

Unlike for the WIA Title I-B programs, where ETA has interpreted
the statute as requiring performance indicators specific to each funding
stream, for the labor exchange, ETA adopted a policy of using a single
indicator to account for the performance of labor exchange activities
funded under multiple funding streams. Thus, while ETA administers
the labor exchange performance measurement system under authority
of the Wagner-Peyser Act, it does not require states to separately mea-
sure and account for labor exchange services provided to job seekers
with Wagner-Peyser Act funding and services provided under other
funding streams (e.g., WIA Title I-B, Title 38, U.S.C. or state funding).

This policy limits the suitability of information from the perfor-
mance indicators for use in making comparisons across states or com-
piling into national totals, unless procedures are instituted for account-
ing for these differences across states. It does, however, support the
concept of measuring the performance of the labor exchange as a sys-
tem, rather than a program-specific funding stream. There is some indi-
cation that policymakers desire a system measurement approach that is
supportive of coordinated service delivery across one-stop partner pro-
grams. For example, USGAO has identified a need for system indica-
tors “to gauge the effectiveness of the entire one-stop system” in a re-
port to Congress on WIA performance measurement (USGAO 2002,
p. 28). Secretary of Labor Elaine Chao also has called for systemwide
performance indicators for the one-stop system (USDOL 2002e). Fi-
nally, the Office of Management and Budget (OMB) is considering the
development of crosscutting “common measures” for job training and
To determine whether the employment outcomes necessary to calculate the entered employment rate and employment retention rate indicators have occurred, ETA has adopted a policy of using UI wage records, similar to that of the WIA performance accountability system. UI wage records exist for all individuals employed by a firm that is covered by a state’s UI system. They contain an individual’s social security number, total quarterly earnings, and the employer’s identification number. In many states, information also is provided on hours or weeks worked. While most employment is covered by the UI system, there are a number of notable exceptions. These include self-employed individuals, military personnel, federal government employees, railroad employees, and independent contractors.

The use of UI wage records as a primary source of data for identifying employment outcomes has a number of advantages over individual follow-up, previously one of the primary means of identifying entry into employment for individuals receiving employment and training services. For example, Kornfeld and Bloom (1999, p. 193), using data from the National JTPA study, found that in estimating program impacts for specific individuals, information obtained from individual follow-up surveys and UI wage records produced similar results. Employment outcome information also can be obtained much more efficiently and at less expense from UI wage records than from surveys.

However, using UI wage records to obtain employment outcome information presents a number of challenges. For instance, there is a considerable delay between when wages are earned and when UI wage records become available. This is due to the time allotted for employers to submit their wage records to the state UI agency and the time it takes the UI agency to compile the information into its wage record database. This, combined with the time allotted in the performance indicators for the employment outcomes to occur, results in performance information not being available for between one and one and a half years after a job seeker registers with the labor exchange. This makes it impossible to
use performance information derived from UI wage records to inform management decisions and short-term planning. Rather, this information may be more useful for long-term planning and in providing information for program evaluation.

Another drawback of using wage records is that they are maintained separately by each state, which makes it difficult to obtain information on individuals who may have crossed state lines in their job search. To facilitate states’ use of wage records for performance measurement under WIA and the Wagner-Peyser Act, ETA has funded the development and implementation of the Wage Record Interchange System. WRIS provides states with an efficient means of requesting wage record data from other states for performance measurement purposes.

A final concern with wage record data is that as administrative data, they are subject to reporting and recordkeeping errors. Still, the benefits of using wage records appear to outweigh the costs. The increasing demand for large volumes of employment outcome information makes it likely that the use of wage records for performance measurement will continue to grow.

**Reporting**

ETA requires SESAs to submit quarterly reports (e.g., five ETA 9002 quarterly reports), which contain an array of information about the performance of the labor exchange. The ETA 9002 A quarterly report contains summary information on the demographic characteristics of job seekers registered with the labor exchange and the types of services provided them. The ETA 9002 B quarterly report contains similar information for veterans served by the labor exchange. Both of these reports capture information on the number of job seekers served and the services they have received during a period consisting of four calendar quarters.

Information on the entered employment rate, the employment retention rate, and the two customer satisfaction indicators is reported on the ETA 9002 C quarterly report. This is reported only for the total of job seekers. More limited outcome information (e.g., the number of job seekers that entered employment, but not expressed as rates), is reported for job seekers according to a variety of demographic characteristics. Performance measurement information on services to veterans is
reported on the ETA 9002 D quarterly report. This includes the three performance indicators for services to veterans: 1) the entered employment rate, 2) the employment retention rate at six months, and 3) the entered employment rate following receipt of staff-assisted services. Information from these performance indicators must be reported for several categories of veterans.

The employment outcome information reported on the ETA 9002 C and D reports is derived from UI wage records and customer satisfaction surveys. Because this outcome information cannot be collected until some time after job seekers register with the labor exchange and receive services, and because of the delays inherent in the use of UI wage records, the ETA 9002 C and D reports cannot be completed in as timely a fashion as the ETA 9002 A and B reports. In order to receive the most current data available, ETA has created a reporting schedule under which SESAs are to complete their reports with the most recent information available. As such, the differing reports will contain information for different cohorts of job seekers. Over time, performance information may be analyzed more comprehensively by matching reports according to job seeker cohorts.

The ETA 9002 E quarterly report contains information on the types of job openings listed with the labor exchange. Information on job openings is displayed in a tabular format and indicates the total number of jobs listed according to the occupation of each job opening and the industry of the employer that posted it. Job openings are classified by occupation using the O*NET-SOC classification system, and are cross-tabulated according to the North American Industry Classification System industry code of the employer posting the job listing. The ETA 9002 E quarterly report arrays job openings received according to 23 major occupation groups and 20 major industry groups.

LABOR EXCHANGE PERFORMANCE MEASUREMENT UNDER GPRA

The Government Performance and Results Act of 1993 (GPRA) requires federal government agencies to set goals, measure performance, and report on the extent of their success in meeting those goals for the
programs they operate. Key requirements of GPRA are that agencies prepare five-year strategic plans, annual performance plans, and annual performance reports. Five-year strategic plans consist of an agency’s mission statement, its long-term strategic goals, and the means through which it intends to achieve those goals. Strategic plans are the product of a strategic planning process, which must include input from stakeholders. In their strategic plans, agencies are expected to outline external factors that might impact the achievement of their goals and to describe any program evaluations that were used to assist in establishing their goals.

Annual performance plans link agencies’ operation and management of programs with their strategic plans. As part of their annual performance plans, agencies are required to develop performance goals to use in gauging their success in meeting their strategic goals. Progress toward meeting performance goals is assessed with performance indicators. Agencies are required to submit their performance plans to the OMB, which consolidates them into an overall governmentwide performance plan that is submitted to Congress with the president’s budget. Agencies prepare annual performance reports for the president and Congress on their success in meeting the goals outlined in their annual performance plans. Performance reports contain information on the current year and the three previous years (USGAO 1997, pp. 39–41). The performance of programs as reported in annual performance reports can be a considerable factor in influencing the budget and appropriations processes.

The planning and reporting requirements imposed on federal agencies under GPRA are not insignificant, and agencies must consider how they might be supported under their own performance measurement systems. This is especially true in federal grant programs in which federally funded services are provided by grantees (e.g., the delivery of employment and training services under WIA Title I-B and the Wagner-Peyser Act, or aid to disadvantaged students under Title I-A of the Elementary and Secondary Education Act), rather than directly by federal agencies themselves (e.g., the provision of social security benefits by the Social Security Administration). Thus, when agencies that oversee federal grant programs develop their performance plans and establish performance goals, they need to consider fully how differences in the
way grantees provide services might impact performance measurement at the federal level.

Establishing agency performance goals based on information collected from a diverse array of grantees can prove challenging. One approach some agencies have taken is to set a goal of a certain number of grantees (e.g., states) meeting or exceeding the performance goals that they have established for themselves based on federal guidelines. As an example, the U.S. Department of Education has included the following performance objective as part of its five-year strategic plan: improve math and science achievement for all students (U.S. Department of Education 2002, pp. 44–49). For this objective, it has established performance targets for math and science for a variety of demographic groups. The targets are expressed as the number of states meeting the eighth-grade achievement targets that the states have set for math and science for each student group.18 This approach provides states flexibility in allowing them to set their own goals within federal constraints based on factors such as the mix of resources provided from federal, state, and local sources; the rigor of state standards and assessments; and socioeconomic characteristics of student populations. Given considerable differences between states for each of these factors, the Department of Education found it more reasonable to measure the number of states meeting the goals they have established for themselves than attempt to compile diverse state measurement information into a national measure.

ETA has established agency performance goals, performance indicators, and performance targets for a number of the employment and training programs that are administered through grantees. ETA’s performance targets for the WIA Title I-B programs are the weighted average of the statewide performance goals negotiated between the states and ETA. States include these in their five-year strategic or unified plans (USDOL 2002a, p. 7). Thus, in its annual performance reports, ETA’s performance in administering WIA Title I-B is a direct reflection of the performance of the states as a whole.

For labor exchange services provided under the Wagner-Peyser Act, ETA was challenged by having to establish agency performance goals before states did the same. In its FY 2003 annual performance plan, ETA states its aspirations for the labor exchange as Goal 1.1C: *Improve the outcomes for job seekers and employers who receive pub-
lic labor exchange services. ETA uses six indicators to measure performance toward meeting this goal (Table 4.2).

Absent state performance standards, however, ETA’s agency targets can be based neither on a certain number of states meeting the standards they have set for themselves, nor a weighted average of statewide standards. Rather, ETA has had to establish agency performance targets that are based on projections or estimates of state labor exchange performance. Under this scenario, ETA has set a standard against which to hold itself accountable, but does not expect the same of the states.

CONCLUSION AND RECOMMENDATIONS

ETA and the states have made great strides toward establishing a performance measurement system for the public labor exchange. Still, however, the task is not complete. As this chapter noted earlier, performance measurement involves the assessment of the operation of a program in order to determine its effectiveness in achieving its intended purpose and in meeting predetermined performance standards. Absent clear and defined performance standards, however, measurement and reporting lack significance.

Surely ETA and the states will work to finalize the labor exchange performance measurement system by developing procedures for establishing clearly defined performance standards against which the delivery of labor exchange services can be measured. As ETA and the states do this, they also might consider the following:

- Develop means of adjusting for demographic and economic conditions, as well as differences in state program administration (e.g., registration policy, state funding levels, coordination across one-stop partner programs, etc.) to use both in establishing performance standards and for gauging success in meeting them. Doing so would make for fairer comparisons across states and also would counteract tendencies for creaming in service delivery.
- Develop additional performance indicators for services to employers, such as the market penetration rate.19
Table 4.2 Wagner-Peyser Act and America’s Job Bank Performance and Goals

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Targeted population</th>
<th>Program</th>
<th>PY 2003 goal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Job seekers registered with the public labor exchange will enter employment with a new employer by the end of the second quarter following registration</td>
<td>Job seekers</td>
<td>Wagner-Peyser Act</td>
<td>58%</td>
</tr>
<tr>
<td>Job seekers registered with the public labor exchange will continue to be employed two quarters after initial entry into employment with a new employer</td>
<td>Job seekers</td>
<td>Wagner-Peyser Act</td>
<td>72%</td>
</tr>
<tr>
<td>Increase in the total number of job openings listed with the public labor exchange (with both SESAs and AJB)</td>
<td>Employers</td>
<td>Wagner-Peyser Act/One-Stop</td>
<td>+5% (adjusted for economic cond.)</td>
</tr>
<tr>
<td>Increase in the number of employers that register with AJB</td>
<td>Employers</td>
<td>AJB</td>
<td>286,000</td>
</tr>
<tr>
<td>Increase the number of job searches conducted from AJB by 5% a year</td>
<td>Job seekers</td>
<td>AJB</td>
<td>195.4 mil (+5%)</td>
</tr>
<tr>
<td>Increase the number of resume search conducted from AJB by 5% a year</td>
<td>Employers</td>
<td>AJB</td>
<td>9.45 mil (+5%)</td>
</tr>
</tbody>
</table>

Reconsider how loosely defined registration procedures should be, both for the receipt of labor exchange service and within the one-stop delivery system as a whole.

Develop performance indicators that apply across the one-stop delivery system.

Develop methodologies for linking program benefits to costs to demonstrate the added value attributable to the operation of the program.

Link more closely the performance measurement procedures applicable to state grantees under the Wagner-Peyser Act and to ETA under GPRA.

Like the WIA performance measures, the labor exchange performance indicators merely capture the outcomes that occur following a job seeker’s registration with the labor exchange. They do not directly express the value added by labor exchange services. A registered job seeker may enter employment and remain employed as a direct result of using the labor exchange or despite it. Without applying techniques such as comparison group design in the evaluation of labor exchange services, the degree to which the public labor exchange improves the job-matching process remains uncertain. Thus, performance indicators should not be used in isolation but should be part of a broader strategy used to monitor and assess the delivery of labor exchange services. Nonetheless, when properly employed, performance measurement is a valuable tool for effective program administration and management.

Notes

Special thanks go to Lou Jacobson, Chris O’Leary, David Balducchi, and Ann Lorde-man for their helpful comments. The opinions expressed here are those of the author and should not be construed to represent the position of the Congressional Research Service, the U.S. Department of Labor, or the W.E. Upjohn Institute. The author is responsible for all errors and omissions.

1. The Wagner-Peyser Act was amended under WIA (P.L. 105-220) to require labor exchange services to be provided as part of state one-stop delivery systems. The WIA also requires states to coordinate the delivery of services provided under partner programs in their one-stop delivery systems.

2. O’Leary, Nesporova, and Samorodov (2001, pp. 59–61) provide a cogent summary of the distinction between performance measurement (or performance moni-
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toring), typically used to track gross outcomes of programs, and net impact estimation, typically used to assess the added value attributable to a program.

3. Previously, the employment service primarily had been engaged in human resource development and was focused on serving large numbers of individuals who were not fully job-ready.

4. A useful discussion of creaming and some of the concerns it raises for performance measurement may be found in O’Leary, Nesporova, and Samorodov (2001, p. 77).

5. The eight local factors were: staff years paid (based on the funding allocation for the budget year), unemployed individuals (projected for the budget year), unemployed individuals (prior year), youth applicants (prior year), UI claimant applicants (prior year), population, population density, and employment in service occupations (estimated for the budget year).

6. Sec. 6 of the Wagner-Peyser Act provides that after awarding funds to Guam and the Virgin Islands, two-thirds of each state’s allocation shall be based on its proportionate share of the total civilian labor force and one-third shall be based on its proportionate share of unemployed individuals. A hold-harmless of 90 percent of the prior year allocation and a small-state minimum of 0.28 percent of the total allotment also apply.

7. Secs. 3(a) and 13(a) of the Wagner-Peyser Act.

8. Sec. 7(b) of the Wagner-Peyser Act; secs. 7(b) and 13(a) were incorporated into the Wagner-Peyser Act in 1982 by amendment under JTPA (P.L. 97-300).

9. Real funding adjusted according to GDP (chained) price index, Office of Management and Budget.

10. Reportable services include referral to jobs and testing, and any service requiring expenditure of staff time even though not required to be reported (see USDOL 1996b, p. I-1).

11. Among the other requirements of WIA are that states prepare five-year plans for the implementation and operation of programs authorized under WIA Title I-B and the Wagner-Peyser Act; or unified five-year plans for programs authorized under WIA Title I-B, the Wagner-Peyser Act, and at least one other one-stop partner program.

12. For a more complete description of WIA performance accountability requirements, see USDOL (2000a, 2001a).

13. ICESA subsequently has redesignated itself as the National Association of State Workforce Agencies (NASWA).

14. VETS’s responsibilities include ensuring that veterans are served according to the requirements specified under Title 38 of the United States Code (U.S.C.). VETS administers funding provided under Title 38, U.S.C. for services to veterans to include services provided by Local Veterans’ Employment Representatives and Disabled Veterans Outreach Program representatives. In addition, veterans also are required to be given priority for services provided under the Wagner-Peyser Act.

15. An additional performance indicator applies only to veterans—the entered employment rate following receipt of staff-assisted services. While it is used to mea-
sure outcomes associated with labor exchange services provided under the Wagner-Peyser Act, ETA does not identify it as one of the labor exchange performance indicators in ET Handbook No. 406. This indicator was developed by VETS, and ETA collects information on the indicator to meet the requirements of Title 38, U.S.C.

16. ETA worked in partnership with VETS to develop the ETA 9002 quarterly reports. Some of the information collected on the reports is reported to ETA in order to document services that are required to be provided to veterans under Title 38, U.S.C.

17. In addition, the entered employment and employment retention rates are reported for eligible UI claimants. The employment retention rate also is reported for persons with disabilities, migrant and seasonal farmworkers, and dislocated workers. The number of individuals entering employment (but not rates) is reported for job seekers according to a number of demographic characteristics, including race, ethnicity, educational attainment, and age.

18. The Department of Education has similar goals for reading, high school students, etc. For other programs, the department sets goals based on nationwide performance rather than on state success in meeting state goals.

19. The market penetration rate would be useful in indicating the number of jobs listed with public labor exchange as a proportion of total job openings in the economy. ETA and NASWA explored the viability of the market penetration rate when developing the current labor exchange performance measurement system, but opted not to proceed further until after implementation of the current system.

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2004

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