

# Policy Points

VOLUME 11

JULY 2000

## **Workforce Investment Act Performance Standards: Changing the Incentives To Get Better Jobs and Better Wages for Arkansas Workers**

On July 1, 2000, implementation of the Workforce Investment Act began. This new law was passed in Congress in 1998, and the Arkansas General Assembly passed its own version of the legislation during the 1999 legislative session. These new laws change the way that workforce development programs are delivered at the local level. Summaries and analyses of these laws can be found in previous issues of this publication.<sup>1</sup>

Over the last year, the Arkansas Workforce Investment Board (WIB) and ten local Workforce Investment Boards have been working diligently to develop plans for implementing this new act. One of the key features driving the development of these plans and the new workforce systems they will create is performance standards that must be met at both the state and local levels. In this issue of *Policy Points*, we will discuss the rationale for these standards, describe them, and provide a listing of the standards that have been negotiated at the state level and those that have been submitted by local WIBs for negotiation with the state. In future issues, we will report on the state's ability to meet those goals.

### **RATIONALE FOR PERFORMANCE STANDARDS**

Accountability for achieving outcomes with public funding is a major component of the Workforce Investment Act. Much of the impetus behind the new legislation was the fact that despite years of federal funding for workforce development programs, the public had no idea of what it was getting for its money. The perception was that organizations have continued to receive money to do the same programming, year after year, and there has been little or no difference in terms of outcomes for those served. There have been no incentives for creativity. And creativity is important in a state with regionally high unemployment rates, low levels of education, and many people with extensive barriers to employment.

Now, with performance standards in place, the public can track the effectiveness of programs. If performance levels are not being met, then new methods and strategies must be tried. No longer can we settle for doing education and training programs a certain way just because we have always done it that way. We must be constantly driven by the mission and goals that have been set at the state and local levels. We must continuously look for new ideas and new ways of working that will help us to meet those goals.



2304 W. 29th Avenue  
Pine Bluff, AR 71603  
Phone: 870-535-6233  
FAX: 870-535-0741  
E-mail: aduran@ehbt.com

## DESCRIPTION OF PERFORMANCE STANDARDS

Based on guidance from the U.S. Department of Labor,<sup>2,3</sup> each state was required to submit a plan that included expected levels of performance, for the first three years of implementation, on 17 different indicators covering adult, dislocated worker, and youth programs as well as customer satisfaction. The standards submitted had to be based on baseline data from the time period when Job Training Partnership Act (JTPA) programs were in place yet be higher than that baseline data. A listing and description of the performance measures and the equations used to calculate them can be found in Table 1.

The federal law and regulations have set several guidelines to insure comparability across states and local areas. First, an individual is considered to have entered the system and therefore counted in the performance measures, when he has “registered.” All youth who receive WIA-funded services will be considered “registered.” Adults and dislocated workers will be considered “registered” if they engage in a WIA-funded service that is more than just self-service or informational activities; the service must be designed to impart job seeking and/or occupational skills.

Second, an individual is considered to have exited the system if his case is closed or if he has received no services for 90 days and is not scheduled for future or follow-up services.

*Much of the impetus behind the new legislation was the fact that despite years of federal funding for workforce development programs, the public had no idea what it was getting for its money. The perception was that organizations have continued to receive money to do the same programming, year after year, and there has been little or no difference in terms of outcomes for those served.*

records are required to measure most of the standards and will be made available to local workforce boards. Supplemental data (e.g., case management, surveys, links with other databases) can be used when the individual is not included in the UI data for one of several reasons including self-employment or being employed by the federal government. However, these supplemental sources cannot be used to measure wages. UI data is prepared on a quarterly basis, and there is a one- to two-quarter lag on its availability. Therefore, the first several

quarters of performance reporting on the WIA program will use JTPA data.

Fourth, the customer satisfaction standards are based on surveys that must include three required questions. The answers from these required questions will be

used to create a customer satisfaction index. Surveys will be conducted via telephone. States and local areas can add other questions that will help them to learn about and improve their programs.

Creating a set of measures that will allow comparability across all sites and for which data can be collected is difficult. One performance measure that has limitations is the earnings standard. This standard measures the increase in earnings from two 6-month periods – one before entering the system and one after exiting the system. For the adult program, the national goal is \$3700, and the Arkansas goal is \$3000. The problem with this standard is that it

Third, Unemployment Insurance (UI) wage combines participants who were employed before the program, those who were underemployed, and those who were not employed at all. A \$3000 increase in earnings for a six-month time period might be a good goal if the individual is already employed. However, if the individual is not employed prior to entering the program, a \$3000 increase is not so great. In fact, that would make for an annual income of just \$6000, which is nowhere near what an individual needs to support a family.<sup>4</sup> And it is also well below the poverty line of \$17,050 for a family of four, a level of income that is widely considered to be inadequate.

During the strategic planning process undertaken by the Arkansas Workforce Investment Board, Board members agreed that they would need to track additional indicators to make sure that the vision and mission of the Board were being achieved. The following indicators were added and listed in the state's Unified Plan:

- demographics of all One-Stop participants
- cost per "registered" customers and those who are not "registered"
- expansion of the employer customer base
- efforts to achieve a "livable wage"
- percentage of job openings filled by One-Stop customers

The definitions for these additional performance measures will be developed by the state WIB. Data for these measures will be collected during the program year that began July 1, 2000, and

established prior to the beginning of the second program year next July.

### **REWARDS FOR MEETING PERFORMANCE STANDARDS AND CONSEQUENCES OF NOT MEETING THEM**

States will be eligible to apply for incentive grants if their performance meets or exceeds

their negotiated standards. Specifically, a state must achieve at least 100% of its cumulative goal in each of the four performance standard areas – adult, dislocated worker, youth, and customer satisfaction. And none of the 17

individual standards can be below 80% of the negotiated performance level. Incentive grants will range from \$750,000 to \$3 million.

For performance to be determined acceptable, a state must meet at least 80% of its performance standard on *each* of the 17 individual performance standards. In the first year of unacceptable performance, a state can receive technical assistance from the U. S. Department of Labor. If performance is unacceptable for two consecutive years, monetary sanctions may be imposed. Sanctions may range from between one and five percent of the state's total funding from DOL.

### **NEGOTIATED STATE AND LOCAL PERFORMANCE STANDARDS**

Both the state and local areas must negotiate performance standards. The Arkansas Workforce Investment Board submitted performance standards for the first three years of the imple-

*All but one of the local areas have submitted standards below the state's standards. If the local areas were allowed to keep these performance standards, the state would not be very likely to meet its performance goals.*

Department of Labor (DOL). The state has gone through a negotiation process with DOL and has finalized its initial performance standards. The standards for the program year that runs from July 1, 2000 to June 30, 2001 are presented in Table 2. The projected national levels set by DOL are presented as well. These are based on data from the states that chose to begin implementation of WIA earlier than July 1, 2000.

Finally, the table includes data on local performance standards. In May, each of the ten local areas submitted local plans, which included proposed performance standards. At its June meeting, the state WIB approved a two-part process for reviewing and approving local plans so the local WIBs could receive funding at the beginning of the program year July 1, 2000.

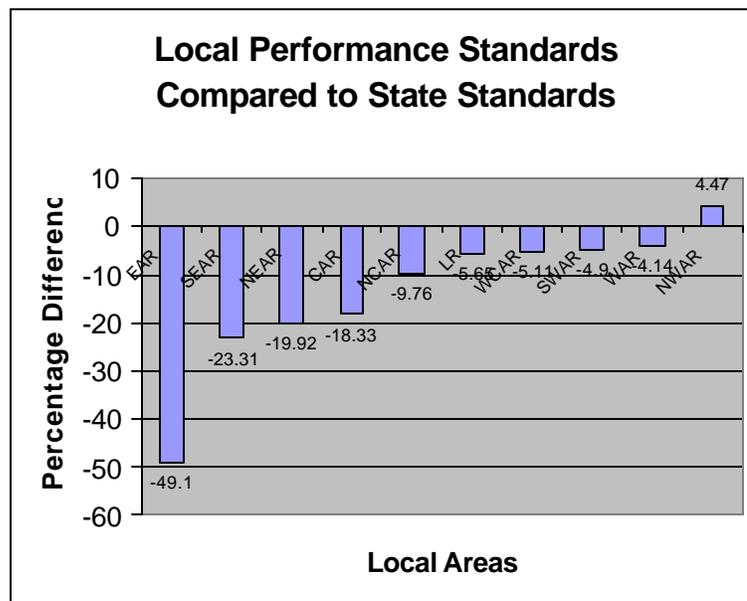
First, the local plan must meet seven essential elements, one of which was having submitted preliminary performance levels. Second, all local areas must have an approved governance structure or they must agree to a

structure. The state WIB will continue to work with the local areas to finalize their plans. This process will include negotiation of final performance standards.

Table 2 lists the initial performance standards submitted by each of the local areas for program year 2000. These initially-submitted standards range from about half of the state's standards (Eastern Arkansas) to exceeding the state's standards by 4.5% (Northwest Arkansas). All but one of the local areas have submitted standards below the state's standards. If the local areas were allowed to keep these performance standards, the state would not be very likely to meet its performance goals. Chart 1 shows how much each local area's initially submitted standards vary from the state standards.<sup>5</sup>

A further analysis of each local area shows that percentage differences between proposed local standards and state standards can vary across individual indicators. For example, several of the WIBs have the most variance from the state's measures on the older youth measures –

Chart 1



more difficult to meet than other standards. WIBs with wage standards that vary from the state's standards in relation to their other standards include North Central, Northeast, and Southeast. For one local area, East Arkansas, there is relatively little difference across indicators. All but three of the proposed standards are exactly 50% of the state standards.

## PROVIDER STANDARDS

In addition to the standards for which the state and local WIBs are responsible, there are also performance standards that training providers must meet to participate in the Workforce Investment System. The federal WIA law specifically lists and defines these provider standards.

The local provider standards have been used to qualify providers for the eligible training providers' list that is maintained by the state. Training providers apply directly to a local workforce board(s) to get on the list. At a minimum, the training provider must meet the following performance standards:

- Program completion rate: 50%
- Employment rate of those who have exited/left the program: 74%
- Average wage at placement of those who have left/exited the program: \$6.43

Local WIBs may require higher performance standards and/or add other standards to their application process. Once the local WIB has approved the provider, the organization is then added to the state list.

Presumably, these standards were set to help the state and local WIBs meet their negotiated performance standards. However the definitions of the three performance standards for training providers do not match up well with the

providers is employment rate. It is defined as the rate of all individuals participating in the applicable program. By contrast, the entered employment rate standard for the state and local areas is based on the percentage who find employment is the first quarter after exiting the program.

And in terms of earnings, the training provider standard is an hourly wage while the state and local standard is the change in earnings between the 2<sup>nd</sup> and 3<sup>rd</sup> quarters before registration and the 2<sup>nd</sup> and 3<sup>rd</sup> quarters after exiting the system.

## CONCLUSION

The local performance standards presented in this document are the initial standards presented in the local WIB plans submitted to the state in May. As is noted above, the state will not be likely to meet the performance standards that it has negotiated with the Federal Department of Labor unless the local performance standards are increased. To that end, the state WIB is currently negotiating with each of the local areas regarding their standards. It is hoped that these new, higher performance standards will cause local WIBs to think creatively about the types of programs and strategies used to train and employ Arkansans in jobs that pay enough to support their families. These new standards will be a challenge and will mean that we can no longer "do business as usual."

Future issues of this publication will report on the final negotiated local performance standards and on the progress of both the local areas and the state in meeting those standards. It will be important to watch for the following trends: 1) Which WIBs come closest to meeting their overall goals and which ones struggle the most? 2) Which goals seem the easiest to meet and which are the most difficult? 3) What do these

**Notes**

<sup>1</sup>See [www.arenterprise.org](http://www.arenterprise.org) for the following publications:

“Workforce Investment Act Unified Plan: Summary and Analysis,” Volume 10, February 25, 2000.

“The New Arkansas Workforce Investment System: Key Decisions and How to Get Involved,” Volume 8, August 17, 1999.

“A Summary of Act 1125: The Arkansas Workforce Investment Act,” Volume 6, April 27, 1999.

“Workforce Investment Act: Key Implementation Issues,” Volume 3, December 3, 1998.

“A Summary of the Workforce Investment Act,” Volume 1, August 24, 1998.

<sup>2</sup> U.S. Department of Labor, Training and Employment Guidance Letter No. 7-99, March 3, 2000.

<sup>3</sup> U.S. Department of Labor, Training and Employment Guidance Letter No. 8-99, March 3, 2000.

<sup>4</sup> In “Making it Day to Day: A New Family Income Standards for Arkansas,” Arkansas Advocates for Families and Children quantified that a family with one or two children needs anywhere from \$18,805 - \$28,541 just to cover basic expenses.

<sup>5</sup> This calculation is based on an average of the percentage differences between the proposed local standard and the state standard on each of the 17 required performance standards.



performance levels for all categories will be

BULK RATE  
U. S. POSTAGE  
**PAID**  
PINE BLUFF, AR 71603  
Permit #29



*Planting the seeds for success*

2304 W. 29th Avenue  
Pine Bluff, AR 71603  
Phone: 870 -535 -6233  
FAX: 870-535 -0741  
E-mail: [aduran@ehbt.com](mailto:aduran@ehbt.com)