

**WASHINGTON STATE
WORKFORCE TRAINING AND EDUCATION COORDINATING BOARD
MEETING NO. 131
NOVEMBER 20, 2008**

**WORKFORCE INVESTMENT ACT TITLE I-B
ANNUAL PERFORMANCE REVIEW**

Each year, the Workforce Training and Education Coordinating Board (Workforce Board) staff analyze the results of Workforce Investment Act (WIA) Title I-B programs as measured by the state and federal performance measures. Staff reports the results to the U.S. Department of Labor. Staff also share the results with the Workforce Development Councils and include information on possible areas for improvement. The Workforce Board also uses the results to determine the allocation of state incentive awards.

This tab includes WIA Title I-B results for Program Year 2007. The findings indicate that Washington will not meet the requirements for federal incentive dollars. The performance for the WIA adult and dislocated worker programs fell below the targets required by the U.S. Department of Labor. As the report describes, the failure to meet the targets appears to have been associated with certain service and registration strategies that caused a relatively large number of participants to be included in the areas' performance measures without a corresponding increase in investments per participant. This raises some interesting policy questions that will be discussed by a panel and the Board at the November meeting.

Board Action Requested: None. For discussion purposes only.

WORKFORCE INVESTMENT ACT ANNUAL PERFORMANCE REVIEW

PY 2007 Performance Results

For the annual report submitted to the Department of Labor (DOL) in September 2008, we averaged 100.01 percent of our federal targets, 101.29 percent of our state core indicators, and 100.65 percent overall. Unfortunately, that is not good enough to qualify for Section 503 federal incentive funds. Washington state averaged 99.0 percent of our adult targets, 97.6 percent of our dislocated worker targets, 102.6 percent of our youth targets, and 99.3 percent of our customer satisfaction targets. To qualify for Section 503 incentives, a state must exceed 100 percent of its adult targets, its dislocated worker targets, and its youth targets. Washington missed the mark for both the adult and the dislocated worker groups.

State Incentive Results

Nine of the twelve workforce areas averaged 100.0 percent or more of the combined federal and state targets. Ten of the twelve workforce areas qualified for state incentive funds by exceeding their combined targets for adults, dislocated workers, youth, or customer satisfaction. State incentive funds are divided into four “pools”: one for adults, one for dislocated workers, one for youth, and one for customer satisfaction. Each Workforce Development Council (WDC) that exceeds its targets in one of these four groups shares in the pool set aside for that category. The share of the pool received by the WDC depends both on the size of a WDC and the amount by which a WDC exceeded its targets.

The WDCs for Tacoma-Pierce County and for Benton-Franklin will receive a share of all four pools this year, due to performance above their targets in all four program areas. Southwest Washington WDC and Spokane WDC will not receive incentive funds from any of the pools, due to performance below targets in all four program areas. Six of the remaining WDCs will receive shares from three of the four pools. Two WDCs will share from two of the four pools. Carl Wolfhagen will be working with Workforce Board staff to make sure the incentive calculations are completed so that payments can be made.

Analysis of Performance

The performance results described above and shown in the accompanying spreadsheet are based on the 21 measures that DOL and Washington use to evaluate performance for incentive purposes. The spreadsheets show (in green shading) the eight measures that no longer count toward incentives. The state changes are described in a Workforce Board resolution dated November 2007. The federal changes are described in TEGL 9-07.

There are two areas of weakness in our results, which probably kept us out of Section 503 Incentive funds this year: entered employment and earnings. Our weaknesses in these areas were most pronounced in the two Workforce Development Areas that did not qualify for state incentive funds. This paper describes what may have happened on these measures in hopes of continuing a dialogue that may help us with future performance.

First, a summary of how the Workforce Board sets targets. We negotiate targets with DOL based on past statewide performance. We generally try to ask for as little increase as possible to entered

employment rates and retention rates—perhaps for increases of one-half to one percent per year over baseline. For earnings, though, our policy is to propose 3 percent increases per year. Keep in mind that this 3 percent per year is not adjusted for inflation and is well below the year-to-year increase in Washington’s minimum wage. In a nutshell, our expectation is that WIA funds will be used to invest in and improve the earnings capacity of disadvantaged adults, dislocated workers, and youth. We don’t want to place people in whatever job is available. We are after earnings improvements from year to year.

Once we get state level targets, we propose local area targets based on our regression analyses of how outcomes vary by economic conditions and the different demographics of our customers in the local areas. We do not take service strategy or local area baselines into account in this process. A local area that performs consistently above its targets does not get higher baselines and targets as a result, but a local area that performs consistently below its targets does not see target reductions either.

Spokane Results

Spokane did not qualify for state incentive funds in PY 2006 or PY 2007. Workforce Board and Employment Security Department (ESD) staff visited Spokane in January 2008 at the invitation of the WDC staff to analyze performance and help to improve performance for PY 2007. We discovered a staff that wanted to work hard to improve performance but also discovered some conditions that would make it difficult to turn performance around quickly. Spokane had been providing relatively low intensity services to a large number of participants—a strategy that spreads limited funds over a wider number of customers and does not allow for investments that might lead to improved earnings. Also, some contractors had wage-rate targets for placements that, if met, would more or less guarantee that participants would not earn enough to meet local earnings targets.

A further challenge was that by January 2008, all of the services and exits that would produce PY 2007s earnings measures and almost all of the follow-up period for earnings measures had already been completed. Essentially, there was nothing that Spokane could do about PY 2007 earnings results by the time we began discussing PY 2006 performance with them. Spokane’s federal adult earnings results of \$9,786 in PY 2007 were almost 6 percent lower than their PY 2006 results. These results would be produced by six months of full-time work at \$9.41 per hour. This was not far different from what Spokane contractors were aiming for with disadvantaged adults. Unfortunately it was only about 82 percent of Spokane’s federal earnings target for that group. Spokane is well on the way to improving its results, but did not have enough time to make changes that could affect PY 2007 results.

Southwest Washington Results

Unfortunately for statewide results, another WDC rapidly expanded the number of participants it served with Adult funds in PY 2007. Southwest Washington WDC increased the number of disadvantaged adults served from 20 percent of all Washington’s adult entered employment exits to 36 percent of the state’s adult entered employment exits this year. Southwest Washington WDC had almost as many entered employment exits (1,081) as the other six western Washington WDCs combined (1,094). Together, Spokane and Southwest Washington WDCs accounted for 48 percent of Washington’s adult entered employment rate in PY 2007, up from one-third of the adult entered employment rate in PY 2006.

Producing 36 percent of the outcomes with 10 percent of the WIA adult funds to provide services tends to reduce the entered employment rate. Southwest's adult entered employment rate fell from 85.4 percent in PY 2006 (6 percent above the local target) to 75.8 percent in PY 2007 (6 percent below the local target). Case difficulty increased between the two years, which produced a 1.3 percentage point reduction in the PY 2007 targets, but unemployment rates were actually lower in the PY 2007 follow-up period than they were in PY 2006 and we had access to WRIS out-of-state wage data on 48 states in PY 2007, up from the 34 states available in PY 2006.

Southwest Washington WDC is aware of the large number of enrollments/exits and their impacts on placement rates and had taken steps to reduce the number of adult enrollments into WIA. By the April to June 2008 quarter adult enrollments had been reduced and entered employment rates had returned to PY 2006 levels. The April to June quarter is the first outcome quarter for entered employment rates in PY 2008.

The large cohort of adults exited in late 2007 to early 2008, however, will reach federal retention rates, federal earnings measures, and the state core measures in the PY 2008 follow-up periods. We do not know the types of jobs obtained by Southwest Washington WDC participants or the earnings they attained, but it is possible that Southwest WDC will have difficulty meeting earnings targets next year.

Implications for State Policy on Targets

In periods of shrinking federal and state resources, WDC and state policy-makers may be faced with difficult choices. If resources shrink too much or demand increases too fast, providing an expensive level of service to a very small participant population may seem unwise. Not only does Washington have the lowest level of funding since the Act began, we will also be facing mass layoffs and increased demand for services.

Decreased funding might make the service strategy adopted by the Southwest Washington and Spokane WDCs look pretty reasonable. Our performance target system, however, starts with baselines generated from a relatively higher level of service per participant. Our regression-based target adjustment system adjusts for unemployment rates, prevailing wages and demographic conditions only. It does not adjust for shifting from high-cost, higher-outcome training to lower-cost services.

Federal targets for WIA will once again be negotiated with DOL in the Spring of 2009. To handle these negotiations properly, the Workforce Board and ESD will need to get good information about whether other local areas are changing to low intensity strategies, and if so when. This will assist us in making intelligent choices about target negotiations.

Credentials

DOL no longer uses adult, dislocated worker, and older youth credential rates in its evaluation of whether states meet their performance targets. Washington state will not be using state credential rates for this purpose either until we can get the reporting of credentials more standardized across the state. Earlier, staff had discovered that WDCs varied widely in the types of things that they record as credentials. The only "credential rate" that currently affects performance results is the

younger youth high school diploma or equivalent rate, since those credentials are clearly understood credential and measured consistently across the state.

New Common Measures

This is the third report that shows all of the new DOL common measures by WDC. They are on page 2 of the attachment with numerators and denominators on page 3. They do not have targets yet, and probably will not have targets until WIA is reauthorized.

Satisfaction Survey Results

This year's employer customer satisfaction target is 69.0 on the American Customer Satisfaction Index. Our customer satisfaction score for the Annual Report period (January to December 2007) was 69.6, which is above the target. Our job seeker customer satisfaction was 76.1 compared with a target of 78.0 and last year's performance of 78.1. So, employer satisfaction is above target and rising, while WIA I-B job seeker satisfaction is below target and falling.

TEGL 9-07 indicates that DOL will not use failure to meet customer satisfaction survey targets for incentive or sanction purposes, so this performance does not jeopardize eligibility for federal incentives or expose us to sanction. DOL does require us to continue to conduct the survey, and we plan to continue to use the results in calculation of state incentive awards.

Our satisfaction survey has state satisfaction questions used in performance measures but also has a global question on "seamlessness" of service (page 8 of the attachment). We asked WIA I-B customers about how many times they had to repeat what they needed or supply personal information and asked if providers did an excellent, good, fair, or poor job making programs easy to use. Overall, 84 percent of participants rated the WIA I-B system good or excellent on this measure. But, results vary from location to location and from one fund stream to another.

PY07 Annual Report Summary

Federal and State Report

WDC PERFORMANCE AS A PERCENT OF TARGETS

Figures Shown are the Average Ratio of Performance to Targets

PY07 Regression Adjusted Final Targets are used in this report (See Pages 6 and 7)

SUMMARY BASED ON 12 FEDERAL AND 9 STATE MEASURES AFFECTING INCENTIVES

Workforce Area	Federal Performance	State Performance	Combined Performance	Federal Adult	Federal Dislocated	Federal Youth	Federal Survey	State Adult	State Dislocated	State Youth	State Employer
01 Olympic	101%	103%	102%	101%	96%	103%	105%	105%	102%	102%	
02 Pacific Mt	107%	109%	108%	103%	97%	119%	104%	105%	101%	123%	
03 Northwest	107%	109%	108%	106%	103%	116%	99%	107%	108%	112%	
04 Snohomish	103%	112%	107%	114%	102%	99%	97%	121%	106%	111%	
05 King	103%	103%	103%	102%	99%	110%	95%	105%	101%	102%	
06 Pierce	103%	106%	104%	107%	97%	106%	102%	112%	104%	101%	
07 Southwest	95%	95%	95%	93%	91%	99%	93%	94%	94%	97%	
08 North Central	97%	100%	99%	98%	92%	96%	107%	104%	105%	93%	
09 South Central	105%	103%	104%	103%	98%	114%	104%	102%	98%	108%	
10 Eastern	98%	100%	99%	105%	94%	92%	108%	106%	103%	90%	
11 Benton Franklin	105%	103%	104%	104%	104%	107%	103%	103%	101%	104%	
12 Spokane	94%	96%	95%	92%	94%	94%	99%	95%	95%	99%	
13 Statewide	103%	105%	104%		103%				105%		
State Total	100%	101%	101%	99.0%	97.6%	102.6%	99.3%	102%	101%	101%	100%

One or more indicators averaged into this group is based on fewer than 25 participants or employers. High or low values are more likely to occur by chance for these measures.

Follow-up Periods used on pages 2 to 5 of this report:	Federal Entered Employment	October 2006 to September 2007	4 of 4 Qtrs
	Federal Employment and Credential	October 2006 to September 2007	4 of 4 Qtrs
	Federal Employment Retention	April 2006 to March 2007	4 of 4 Qtrs
	Federal Earnings Gain	April 2006 to March 2007	4 of 4 Qtrs
	State Credential	April 2006 to March 2007	4 of 4 Qtrs
	State Employment	April 2006 to March 2007	4 of 4 Qtrs
	State Annualized Earnings	April 2006 to March 2007	4 of 4 Qtrs
	Federal YY Skill Gains	April 2007 to March 2008	4 of 4 Qtrs
	Federal YY Diploma Rate	April 2007 to March 2008	4 of 4 Qtrs
	New:	Common Measure Youth Placement (Emp or Ed)	October 2006 to September 2007
New:	Common Measure Youth Degree or Certificate	October 2006 to September 2007	4 of 4 Qtrs
New:	Common Measure Youth Numeracy and Literacy	July 2007 to June 2008	4 of 4 Qtrs
	Participant Surveys (State and Federal)	January to December 2007	4 of 4 Qtrs
	Employer Survey (Federal)	January to December 2007	4 of 4 Qtrs