

# **Adjusting ‘Common’ Performance Measures for Hard-to-Serve Adults and Youth: Issues, Options and Recommendations**

by

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## Introduction

Disadvantaged and hard-to-serve adults and youth, including persons with disabilities, have long been primary target populations for education, training and rehabilitation programs at the federal and state level in the United States. For many years, these programs offered services to these adults and youth through a varied mix of public and private for-profit and non-profit organizations without paying much attention to whether they were achieving the results they were intended to accomplish. Accountability for public funds was generally one of the last policy elements these programs addressed. Since the late 1970s and early 1980s, performance measures and standards, especially outcome-oriented ones, have become increasingly commonplace in these programs.

Increased accountability is generally seen as beneficial, not just by the taxpaying public, but also by policymakers, administrators and participants. However, introducing performance measures and standards typically leads to both intended and unintended consequences as program administrators and providers respond to them. Performance adjustment and incentive mechanisms are often utilized to counter some of these effects and to encourage effective services to disadvantaged and hard-to-serve populations. This paper reviews what we know about performance measures and their effects and highlights key issues and approaches for addressing adjustments to them. It is mainly intended for a broad audience of policymakers and program administrators responsible for such programs as education—ranging from public (K12) and adult education to career and technical education—workforce development and vocational rehabilitation. Thus, it encompasses a wide swath of publicly funded interventions designed to help hard-to-serve adults and youth, regardless of their background or characteristics, succeed in society and in the labor market.

The paper concludes that *programs would benefit considerably from adopting mechanisms for adjusting performance and providing incentives to encourage services to disadvantaged adults and youth and other hard-to-serve target populations.* It closes with a series of recommendations. Among these are the following:

- *Data collection and reporting systems must be improved considerably at all levels for performance adjustment strategies to function well.* It is especially important

to address *Family Educational Rights and Privacy Act (FERPA)*-related barriers and to work out mechanisms for gaining access to inter-state education and UI wage records, and records for employment that is currently not covered by federal/state UI programs, such as federal and postal service jobs.

- *Mixed strategies for performance adjustment and incentives should be adopted, with variations as necessary and appropriate depending on the nature of the program and its associated structures, traditions, and participants/students.* One size certainly will not fit all programs. Both regression-based and more recent negotiations-based performance adjustment approaches have their advantages and disadvantages. Such strategies should be coupled with incentives mechanisms to foster improved service levels and results for disadvantaged and other hard-to-serve adults and youth.
- *Approaches to measuring and adjusting performance, as well as creating incentives for encouraging more and better service for disadvantaged youth in these programs should strive for complete transparency.* The results of market-oriented approaches tend to be disastrous without relatively up-to-date, complete, user-friendly information about choices and their consequences, as well as supporting structures.
- *Public education and technical assistance and training will be needed to guard against the pitfalls of poor understanding and faulty implementation that are almost sure to follow the use of new performance adjustment and incentives approaches.* There were problems with using and understanding the job training performance management process in the 1980s and early 1990s. More and better education and assistance was called for and subsequently delivered before WIA's enactment. Less has been done since then.
- *Federal agencies should consider piloting a cohort-based measurement approach alongside current exiter-based ones, complete with performance adjustments and incentives.* Inter-program conflicts surrounding the definition and meaning of a leaver/exiter are based in real differences and should be addressed. Some local programs are beginning to experiment with such cohort-based approaches. In

addition, S. 1690, the No Child Left Behind Flexibility and Improvements Act, would create a cohort growth model for improvement in the Elementary and Secondary Education Act as one of several proposed “Alternative Accountability Systems.”

The paper is organized into seven (7) sections. The Background section briefly describes the accountability setting for the major workforce and related programs serving disadvantaged and hard-to-serve adults and youth, providing essential context for the discussion that follows. The Options for Performance Adjustment and Incentives section presents possible approaches to adjusting these performance measures and creating incentives for better serving the disadvantaged and other hard-to-serve populations. After the Key Measurement, Adjustment and Incentives Issues section, the Recommendations section points to those approaches that research and experience in the field suggests may be most effective at fostering improved services to hard-to-serve adults and youth. The Next Steps section outlines a number of actions that policymakers and practitioners may want to take to move forward with adopting the recommended adjustment and incentive approaches. Finally, Appendix A lists the Federal workforce and related programs subject to the ‘common measures’ developed and promulgated by the Office of Management and Budget (OMB).

## **Background**

Disadvantaged and hard-to-serve adults and youth are served under the auspices of a wide array of Federal and state education, employment, training and rehabilitation programs, each of which traditionally has operated within its own accountability framework and its own set of performance measures, if in fact it had such a framework and associated measures. More often than not, both the framework and the measures were absent altogether until the last decade or so. Relevant programs for this discussion range from K-12 education and workforce services provided under the Workforce Investment Act (WIA) to adult education, career and technical education under the Carl D. Perkins Act and Rehabilitation Act programs, among others.

There are several important facets to the background for this examination of performance measurement and adjustment: first, the emerging set of ‘common measures’ for

programs serving adults and youth that has been initiated and promulgated by OMB; second, two important developments involving youth programs, including the report of the White House Task Force for Disadvantaged Youth and the U.S. Department of Labor's New Strategic Vision for the Delivery of Youth Services under the Workforce Investment Act (WIA); and, third, new performance management initiatives for programs serving disadvantaged and hard-to-serve adults and youth.

## **Common Performance Measures**

In mid-2002, the Office of Management and Budget mandated the development and use of a set of 'common measures' for gauging the performance of seventeen major workforce and related programs that were administered by six federal agencies (OMB, 2002). (These programs and their responsible federal agencies are listed in Appendix A.) While not all Federal agencies have fully embraced these new measures, the U.S. Department of Labor has. In late 2003, the U.S. Department of Labor's Employment and Training Administration revised its data collection and reporting system and directed workforce program administrators to institute the common measures starting with the 2005-2006 program cycle: the measures were implemented for WIA in July 2005 and for the Employment Service (ES) in October 2005 (see TEGL No. 15-03, March 27, 2003; TEGL No. 18-04, February 28, 2005; and TEGL No. 28-04, April 15, 2005). Originally included in OMB's common measures were four adult and four youth measures, one of which—the efficiency measure—was eventually dropped. The remaining adult and youth common measures are shown in Figure 1. These measures are to be calculated from Unemployment Insurance (UI) wage records, standardized assessment instruments and other administrative records.

ETA's Management Information and Longitudinal Evaluation (EMILE) reporting system is consolidating reporting to reduce duplicate record keeping and streamline grantee information systems, as well as to facilitate comparable performance measurement. EMILE effectively establishes the OMB common measures as the new standards for *all* Department of Labor programs, ranging from WIA and Labor Exchange to Trade Adjustment Assistance and Job Corps.



## Figure 1. OMB Common Measures for Adults and Youth

### Adults

#### Entered Employment

Of those who are not employed at the date of participation, the percentage of participants who are employed in the 1<sup>st</sup> post-exit quarter.

#### Employment Retention

Of those who are employed in the 1<sup>st</sup> post-exit quarter, the percentage of participants employed in both the 2<sup>nd</sup> and 3<sup>rd</sup> post-exit quarters.

#### Six-month Earnings Increase

Of those who are employed in the 1<sup>st</sup> post-exit quarter, total earnings in the 2<sup>nd</sup> and 3<sup>rd</sup> post-exit quarters minus total earnings in the 2<sup>nd</sup> and 3<sup>rd</sup> quarters prior to participation, divided by the number of participants exiting in the quarter.

### Youth

#### Placement in Employment or Education

Of those who are not in post-secondary education, employment or the military at the date of participation, the percentage of participants who are in employment or the military or enrolled in post-secondary education and/or advanced training/occupational skills training in the 1<sup>st</sup> post-exit quarter.

#### Attainment of a Degree or Certificate

Of those enrolled in education (at the date of participation or at any point during the program), the percentage of participants who attain a diploma, GED, or certificate by the end of the 3<sup>rd</sup> post-exit quarter.

#### Literacy and Numeracy Gains

Of those out-of-school youth who are basic skills deficient and have completed a year in the program or exited before completing a year in the program, the percentage of participants who increase one or more educational functioning levels.

*Source: USDOL/ETA, Training and Employment Guidance Letter 28-04, Attachment B (April 15, 2005).*

It should be noted that a growing group of states led by Washington State's Workforce Training and Education Coordinating Board has developed an alternative set of

‘common measures’ as part of the Integrated Performance Information (IPI) Project that was both initiated and funded by ETA in late 2003. Cross-agency teams from six states—Florida, Michigan, Montana, Oregon, Texas and Washington—participated actively in the development of the IPI measures. The National Governors Association’s Center for Best Practices convened the states in a series of meetings in 2004-2005, assisted by the Ray Marshall Center at the University of Texas and the Center for Governmental Studies at Northern Illinois University. The IPI project published its final report, *Integrated Performance Information for Workforce Development: A Blueprint for States*, in February 2005.

The IPI measures, shown in Figure 2, were developed in a consensus-based, bottoms-up process and vetted with evaluation and performance management experts from workforce development, education, welfare, adult education and literacy, as well as with leaders of key trade associations (e.g., the National Association of Workforce Boards, the Career and Technical Education Directors Association, the U.S. Chamber of Commerce). It is unclear whether the IPI measures will supplement or supplant the OMB common measures.

## **White House Task Force on Disadvantaged Youth**

There has been far greater attention to youth accountability in Federal programs in the very recent past. On December 23, 2002, President Bush announced the creation of the White House Task Force for Disadvantaged Youth, which was charged with “developing, under existing authorities and programs, a comprehensive Federal response to the problems facing America’s youth” (Executive Memorandum, 2002). The Task Force produced two major reports over the next ten months. The Task Force issued its *Preliminary Report on Findings for the Federal Response to Disadvantaged Youth* in April 2003, as an initial assessment of the Federal response to the problems of disadvantaged youth.

It subsequently published the *Final Report of the White House Task Force for Disadvantaged Youth* in October 2003, offering a “national youth policy framework designed to support all young people in growing up to be healthy and safe and ready to participate in work, college, military service, marriage, family, parenting, and civic engagement and

service.” The Task Force concluded with a proposed for a Disadvantaged Youth Initiative to maximize outcomes for disadvantaged youth from the investment of approximately \$223.5 billion in Federal funds, focusing on four goals:

**Figure 2. Integrated Performance Information Performance Measures**  
***Accountability Measures***

Short-term Employment Rate

The percentage of participants who are employed during the 2<sup>nd</sup> quarter after exit. (For youth, enrolled in education counts as well as employment.)

Long-term Employment Rate

The percentage of participants who are employed during the 4th quarter after exit. (For youth, enrolled in education counts as well as employment.)

Earnings Level

Median earnings during the 2nd quarter after exit among all exiters with earnings.

Credential Completion Rate

The percentage of participants who have completed a certificate, degree, diploma, licensure, or industry-recognized credential during participation or within one year of exit.

Repeat Employer Customers

The percentage of employers who are served who return to the same program for service within one year.

***Performance Indicators***

Employer Market Penetration

The percentage of all employers who are served during one year.

Taxpayer Return on Investment

The net impact on tax revenue and social welfare payments compared to the cost of the services.

Participant Return on Investment

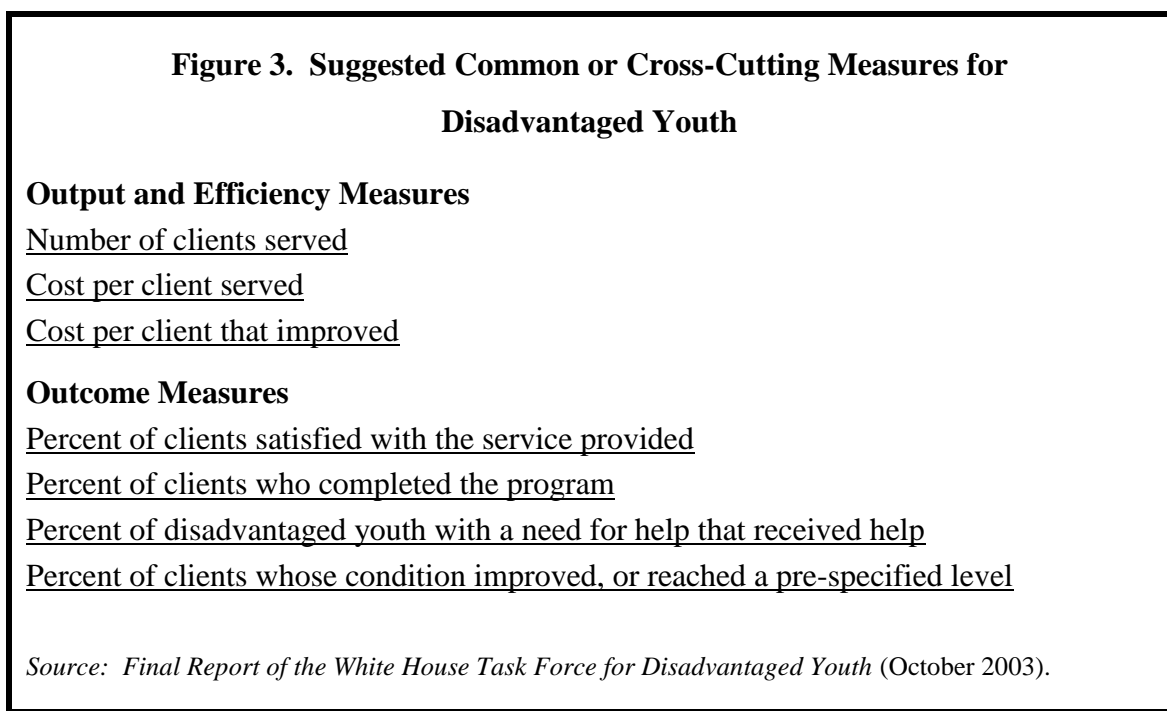
The net impact on participant earnings and employer-provided benefits compared to the cost of the services.

*Source: Wilson, Integrated Performance Information for Workforce Development: A Blueprint for States (2005).*

- Better Management: Streamlining the Federal Response to Disadvantaged Youth;
- Better Accountability: Producing Results, Not Just Promises;

- Better Connections: Engaging Youth and Families; and
- Give Priority to the Neediest Youth: Caring for Special Target Populations.

The Task Force's *Final Report* recommended instituting common (or similar) performance measures for youth programs spanning a wide array of programs. The focus here is on the narrower set of workforce, education, and related programs. The Task Force identified candidate "common core" performance measures for selected program areas, including those seeking improvement in academic performance and those seeking increased youth self-sufficiency skills, identifying 18 candidate measures in the former program category and six in the latter. It ultimately suggested three output and efficiency measures and four outcome measures, the latter ranging from a client satisfaction measure to program completion and improvement rates (Figure 3).



## ETA's Strategic Vision for Youth Services

In July 2004 the U.S. Department of Labor's Employment and Training Administration (ETA), which is responsible for programs serving large numbers of disadvantaged youth under Title I of WIA, articulated a new "strategic vision" for serving youth (see TEGl No. 3-04, 2004). This vision, developed pursuant to the White House Task

Force's efforts, seeks to connect youth with high quality education and employment services under the existing provisions of WIA, consistent with the Administration's WIA reauthorization principles. As stated in the July 16, 2004 TEGL, ETA's new strategic vision for youth is:

Out-of-school youth (and those most at risk of dropping out) are an important part of the new workforce "supply pipeline" needed by businesses to fill job vacancies in the knowledge economy. WIA-funded youth programs will provide leadership by serving as a catalyst to connect these youth with quality secondary and postsecondary educational opportunities and high-growth and other employment opportunities.

To implement this strategic vision for youth, ETA is employing strategies spanning four areas: Focus on Alternative Education; Meeting the Demands of Business, Especially in High-Growth Industries and Occupations; Focus on the Neediest Youth (with priority given to youth in foster care, those aging out of foster care, youth offenders, children of incarcerated parents, and migrant youth); and Focus on Improved Performance. The stated Improved Performance goal is: "Key initiatives will be implemented to assure that funding for youth programs is performance-based and that systems and programs are focused on *outcomes*" (emphasis added). And, one of the more important features of ETA's strategy in this area is implementing the OMB common measures for youth for programs in its national One-stop system.

## **Program Accountability Provisions**

Each of the workforce, education and rehabilitation programs addressed in this analysis has its own accountability provisions, some more comprehensive than others. These programs and their provisions are described briefly here.

***The Workforce Investment Act.*** WIA was enacted in late 1998, replacing similar programs that had operated under JTPA since 1983. WIA made substantial changes to the accountability framework and measurement approach when it finally became fully effective in all states in July 2000. WIA, which is 100 percent Federally funded, established a far more market-based approach to serving adults and dislocated workers than had been in place under JTPA, requiring potential training providers to report labor market and related performance to

the state; except for customized and on-the-job training and training for certain hard-to-serve groups, restricting participant access to training for adults and dislocated workers to providers certified as “eligible training providers” on the state list; creating seventeen measures of WIA performance; and instituting, for the first time, state-level performance standards that were negotiated with ETA Regional Offices, often as part of a very one-sided process.<sup>1</sup> Until Program Year 2004-2005, WIA required four core performance measures each for adults, dislocated workers, and older (19-21) youth, as well as three core indicators for younger (14-18) youth. These measures are shown in Figure 4 (with the exception of the measures for dislocated workers and customer satisfaction measures).

To date, ETA has implemented WIA performance standards without the use of the regression model that was utilized for JTPA performance measurement and management: whether to adjust performance at the local level has been left to state discretion.<sup>2</sup> ETA has provided some guidance to states and local WIBs on the standards negotiations process (for example, see TEG 11-01, June 4, 2002). Recently, however, ETA has funded the development of alternative adjustment approaches and tools; these are discussed below. It should be noted that state receipt of incentive funds is tied to performance in WIA, as well as that in adult education/family literacy and vocational education. Data reported for WIA adult and youth exiters for Program Years 2001-2003 indicate that the overall numbers served in WIA first increased, then declined somewhat over these three years, the share of those who were harder to serve—individuals with a disability, homeless or runaway youth, offenders, pregnant or parenting youth, basic skills deficient, single parents, low income—generally remained about the same or increased slightly.<sup>3</sup>

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<sup>1</sup> For more on WIA performance provisions and their implementation, see Barnow and King (2005), Barnow and Smith (2004), and D’Amico et al. (2005).

<sup>2</sup> Texas, one of a handful of early-implementing WIA states in 1999, initially developed its own performance adjustment regression model only to drop it in 2001; only two other states—the District of Columbia and Maryland—developed and used adjustment models (Heinrich, 2003). The Corporation for Workforce Services and the W. E. Upjohn Institute for Employment Research (2005) recently developed a very comprehensive adjustment model for Michigan with funding from ETA, the Value-Added Performance Improvement System (VAPIS) model.

<sup>3</sup> Social Policy Research Associates (2005), Table IV-1, derived from PY 2003 WIASRD records.

## Figure 4. WIA Performance Measures for Adults and Youth

### **Adults**

#### Entered Employment Rate

Of those who are not employed at registration, the percentage of adults who got a job by the end of the 1<sup>st</sup> quarter after exit.

#### Employment Retention Rate at Six Months

Of those who are employed in the 1st quarter after exit, the percentage of adults that are employed in the 3rd quarter after exit.

#### Average Earnings Change in Six Months

Of those who were employed in the 1st quarter after exit, total earnings in the 2nd and 3rd quarters after exit minus total earnings in the 2nd and 3rd quarters prior to registration, divided by the number of adults exiting in the quarter.

#### Employment and Credential Rate

Of adults who received training services, the percentage of adults who were employed in the 1st quarter after exit and received a credential by the end of the 3rd quarter after exit as a share of all adult exiters.

### **Older Youth (age 19-21 years)**

#### Entered Employment Rate

Of those who are not employed at registration and who are not enrolled in post-secondary education or advanced training in the 1st quarter after exit, the percentage of older youth who got a job by the end of the 1st quarter after exit.

#### Employment Retention Rate at Six Months

Of those who are employed in the 1st quarter after exit and who are not enrolled in post-secondary education or advanced training in the 3rd quarter after exit, the percentage of older youth that are employed in the 3rd quarter after exit.

#### Average Earnings Change in Six Months

Of those who are employed in the 1st quarter after exit and who are not enrolled in post-secondary education or advanced training in the 3rd quarter after exit, total earnings in the 2nd and 3rd quarters after exit minus total earnings in the 2nd and 3rd quarters prior to registration, divided by the number of older youth exiting in the quarter.

#### Credential Rate

The percentage of older youth who are in employment, post-secondary education, or advanced training in the 1st quarter after exit and received a credential by the end of the 3rd quarter after exit.

#### **Figure 4. WIA Performance Measures (cont.)**

##### **Younger Youth (age 14-18 years)**

###### Skill Attainment Rate

Of all in-school youth and any out-of-school youth assessed to be in need of basic skills, work readiness skills, and/or occupational skills, the percentage of basic, work readiness and occupational skills goals attained as a share of all such goals.

###### Diploma or Equivalent Attainment

Of those who register without a diploma or equivalent, the percentage of younger youth who attained a secondary school diploma or equivalent by the end of the 1st quarter after exit, as a share of all younger youth exiting in the quarter (except those still in secondary school at exit).

###### Retention Rate

The percentage of younger youth in post-secondary education, advanced training, employment, military service or qualified apprenticeships in the 3rd quarter after exit, as a share of all younger youth exiting in the quarter (except those still in secondary school at exit).

*Sources: USDOL/ETA, Training and Employment Guidance Letters, and Appendix I in USGAO (2002). This list excludes the customer satisfaction measures.*

In April 2005, ETA issued new policy guidance providing states and local WIBs with information to help them adjust performance for key economic and population characteristics for Program Years 2005 and 2006 as part of the standards negotiation process (TEGL 27-04, dated April 15, 2005). The adjustment factors provided in Attachment IV of TEGL 27-04 are shown in Table 1.



**Figure 5. Relationship between Selected Performance outcomes, Unemployment Rates and Customer Characteristics**

	Effect on Performance of 1 Percentage Point Increase in ...				
	Unemp. Rate	% Age 55 or Older	% Not HS Graduate	% Low Income	% with Disability
<b>Adults</b>					
Entered Emp. Rate (%)	-3.1	-0.059	-0.101	-0.088	-0.125
Emp. Retention Rate (%)	-1.3	--	-0.076	-0.063	-0.042
Earnings Change (\$)	-33	-19	-7	-13	--
	Unemp. Rate	% Age 19	% Not HS Graduate	% Basic Skill Def.	% with Disability
<b>Older Youth</b>					
Entered Emp. Rate (%)	--	-0.019	-0.126	-0.062	-0.081
Emp. Retention Rate (%)	--	--	-0.086	-0.036	--
Earnings Change (\$)	--	--	-12	-6	-6
	% with Disability	Unemp. Rate	% Age 14 or 15	% HS Dropout	% Basic Skill Def.
<b>Younger Youth</b>					
Skill Attain. Rate (%)	-0.7	0.032	-0.079	-0.020	0.027
Diploma Attain. Rate (%)	0.9	-0.152	-0.241	-0.080	0.116

*Source:* TEGL 27-04, Attachment IV, Table 1 (April 15, 2005). Almost all adjustments are statistically significant at the 1% level; the remainder is statistically significant at the 5% level.

**The Carl D. Perkins Act.** The Carl D. Perkins Technical and Vocational Education Act—often referred to simply as “Perkins III”—also was enacted in late 1998, modifying the program established under the first Perkins legislation in 1984. The Perkins Act provides for a national system of career and technical education (CTE), both at the secondary and postsecondary levels, one that is supported through a unique combination of Federal, state, local and individual contributions with a mix that varies from state to state and area to area. The Federal share of public funding from career and technical education has ranged from 6-8 percent of the total in recent decades, creating a unique set of policy issues in such areas as accountability. In addition, the ratio of Perkins funds states allocated to their secondary and postsecondary systems has remained unchanged at about 60/40 in recent decades.

Since 1990, successive Perkins reauthorizations have introduced and strengthened the accountability orientation in the career and technical education system nationally.<sup>4</sup> Compared to its predecessor, “Perkins III raises the requirements for state reporting of student outcome data (including mandating more measures of performance) and the potential rewards and consequences for states that do and do not improve their program performance” (Silverberg et al., 2004, p. 206). States must now develop four (or more) core performance indicators (Section 113), levels for which must be negotiated with the U.S. Department of Education (USDOE) annually. These are shown in Figure 6.

**Figure 6. Core Performance Indicators under Perkins III**

Academic, vocational and technical skills proficiency attainment.

Completion of a secondary or postsecondary degree or credential.

Placement and retention in postsecondary education, advanced training, employment or military service.

Participation and completion of programs leading to non-traditional employment.

*Source:* Carl D. Perkins Act, Section 113. Detailed indicator definitions are largely left to the individual states.

Under the new Perkins III, states vary widely in the data sources used to generate their accountability measures, ranging from surveys of varying sizes to administrative and program records (see Silverberg et al. 2004). The quality, reliability and consistency of these data vary as well. State-by-state comparisons are mandated under the Act, but may prove challenging given the varying data and measurement approaches. The Nation’s career and technical education system currently does not employ performance measure adjustment models at the state or substate level.

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<sup>4</sup> Stevens (2001) provides an in-depth discussion of accountability under Perkins III.

As mentioned above, states only qualify for incentive funds if they exceed their negotiated performance levels in all three major workforce programs, namely WIA, Perkins, and adult and family literacy. Yet, the level of coordination and communication between state WIA and Perkins systems varies widely and is generally low (see Barnow and King, 2005). At present, both houses of Congress have passed their own versions of the Perkins Act, but Congress has yet to take final action to resolve differences between them.

***Public Education and the Individuals with Disabilities Education Act.*** The accountability environment for public education in the United States changed dramatically in early January 2002 when the *No Child Left Behind (NCLB) Act* was signed into law, substantially expanding the Federal role in public (K12) education with remarkable bipartisan support.<sup>5</sup> This expansion took place in the context of an explicit policy “bargain”: the Federal government increased funding for public education while state education systems were expected to be far more accountable for results for all students. States must now test student performance, collect and make public performance results for all students, including key subgroups, ensure qualified teachers in all classrooms and guarantee that all students achieve educational “proficiency” by school year 2014-2015, regardless of socioeconomic status.

States are still required to develop challenging *content standards* for mathematics and language arts as first mandated under the 1994 *Elementary and Secondary Education Act (ESEA)*. States were required to develop performance standards for three levels of achievement—i.e., partially proficient, proficient and advanced—for mathematics, language arts and science by the 2005-2006 school year, applying the same standards for Title I as well as all other students.

States also are required by the 1994 ESEA to develop and implement multi-measured assessments that are aligned with the content and performance standards in math and language arts once at each of grades three through five, six through nine, and 10 through 12. Science tests must be developed and implemented once at each of the three grade spans by

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<sup>5</sup> This description of the No Child Left Behind Act and its accountability provisions draws from explanations provided on the National Conference of State Legislatures, the National Governors Association, and the U. S. Department of Education websites.

2007-2008. Since 2002-2003, states have had to ensure that districts administered tests of English proficiency measuring oral language, reading and writing skills to all limited English proficient students as well.

Additional specifications worth noting are contained in the NCLB Act. An important one is that, unless there are too few students in a category to yield statistically reliable results or results that would potentially allow individual students to be identified, not less than 95 percent of students in all subgroups must participate in the state assessments. In addition, NCLB features an assessment "trigger" that allowed states to defer or suspend, but not cease development of the NCLB assessments for a year if Federal funding did not meet specified levels each year.<sup>6</sup> NCLB also made significant changes to the reporting requirements for public education. Under ESEA, assessment results must be reported at the state, local education agency (or LEA) and school levels, disaggregated by gender, race/ethnicity, English proficiency, migrant status, disability and economic disadvantaged status. LEAs also must produce a school performance profile for each Title I school with disaggregated results and publicize and disseminate these profiles to teachers, parents, students and the community at large, fostering far greater transparency than existed previously. LEAs must provide individual student reports, including test scores and other information on the attainment of student performance standards as well.

NCLB added to the transparency of the public education's accountability system with the requirements for annual report cards on the test performance of individual students and other indicators included in the state accountability system to be made available to parents and the public, including data on teacher qualifications. Additionally, these report cards include comparisons of high- and low-poverty schools and for the various ESEA-identified subgroups regarding the percentage of classes taught by teachers who are "highly qualified."

NCLB further requires states to ensure that each individual subgroup achieves the "adequate yearly progress" (AYP) standards established by the 1994 ESEA, places much harsher penalties on LEAs and schools failing to meet the AYP standard, and guarantees that all students reach a "proficient" level of achievement by the end of the 2013-2014 school

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<sup>6</sup> Federal funding levels stipulated by NCLB were \$370 million for FY 2002, \$380 million for FY 2003, \$390 million for FY 2004, and \$400 million for FYs 2005-2007.

year. Thus, schools and districts must show that all students have made gains in their academic achievement, including those students who are economically disadvantaged, have limited English proficiency, have a disability, or belong to a major racial and ethnic group. Finally, NCLB also specifies the actions LEAs must take to improve failing schools. Schools that fail to make AYP for:

*two (2) consecutive years* must offer students public school choice by the following school year;

*three (3) consecutive years* must continue to offer school choice as well as supplemental services;

*four (4) consecutive years* must be identified for "corrective action," allowing the school to replace staff, implement a new curriculum, etc.; and

*five (5) consecutive years*, are identified by the LEA for "restructuring," including alternative governance arrangements: reopening the school as a public charter school, replacing school staff, etc., to enable the school to make AYP.

As with the Perkins Act career and technology education programs described above, it is noteworthy that the specific state standards that NCLB's accountability approach revolves around are expected to vary widely: states are not implementing one uniform national standard, but rather *51 different ones*.

According to the Congressional Research Service's analysis (Apling and Lee, 2005), since it was first enacted in 1975, the *Individuals with Disabilities Education Act (IDEA)* has served as "both a grants statute and a civil rights statute." IDEA has provided Federal funding for educating children with disabilities and, in return for such support, has required the provision of a "free appropriate public education," with detailed due process to ensure it. The most recent major reauthorization of IDEA, the Individuals with Disabilities Education Improvement Act (P.L. 108-446) was signed into law on December 3, 2004. Most of its provisions took effect July 1, 2005.

The 2004 reauthorization largely maintained IDEA's structure and civil rights guarantees intact. IDEA Part B features a grants-to-states program with set asides and both state and substate funding formulas. Congressional authorizations for Part B are \$12.4 billion in FY2005 and \$14.6 billion in FY2006, after which the basis for the national

authorizations changes. Authorizations are slated to rise steadily to \$26.1 billion by FY2011, but for subsequent years, Congress will authorize “such sums as may be necessary” (see Apling and Lee, 2005).

IDEA also effected major changes relevant to accountability and student performance expectations. Congress, in Section 650(4), found that an effective educational system serving children with disabilities should—

“(A) maintain high academic achievement standards and clear performance goals for children with disabilities, consistent with the standards and expectations for all students in the educational system, and provide for appropriate and effective strategies and methods to ensure that all children with disabilities have the opportunity to achieve those standards and goals;

“(B) clearly define, in objective, measurable terms, the school and post-school results that children with disabilities are expected to achieve.”

The IDEA reauthorization revised state requirements for performance goals and indicators by linking them to ESEA requirements, requiring that state performance goals be “the same as State’s definition of adequate yearly progress (AYP), including the State’s objectives for progress by children with disabilities” under ESEA, and linked performance indicators to ESEA requirements (see Apling and Lee, 2005, p. 15). In Section 612, IDEA also—

- amended the language regarding participation in alternative assessments to bring them into alignment with ESEA, requiring “that *all* children with disabilities be included in *all* state and district-wide assessments” (Apling and Lee, p. 15, emphasis in the original);
- mandated that assessments be “aligned with the State’s challenging academic content standards and challenging student academic achievement standards”; and
- required that the achievement of children with disabilities be compared to that of other students and publicly reported, subject to testing and confidentiality rules.

In Section 616(a), IDEA also changed the focus of federal and state compliance monitoring to focus more on improving educational results and functional outcomes for

children with disabilities using quantifiable indicators. As part of their State Performance Plans, they are required to collect and report “valid and reliable” information at the LEA level annually to the Secretary of Education. The 2004 IDEA reauthorization in Section 616(b) explicitly states that it does not authorize the creation of a national database of personally identifiable information (Apling and Lee, p. 34). Thus, IDEA’s performance, data collection and reporting requirements are now much more closely aligned with those of ESEA and No Child Left Behind.

***Vocational Rehabilitation Programs.*** Programs funded by the Rehabilitation Act as amended by Title V of WIA in 1998 seek to enhance the labor market prospects and outcomes of individuals with a wide range of mental and physical disabilities. Rehabilitation Act Title I programs, which are administered by the U.S. Department of Education (USDOE), provide for the delivery of Federal-state vocational rehabilitation (VR) services through state VR agencies to prepare individuals for gainful employment.<sup>7</sup> In FY 2005, VR provided some \$2.5 billion in grants to states and territories, which they then matched; state funds accounted for approximately 21.3 percent of the total expended (USGAO, 2005, p. 4). Primary impairments of individuals served in these programs in FY2003 were mainly mental/psychosocial (32 percent), cognitive (23 percent), orthopedic/neurological (20 percent), and other physical (12 percent). State VR programs provide a wide array of services—ranging from assessment, vocational guidance and counseling, job search assistance and job readiness training to more intensive services such as occupational, vocational or even college or university training—exiting more than 650,000 persons in FY 2003, roughly 217,000 of who obtained a new job or maintained their existing position after receiving services (p. 11). Most of those with jobs after exiting earned at least the state minimum wage; about half worked less than 40 hours per week.

The 1998 reauthorization of the Rehabilitation Act as part of WIA Title V required that USDOE establish new VR evaluation standards, including indicators for outcomes and related measures. It also gave USDOE the authority to implement incentives and sanctions tied to state VR performance. VR programs, which are one of the 17 mandatory One-stop

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<sup>7</sup> A recent USGAO report summarizes VR programs and analyzes their current performance measures and management systems in light of the OMB common measures; see USGAO (2005).

partners under WIA, continue to rely on pre-WIA performance measures and management mechanisms.<sup>8</sup> Current VR measures do not capture the performance of key subpopulations, including students transitioning from school to work and only track those exiting the program. They also do not take into consideration or adjust for important demographic and economic variations among the states, despite the fact that actual employment and earnings for state VR programs vary significantly by type of disability and other factors. VR's measure of employment is based on state reports to USDOE, not UI wage records or other objective sources. Employment is defined to include self-employment, homemaking, and other forms of activity that are not at all consistent with other Federal/state programs. Without adjustments and incentives, the common measures may have adverse effects on VR participant selection and outcomes.

Two central questions are addressed in the remainder of this paper:

1. Should performance measures be adjusted for differences in participant characteristics in order to promote more and better services for key adult and youth target groups? And, if so, how?
2. Should programs be allowed to negotiate variations in their expected performance based on differences in participant characteristics in order to promote more and better services for key adult and youth target groups?

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<sup>8</sup> These are drawn from USGAO (2005), pp. 3ff.



## Options for Performance Adjustment and Incentives

Two main approaches have been used to promote more and better services for key target groups, including disadvantaged and hard-to-serve adults and youth, over time: adjusting performance to account for different characteristics and expected outcomes for identified target groups of interest; and providing either service or performance incentives of varying types for serving the groups of interest at higher levels and/or better. Variations of each of these approaches are discussed in this section.

### Performance Adjustment Options

Performance adjustment models have a relatively long track record in this country, primarily in workforce development programs (see Siedlecki and King, 2005).<sup>9</sup> Early performance adjustment approaches were developed in the mid-1970s for labor exchange programs operated by the U.S. Employment Service. These were highly complex statistical models that were very difficult for policymakers and practitioners to understand and thus saw limited use. In the late 1970s and early 1980s, the U.S. Department of Labor initiated the first of a series of regression adjustment models for programs under both the 1978 Comprehensive Employment and Training Act (CETA) Amendments and the Job Training Partnership Act (JTPA) of 1982. Models developed and implemented for JTPA remained in use until WIA replaced JTPA in the late 1990s; some states (e.g., Texas) actually continued to use such adjustments under WIA initially (see Barnow and King, 2005; Barnow and Smith, 2004; and Heinrich, 2004). More recently, another adjustment option has emerged, the performance negotiations approach.

Both approaches share the *same underlying rationale*, removing disincentives for serving harder-to-serve populations. Education, workforce development and related programs as a practical matter encounter population characteristics and economic conditions that lie beyond the control of the program or school administrators. Adjusting for varying population traits and economic conditions basically holds program administrators harmless

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<sup>9</sup> The IPI Blueprint Report favors adjusting their version of common measures for workforce and education programs (see Wilson, 2005). Holcombe and Barnow (2004) also discuss adjustments.

for these variations that are beyond their control, while still allowing the funding source to hold them accountable for the funds they receive.

***Regression-based Performance Adjustment Models.*** As indicated, job training programs have made extensive use of regression-based performance adjustment models for decades, a phenomenon that reflects both the influence of labor economists and statisticians in the early development of accountability systems for these programs, as well as the availability of more uniform data collection and reporting systems at the local, state and national level required for supporting such models. Two regression-based models have been used: the National JTPA Regression-adjustment Model that relied on aggregate service-level data as the unit of analysis, and the more recent Value-added Performance Improvement System (VAPIS) Model developed in Michigan that relies on individuals as the unit of analysis.

The *National JTPA Regression-adjustment Models* were developed in the early and mid-1980s (see Dickinson et al. 1988 and SPRA, 1999). They featured statistical regression models for each of a number of adult and youth performance standards that local service delivery areas were required to meet or exceed under the JTPA program. These models were estimated using data that were reported by states to ETA. For the first decade of JTPA operations, states reported only aggregate service delivery area data to ETA, but after the 1992 JTPA Amendments, states were required to collect and report *individual-level data* for those participating in (exiting) JTPA. Performance adjustment models continued to be estimated at the service area rather than the individual level.

Performance was adjusted in a two-stage process. First, *expected* performance was computed and adjusted using the characteristics of the local programs *planned* participants and the most recently available data for economic conditions, which were estimated to have statistically significant effects on national performance (e.g., the unemployment rate, employment growth in retail employment). Second, at the end of the program cycle, *actual* performance was computed and adjusted using the characteristics of those actually served as well as more recent economic conditions data. The two-stage process was intended to mitigate against ‘gaming’ the performance system by planning to serve a participant mix that would lead to lower performance expectations but actually serving easier-to-serve mix. Note

that the adjustment process did not feature program-related factors: since program mix was thought to be largely under the control of program managers, it would be inappropriate to hold them harmless for poor management decisions.<sup>10</sup>

The JTPA models resulted in worksheets that local programs could use to calculate regression-adjusted performance for their areas. An example of a JTPA worksheet, for the Youth Entered Employment Rate, is provided in Figure 7. It is worth noting that only a handful of factors are used to adjust expected performance, and many of these have only modest effects on measured performance. The largest adjustments tend to be associated with the rate of unemployment, the share of families below the poverty level and (for this particular standard) age.

Over the years, program administrators, service providers and researchers raised concerns about these regression-based models (see Barnow and Smith, 2004). These concerns led, in part, to the development of the more recent adjustment model in Michigan. Among these concerns were the following:

- *Explanatory Power.* The  $R^2$  coefficients for these models tended to be very low, typically well below 0.20 meaning that the factors included in the models explained less than one-fifth of the variation in local performance. The remaining variation was attributable to other unmeasured factors including program management (appropriately), but others as well.
- *Timeliness.* Unavoidable lags in collecting and reporting critical employment and other economic data meant that regression-based adjustment models were unable to adequately account for differences in variations and changes economic conditions.
- *Efficiency/Effectiveness.* Regression-based models were a complex approach to adjusting for variations in participant mix and economic conditions and did so poorly. Thus, they were both inefficient and ineffective.

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<sup>10</sup> There was some debate about this decision. Rural areas and smaller urban programs tended to face a constrained set of service delivery and provider options, such that even program related factors were sometimes beyond their control.

- *Large State/Area Dominance.* In the adjustment models developed for ETA, large states (e.g., California, New York, Texas) and areas (e.g., Los Angeles) tended to have unduly large effects on the models' coefficients.
- *Average Area Adjustments.* By definition, local areas whose characteristics for factors contained in the models are close to the mean of the overall sample fail to receive any performance adjustment.

**Figure 7. JTPA PY 1998 Youth Entered Employment Rate  
Performance Standards Worksheet**

A. Service Delivery Area's Name		B. SDA Number				
C. Performance Period		D. Type of Standard [ ] Plan [ ] Recalculated				
E. Performance Measure: Entered Employment Rate (Youth)						
F.	G.	H.	I.	J.	K.	
Local Factors	SDA Factor Values	National Averages	Difference (G – H)	Weights	Effect of Local Factors on Performance	
1. % Female		61.2		-0.059		
2. % Age 14 to 15		8.9		-0.286		
3. % Age 16 to 17		31.6		-0.052		
4. % Student (high school or less)		34.8		-0.183		
5. % School dropout (high school or less)		32.4		-0.145		
6. % Black (not Hispanic)		30.9		-0.057		
7. % Minority male		18.4		-0.027		
8. % Cash welfare recipient		31.5		-0.034		
9. % SSI recipient		3.7		-0.052		
10. % Basic skills deficient		60.7		-0.036		
11. % Lacks significant work history		61.4		-0.022		
12. % Offender		11.6		-0.036		
13. % Not in the labor force		56.3		-0.097		
14. % Unemployed 15 or more weeks		18.4		-0.056		
15. Unemployment rate		5.7		-0.657		
16. % of families with income below poverty level		10.6		-0.376		
L.Total						
M. NATIONAL DEPARTURE POINT						45.0
N. Model-Adjusted Performance Level (L + M)						
O. Governor's Adjustment						
P. SDA Performance Standard						

Source: Social Policy Research Associates (1999).

The *Value-added Performance Improvement System (VAPIS) Model* was developed recently through a partnership of the Michigan Department of Labor and Economic Growth and researchers with the Corporation for a Skilled Workforce, Public Policy Associates, and the W. E. Upjohn Institute for Employment Research with funding from the U.S. Department of Labor's Employment and Training Administration (Michigan Department of Labor and Economic Growth, 2005).

VAPIS also uses a statistical approach that relies on individual-level data to measure the local workforce area (LWA) performance. Separate regression models are estimated for each common measure for each program within WIA (i.e., Adults, Dislocated Workers, and Youth). The VAPIS model has four distinguishing features or advantages (p. 13):

- The model is estimated using *individual-level data*, so that it adjusts for the effects of different groups of individuals (e.g., disabled, economically disadvantaged) within different programs, explicitly taking into account the effects of personal characteristics on performance.
- The model is *estimated by state*, so that the each individual state can adapt the model to meet its own particular needs and make use of any additional data that may be available at that level.
- The model's weights pertain to *observed within-state relationships* and are not influenced by circumstances in other states as was the case with the JTPA regression models. Estimated coefficients *reflect important state tendencies* rather than national ones.
- *Forecasting models* within VAPIS also offer local administrators information about their progress toward standards, allowing them to make necessary mid-course corrections.

As with FRED described below, VAPIS also provides a “framework for negotiating performance standards with the U.S. Department of Labor” (p. 25), in line with recent Training and Employment Guidance Letters issued by ETA (see TEGL 11-01, TEGL 27-04). That is, VAPIS allows local workforce programs to objectively demonstrate how changes in a given factor affect local performance on a particular measure. Data required to make

effective use of VAPIS are WIA data and associated UI wage and other administrative records.

For the WIA measures, VAPIS produces worksheets similar to the old JTPA regression-adjusted performance worksheets shown above. Figure 8, reproduced from Michigan’s recent report, illustrates a proposed VAPIS template for performance standards adjustment using the Adult Entered Employment measure. What is not immediately clear from this VAPIS worksheet is which factors have the largest effects on adjusted performance. The more elaborate worksheets provided as templates do, however (see Attachment II, p. 38 in the Michigan guide). Factors with the largest effects on the adult entered employment measure in Michigan are unemployment rate change, labor force status (unemployed or limited employment pre-program), homeless, and alternate or no phone (p. 13).

**Figure 8. VAPIS Template for Adjusting Adult Entered Employment**

<b>PY2002 VAPIS Worksheet</b>		<b>A. WIA Name</b>		<b>B. WIA Number</b>	
<b>C. Performance Period: July 1, 2002 to June 30, 2003</b>					
<b>D. Performance Measure: Adult WIA Entered Employment</b>					
Performance Adjustment					
E. Performance adjustment factor	<b>Q1</b>	<b>Qs1&amp;2</b>	<b>Qs1-3</b>	<b>Final</b>	
Outcome					
F. Outcome	0.032	0.017	0.024	0.015	
G. Adjusted Outcome (F-E)	0.667	0.722	0.775	0.790	
Goal					
H. State performance previous year	0.758	0.758	0.758	0.758	
I. Predetermined goal increment		0.050	0.050	0.050	
	0.050				
J. LWA performance goal	0.808	0.808	0.808	0.808	
Performance					
K. Difference between adjusted outcome and goal (G-J)	-0.173	-0.103	-0.057	0.034	
L. difference between actual outcome and goal (F-J)	-0.141	-0.086	-0.033	0.018	
Forecast					
M. LWA Predicted Adjusted Outcome (UR change unknown)	0.782	0.777	0.766	0.755	
N. Difference between predicted adjustment outcome and goal	-0.026	-0.032	-0.042	0.054	
Value Added Performance					
O. LWA value added (F-H-E)				0.016	

Source: Adapted from Michigan Department of Labor and Economic Growth (2005), Table 6.

Finally, as the Michigan guide states (p. 38):

“VAPIS has been designed to achieve multiple goals – leveling the playing field, measuring the system’s value-added, facilitating continuous improvement, and predicting local outcomes on close to a real-time basis.”

*Data-driven, Negotiations-based Approaches.* In recent years, several policy research teams have focused their efforts on developing a variation on the regression-based modeling approach to adjusting performance in workforce, education and related programs. This approach pursues the same basic notion—i.e., that local programs should systematically take into account performance differences associated with variations in factors outside their control—but it does so in a less complex way that may have greater appeal to practitioners and program managers and may more directly support them in the standards negotiations process. Two such approaches are discussed below, one for workforce development and the other for education programs.

*Federal Research and Evaluation Data System.* Working under the auspices of the 9-state Administrative Data Research and Evaluation (ADARE) Project funded by USDOL/ETA, Dr. John Baj at Northern Illinois University’s Center for Governmental Studies developed the Federal Research and Evaluation Data (FRED) system, which can be located at [www.fred-info.org](http://www.fred-info.org). FRED supports the analysis of WIA Standardized Record Data (WIASRD) that is annually submitted by states on WIA exiters' demographic characteristics, services they received, and outcomes after exit. It also supports similar analysis of the Trade Adjustment Assistance program administered by USDOL/ETA. FRED currently contains information on exiters from the PY2003 WIASRD.

FRED allows program administrators, service providers and other interested parties to:

- Examine performance, caseload and program information from the national, regional, state and local levels;
- Display trends in performance by quarter as well as the characteristics of the exiter cohort;

- Create comparison groups based on parameters set by the user; and
- Create cross tabulation tables and/or correlations from two user-identified variables.

Users are able to benchmark their performance against other similarly situated service areas with the national WIASRD data to support the negotiation of annual performance expectations. A typical screen from a FRED benchmarking analysis for youth employment is shown as Figure 9 below.

The FRED approach offers a number of advantages over existing regression-based performance adjustment models according to Baj, among them:

- *Simplicity.* As a tool, FRED is far simpler than regression-based approaches and is thus more likely to be used in practice by program administrators.
- *Explanatory Power.* The best predictor of current performance is immediate past performance, which FRED is able to pick up better than regression-based models.
- *Effectiveness.* FRED also is more effective than more complex regression-based models in that basic economic conditions simply do not change much from year to year and, even if they do, regression models will not be capable of picking up their effects on performance until long after the negotiating cycle has ended.

Baj has also developed a counterpart to FRED at Northern Illinois's Center for Governmental Studies that supports similar types of performance adjustments and benchmarking for a much wider array of Federal workforce efforts, including Temporary Assistance for Needy Families (TANF) work, Food Stamp Employment and Training, ES and other programs. This is still in the developmental stage.



**Figure 9. Sample FRED Performance Adjustment Worksheet**

**Older Youth Entered Employment Rate**

**WIA Participants Who Exited Between October 1, 2000 and September 30, 2003**

**Target Population:** The WorkSource-Gulf Coast Workforce Board

**Criterion Population:** Nation

A. Local Factors	B. Target Avg.	C. Criterion Avg.	D. Difference (B – C)	E. Weights	F. Effect (D * E)
Percent Female	75.07	55.58	19.49	-0.02	-0.37
Percent Black	75.07	48.55	26.52	-0.05	-1.22
Percent Disabled	5.36	10.72	-5.36	-0.11	0.57
Percent Limited English	2.14	2.71	-0.57	-0.01	0.01
Percent Single Parent	33.78	21.57	12.21	0.03	0.36
Percent High School Dropout	18.77	40.19	-21.42	-0.09	1.83
Percent Offender	10.19	9.80	0.39	-0.03	-0.01
Poverty Rate in 1999 (Census)	13.80s	15.59	-1.79	-0.24	0.42
Unemployment Rate	5.61	6.88	-1.27	0.08	-0.10
G. Total Effect on Performance Expectations					1.49
H. Departure Point (mean of criterion population dependent variable)					66.13
I. Original Model Adjusted Performance Level					67.62
J. Recalculated Model Adjusted Performance Level					67.62

*Source:* Adapted from FRED at [www.fred-info.org](http://www.fred-info.org).

*Just for the Kids/National Center for Educational Accountability Model.* Several years ago, the Austin (TX) non-profit organization, Just for the Kids began researching the performance of Texas public school students on the Texas Assessment of Academic Skills (TAAS) and then its replacement, the Texas Assessment of Knowledge and Skills (TAKS), standard tests that now serve as the basis for No Child Left Behind testing in the state. They focused first at the elementary and later at the middle school and high school level, developing Web-based software—similar to that embodied in FRED—that allowed local school administrators, teachers, parents and any other interested party to compare performance on these tests to other schools with similar characteristics of their choosing.

For example, if parents wanted to determine whether 3<sup>rd</sup> graders in their small, predominantly Hispanic elementary school in a middle-income Houston neighborhood were performing as well on TAKS reading and math tests as 3<sup>rd</sup> graders in similarly situated

elementary school in other areas of the state, they could simply specify these factors in their search and call up the results for say the ten areas most similar to their own. They could then use these results in discussions with their local school boards or administrators, either to praise them for their success or to encourage or admonish them to do better. Such data could also be used by local schools to request additional assistance in addressing barriers to performance. For more on this approach and its use, visit their Website at [www.nc4ea.org](http://www.nc4ea.org).

In 2002, Just for the Kids joined with the newly formed National Center for Educational Accountability and the Education Commission of the States and moved their base of operations to the University of Texas at Austin. At the same time, they began working with many other states to assist them with building data collection and reporting systems that would support NCLB requirements and allow them to perform similar accountability comparisons within their own public education systems. It should be noted that, in many respects, Just for the Kids is building models that are geared towards supporting educational accountability, models that are market-oriented with parents as the ultimate consumers.

## **Performance Incentive Models**

Performance incentive models can take several forms including up-front rewards models, back-end incentives models; and non-cash rewards.<sup>11</sup> Each is described briefly below. These models may not apply as well in an educational context, where there is both universal eligibility and a legal or constitutional right to service.

*Up-front Rewards Models* might offer “bonus points” in the formula allocation process to programs serving higher shares or greater numbers of participants from key target populations, e.g., youth with disabilities, parenting youth, or ex-offender youth. For example, a youth with an identified disability might be given a value of 1.5 points, while a youth without any such disability might only carry a value of 1.0. In addition, serving youth with multiple barriers—youth who are minorities, ex-offenders and who have a disability—might earn even higher point scores in the resource allocation process. Serving youth in designated

target groups thus is given added weight in the up-front planning process and leads to increased resource allocations. Such models would almost certainly require legislative or at least regulatory change, given that funding allocation formulas are now embedded in most enabling legislation.

A variation on this model that has been widely used over many years is for states to offer special demonstration project grants from Governors' discretionary funds of various types (e.g., incentive awards) to support the provision of added services to designated hard-to-serve youth groups. As part of the demonstration process, programs might be tasked with developing "best-practice" technical assistance guides that could be widely disseminated to their peers in these programs. This could be done with the help of an outside researcher/evaluator to lend it credibility.

*Back-end Incentives Models* provide cash bonuses to programs serving the designated targeted populations at higher rates and with better-than-expected results. These bonuses might be carved from existing incentives such as those available to states that exceed their performance standards for WIA, Perkins and adult education and family literacy programs if states are willing to adopt policies supporting their use.

*Non-Cash Rewards Models* typically rely on the offer of non-cash rewards such as widespread recognition or added program discretion, e.g., freedom from selected regulations perceived as particularly onerous by program administrators. Implementing such models would be relatively easy and straightforward in the former case: giving out plaques at large, well publicized ceremonies to foster emulation by peers operating workforce and education program. However, actually allowing local programs greater discretion may require legislative or regulatory change either at the national or state level.

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<sup>11</sup> Lengthy discussions of such models in the context of the JTPA program that preceded WIA are contained in Barnow and Constantine (1988) and Social Policy Research Associates (1999).

## **Key Measurement, Adjustment and Incentives Issues**

This section discusses key issues related to measuring and adjusting performance across the programs outlined above, as well as to creating incentives for more and better service for disadvantaged and hard-to-serve adults and youth participating in them. A number of these issues were raised in the recent reports of the White House Task Force on Serving Disadvantaged Youth and the IPI *Blueprint Report* as well. Some issues may be far easier to resolve than others.

## **Conceptual Connundra and Unintended Consequences**

More mundane data and technical issues aside, a few larger concerns have always surrounded discussions of performance adjustments and incentives. First, the very act of establishing serious performance expectations—especially outcomes—for workforce, education and related programs, ones with consequences in the form of incentives and sanctions, gives rise to various attempts to “game the numbers” and, in programs where they have discretion over who participates, to “cream-skimming,” enrolling participants or students who are expected to perform well regardless of the planned intervention (see Barnow and Smith, 2004). Adjusting performance for target groups and conditions that are beyond the program’s control is meant to mitigate this problem to a large extent, though research suggests it does not work in all instances (see Dickinson et al. 1988, Anderson et al. 1993).

Second, part of the rationale for making such adjustments is that empirically certain groups tend to have lower performance over time than others. If local programs confront disproportionate numbers of such groups of potential participants in their service area, then, the logic goes, they should be “held harmless” for this unfortunate and unavoidable circumstance. A similar logic applies to programs operating in areas that have very high rates of unemployment and/or low rates of employment growth. But, what if the act of adjusting for poor historical performance in this way tends to feed a self-fulfilling prophecy in which “hold-harmless” adjustments lead to poorer performance over time? Concern over this potential unintended consequence may be one of the factors that led Regional USDOL/ETA,

governors and local workforce boards to add improvement factors to performance standards that they negotiate with those they oversee.

Third, one of the major reasons that programs such as adult education and family literacy and TANF work programs have resisted outcome-based performance measures in general and common measures in particular is not just that they have feared “creaming” and related effects, but also that they wanted to avoid what have been called invidious comparisons, i.e., inappropriately comparing outcomes for program groups that were not sufficiently similar in terms of their barriers to participation and/or success, the intensity of their program interventions, etc. The level of performance expected for each of the programs measured should vary with the group and intervention in question. But, this does not protect against ill-informed members of the general public or even legislators from making such comparisons when pressed. To the extent that adjusting performance can alleviate this problem and address this concern, it may be well worth the effort.

## **Program, Participant and Outcome Definitions**

One of the first sets of issues to address is the fact that each of the programs characterized above is defined somewhat differently, each with its own eligibility criteria. On one end of the spectrum, public education, by definition, is open to all students and, in fact, is mandatory for all students up to age 16 in most states.<sup>12</sup> Public schools, except in unusual and tightly defined situations, are not allowed to reject students who wish to attend in their particular geographic area. Some might argue that the same now applies to WIA as a “universal” program. But, WIA’s universality only applies to unassisted core services; when resources are scarce, local workforce areas (LWAs) can and do prioritize access to intensive and especially training services to certain groups, often welfare recipients and those who are economically disadvantaged. Moreover, not every “participant” is registered for services in WIA (see D’Amico et al. 2005; Barnow and King, 2005).

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<sup>12</sup> This conveniently ignores the existence of charter, parochial and home schools, but the point relates more to the fact that attendance in education is mandatory up to a certain age.

Similarly, “leaving” or “exiting” a program may mean quite different things to different programs. Students enrolled in CTE programs of study under the Perkins Act may be constantly enrolling, leaving and re-enrolling as they combine or alternate periods of work and study. While many obtain a credential or degree, far more do not. Unlike the earlier CETA and JTPA programs, WIA no longer uses the concept of “termination” but instead defines exiters as registered participants no longer receiving services after ninety (90) days. The national WIA program and those in most states and localities have not yet figured out how to capture most self-directed services or their results, though some (e.g., Utah) have been attempting to do so.<sup>13</sup> And, as a recent USGAO (2005) report indicates, VR programs within the U.S. Department of Education are addressing similar issues with defining key outcomes, with the programs computing employment rates including all participants in the denominator—including a very large number who never registered or received any VR services—while Education computes the rate excluding them. The concept of “exit” or “termination” is difficult to operationalize for individuals who never really became participants in the first place.

These issues have led some local workforce development programs—e.g., WorkSource-the Gulf Coast Workforce Board in the region that includes Houston—to begin focusing on a cohort-based approach to performance measurement for the multiple funding streams that they oversee, ranging from WIA and TANF work programs to ES, Food Stamp Employment and Training and even child care services. A cohort-based approach to outcome measurement definitely constitutes a shift in thinking and is not common practice among local workforce programs. Still, it bears watching.

Resolving these issues is critical to the development of an effective performance measurement and adjustment approach. Guidance issued for the OMB common measures addresses the “exit” question to some extent, much as WIA has done, but more remains to be done.

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<sup>13</sup> In 2003-2004, Utah’s Department of Workforce Services queried those accessing services over the Internet and found that around two-thirds of them were willing to share their Social Security numbers (SSNs) with Utah DWS information systems staff, allowing their services and their subsequent labor market outcomes to be documented.

## **Data Timeliness, Consistency, Accuracy and Accessibility**

As suggested by the discussion in the preceding section, data issues are central to measuring and adjusting performance, as well as to implementing a market-oriented approach to accountability: such market-oriented systems cannot perform well unless consumers (customers) have ready access to timely, reliable data. Major data issues stem from the data collection and reporting systems that have been established for the various programs—not coincidentally, by different committees of Congress—to serve differing performance management functions within a federal/state/local and even public/private service delivery system. They also stem from the data from which the major outcome measures are computed.

USGAO (2002, 2004, 2005) on many occasions has reported on the need for improved data collection and reporting systems for these programs and for better performance measurement. The programs that are to be subject to the OMB common measures have widely varying data systems, some with far better and more timely data than others. . It is especially important for encouraging more and better services to hard-to-serve adults and youth that each program’s data collection and reporting include variables for key target groups and that these are fully and accurately reported.

The *Family Educational Rights and Privacy Act* (FERPA) was enacted by Congress in 1974 in part to protect and maintain the confidentiality of education records for students younger than 18 years of age without parental consent. Exceptions were created in FERPA to allow agencies and researchers access to student records without prior consent in order to conduct research and evaluation activities specifically designed to foster curriculum improvement and improved outcomes for students.<sup>14</sup> However, emerging interpretations of FERPA by Federal and state educational agencies since 2001 have made it much more difficult to access both secondary and postsecondary education records, even when the purpose of the access was program improvement. This barrier to access impedes implementation of the common measures, documenting credential and degree attainment, and even adjusting expected performance. Some states (e.g., Florida, Washington) have

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<sup>14</sup> The recent paper by Siegel (2005) explains FERPA and outlines these exceptions. Wilson (2005) also addresses FERPA issues.

surmounted this barrier by locating their program accountability functions directly within an educational agency, while others (e.g., Texas) have had to implement more cumbersome procedures to do so. Researchers seeking to conduct research on program improvement have found the new hurdles very difficult to get over.

In addition, OMB calls for measuring employment and earnings outcomes for the common measures exclusively from state *Unemployment Insurance (UI) wage records*. The advantages and disadvantages of UI wage records for this purpose are widely known and have been well documented (for example, see Trott and Baj, 1996; Wilson, 2005). Disadvantages include time lags in reporting, gaps in coverage, geographic limitations, and lack of detail (e.g., hourly wages, weeks worked, start date). But, UI wage records' advantages generally outweigh these disadvantages and include access, consistency, accuracy, and reliability, among others. UI wage records are generally thought to be far superior to any reasonable substitutes such as participant surveys, in no small part because they are free of response bias and recall problems.

Two initiatives potentially address some of the shortcomings of UI wage records: the *Wage Records Interchange System (WRIS)*, and the *Federal Employment Data Exchange System (FEDES) Pilot*. WRIS, which is operated by the National Association of State Workforce Agencies in Washington, D.C., was developed by USDOL/ETA as a voluntary mechanism for states to share UI records across state boundaries in order to more fully and accurately report their employment and earnings related performance measures for WIA. Although participation was low and grew slowly at first, most states are now actively participating in WRIS. While accessing cross-state UI wage records is less important for states like Texas, most of whose participants ultimately work within the its boundaries, it is vitally important for states like those on the Atlantic seaboard where borders are easily and frequently crossed for work. But, WRIS as currently structured would not support the OMB common measures. It would need to be restructured as a more open performance reporting mechanism. Work is already underway on this issue.

The FEDES Pilot addresses key coverage gaps in UI wage records. The Department of Labor awarded a grant to the State of Maryland in July 2003 to establish a common data exchange environment to provide access to employment records maintained by the Office of



Personnel Management (OPM), U.S. Department of Defense (USDOD), and the United States Postal Service (USPS), none of which are covered by the Federal/state UI program (Stevens, 2005). Access to such records is critical to assisting states in meeting requirements under current program reporting systems as well as the common measures. FEDES began operations in November 2003. Twenty (21) states are now participating in the FEDES Pilot.<sup>15</sup> The data sharing agreement between Maryland’s Department of Labor and Licensing Regulation (DLLR) and OPM was executed in March 2004, with USDOD in November 2004, and with USPS in August 2004. Participating states may use these data to support Federal and state performance measurement, consumer reporting, and evaluation research required by Federal law or regulation, State law or regulation, or OMB.<sup>16</sup>

## **Transparency**

As mentioned above, implementing the common measures represents a shift towards a more market-oriented system of accountability for these programs, whether adjustments are part of the process or not. It is especially important for the credibility of the accountability process that any such adjustments be fully transparent both to those affected by it (i.e., agencies and providers) and to those relying on it (i.e., customers).<sup>17</sup> All parties involved must be able to see and understand the basis for the adjustments and sense that they are “fair”. This is probably more easily achieved—especially for customers generally—through approaches like FRED and the Just for the Kids benchmarks than through more traditional regression models.

## **Negotiation Structures and Processes**

Common measures and possible adjustment and incentive mechanisms are to be applied to a wide array of Federal workforce and related programs, but each of these programs may retain its own structures and processes for negotiating the performance target

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<sup>15</sup> The participating states are: Alabama, Alaska, California, District of Columbia, Florida, Georgia, Indiana, Kansas, Louisiana, Maine, Maryland, Montana, North Carolina, New Jersey, Ohio, South Dakota, Texas, Virginia, Washington, West Virginia, and Wisconsin.

<sup>16</sup> The Jacob France Center at the University of Baltimore is providing research support and technical assistance to the FEDES project.

<sup>17</sup> For more on this issue, see Behn (2001).

levels. Programs like VR, for example, operate in a Federal/state structure with little negotiation over performance levels, while WIA (and Perkins) has a Federal/state arrangement with greater discretion and negotiations over performance that includes reaching down to the local WIB level. The extent and ways in which performance adjustments and incentives can be used effectively in these programs will likely vary.

## **Recommendations**

Recommendations for addressing the performance adjustment and incentives concerns for disadvantaged and other hard-to-serve youth in the programs discussed above are provided below. These are necessarily an eclectic mix due to the variations in program structure, eligibility, and other facets that need to be considered.

First, data collection and reporting systems must be improved considerably at all levels for performance adjustment strategies to function well. It is especially important to address FERPA-related barriers and to work out mechanisms for gaining access to National Student Clearinghouse, inter-state UI wage records via WRIS, and records for employment that is currently not covered by federal/state UI programs, such as federal jobs, postal service and others via FEDES. As noted, outcomes are likely to exhibit substantial variation by state and area, just as participant characteristics and economic conditions will; the inputs and the outputs/outcomes must be more tightly and completely measured. Addressing the data collection, reporting and related data issues would allow programs to more fully and efficiently document transitions to public and private postsecondary education, degree and credential completion, and employment and earnings outcomes as well.

Second, mixed strategies for performance adjustment and incentives should be adopted, with variations as necessary and appropriate depending on the nature of the program and its associated structures, traditions, and participants/students. One size certainly will not fit all when it comes to workforce, education and related programs in this country. On the performance adjustment side, both regression-based and more recent negotiations-based approaches have their advantages and disadvantages that each program would need to sift and sort through. The former approaches have a longer track record and possibly more “baggage” as well. The latter are somewhat easier to implement, appeal more to program types and lay

audiences, probably including the ultimate consumers. They also fit well with the shift towards market-based service delivery models. It is not necessary that every program adopt the very same adjustment mechanism, only that they adopt one of them. Adjusting performance measures, coupled with some form of continuous improvement, would seem the approach of choice.

Such adjustment strategies should also be coupled with incentives mechanisms to foster improved service levels and results for disadvantaged and other hard-to-serve youth. Programs have tried various approaches to such incentives, ranging from up-front and back-end incentives to pilot and demonstration projects. Performance adjustment and incentives approaches complement each other in practice and are now well accepted by program administrators, providers, advocates, participants, students and others.

Third, approaches to measuring and adjusting performance, as well as creating incentives for encouraging more and better service for disadvantage youth in these programs should strive for complete transparency. As discussed above, FRED, Just for the Kids/NCEA, and, to a lesser extent, WIA programs clearly have attempted to make measurement and related processes for more open and user-friendly for the programs consumers, whether potential participants and providers, students and their parents, program administrators and advocates, and even the general public. This trend toward greater transparency is very much in line with recent work by Harvard's Robert Behn (2001) on broader forms of democratic accountability and is also consistent with the increased use of market-oriented models of service delivery that rely far more on consumer choice as a driving force.<sup>18</sup> The results of market-oriented approaches tend to be disastrous without relatively up-to-date, complete, user-friendly information about choices and their consequences, as well as supporting structures.

Fourth, public education and technical assistance and training will be needed to guard against the pitfalls of poor understanding and faulty implementation that may follow the use of new performance adjustment and incentives approaches. Such approaches are likely to be

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<sup>18</sup> As Barnow and King (2000, 2005) note, the shift towards market-based mechanisms in workforce programs began in the early 1990s, well before WIA's enactment. A number of states—clearly serving as “laboratories of democracy”—were at the forefront of this shift.

somewhat complex to understand and implement, despite the best efforts of program staff at all levels. Well designed training and technical assistance can help address problems that arise and avoid any unintended consequences.

Fifth, federal agencies should consider piloting a cohort-based measurement approach alongside current exit-based ones, complete with performance adjustments and incentives. Inter-program conflicts surrounding the definition and meaning of a leaver/exiter are based in real differences and should be addressed. As mentioned above, some local programs (e.g., Houston's WorkSource Board), while continuing to operate within the current set of workforce development and related measures, are beginning to experiment with such cohort-based approaches. In addition, S. 1690, the No Child Left Behind Flexibility and Improvements Act, that was introduced by Senators Collins and Snowe of Maine, would create a cohort growth model for improvement in the ESEA as just one of several "Alternative Accountability Systems" they propose.

## **Next Steps**

Policymakers and program administrators can take a number of next steps to pursue improved performance adjustments and incentives in light of the common measures.

### **Policymakers**

Policymakers should consider pursuing some of the following actions:

- *Legislative change* as part of the ongoing reauthorization process for the various programs affected, mandating use of a version of common measures and the *criteria for* appropriate adjustments for differences in local demographic characteristics and economic conditions. While programs like WIA embody and are moving to adopt the common measures and the development and use of adjustment and incentive mechanisms, most of the others have barely begun. Such movement may require legislative change to lend greater urgency to the task.
- Regulatory change by the various agencies responsible for administering the affected programs to ensure that they follow through with policies implementing

these changes. It is noteworthy that USDOL/ETA did not wait for legislative action to adopt the new common measures or to support the development of alternative approaches to performance adjustment. FRED nationally and VAPIS in Michigan are both efforts sponsored and funded by USDOL/ETA, which has also issued new regulatory guidance encouraging negotiations on performance goals using estimates of the effects of various factors on outcomes.

- *Further documentation and testing of best practices* for adjusting performance and offering incentives for improved services and outcomes for disadvantaged youth. As indicated, FRED and VAPIS are valuable contributions to understanding the relationship between demographic and economic factors and performance, as are the data-driven, negotiations models developed for public education by Just for the Kids and NCEA. More needs to be done once the common measures have been fully implemented in the remaining programs where little of this work has yet taken place.
- *The development and dissemination of Technical Assistance Guides and associated training strategies* for implementing best practices so that states and local entities implement them appropriately as needed.

## **Program Administrators**

Program administrators need not wait for further policy and regulatory change at the national level to begin instituting performance adjustment strategies on their own at the state and possibly the local level. There are a number of practical steps they may want to take in the near future.

First, administrators can begin to *use the negotiation-based tools*—FRED and its variants for workforce and related programs, and the models developed by Just for the Kids for public education—immediately to engage in data-driven bargaining over performance expectations with federal program officials in ways that support improved services to disadvantaged and other hard-to-serve populations in their efforts. The websites for both tools are readily accessible and highly informative. While there are many, well justified concerns about the introduction of market-oriented mechanisms in workforce and education

programs, better informing the process of negotiating standards is not one of them. State administrators can also encourage local program staff to use these same tools in their negotiations with them.

Second, as indicated, USDOL/ETA has both invested in the development of *regression-based adjustment mechanisms* (e.g., VAPIS) and issued *new regulatory policy* (i.e., TEGL 27-04) that encourages performance adjustments and provides the data to support them. State and local program staff can use the data now and can also begin exploring whether a more formalized VAPIS-type model might be appropriate for them to use in the future as well.

Third, probably the simplest action that state program administrators can do to encourage improved services to economically disadvantaged and other hard-to-serve populations is to *create financial incentives* for doing so and to communicate their intention clearly to the local programs. Various models are described above. Any one of these could encourage programs to move in the desired direction, but ones that connect cash rewards to behavioral change are likely to get the best response.

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## **Appendix A: Programs Subject to the OMB Common Measures**

### **U.S. DEPARTMENT OF LABOR**

#### **Employment and Training Administration**

H-1B Technical Skills Training (Adult); Job Corps (Youth); Labor Exchange (Adult); Migrant and Seasonal Farmworkers (Adult); Native American Employment and Training (Adult & Youth); Responsible Reintegration of Youthful Offenders (Youth); Senior Community Service Employment Program (Adult); Trade Adjustment Assistance (Adult); WIA Adult; WIA Dislocated Workers including National Emergency Grants (Adult); WIA Youth.

#### **Veterans Programs**

Veterans' Workforce Investment Program; Disabled Veterans' Outreach Program; Local Veterans' Employment Representatives; Homeless Veterans' Reintegration Program

### **U.S. DEPARTMENT OF EDUCATION**

#### **Adult Education**

#### **Rehabilitation Services**

Vocational Rehabilitation Grants to States; American Indian Vocational Rehabilitation Services; Supported Employment State Grants; Projects with Industry; Migrant and Seasonal Farmworkers

#### **State Grants for Incarcerated Youth Offenders**

#### **Vocational Education**

Carl D. Perkins Vocational and Technical Education Act, including State Grants, Tech Prep State Grants, and Tribally-Controlled Postsecondary Vocational Institutions

### **U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES**

Temporary Assistance to Needy Families

### **U. S. DEPARTMENT OF VETERANS AFFAIRS**

Vocational Rehabilitation and Employment Services and Benefits

### **U.S. DEPARTMENT OF THE INTERIOR**

Job Placement and Training

### **U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**

YouthBuild

*Source:* Memorandum from Emily Stover Derocco, Assistant Secretary, Employment and Training Administration, "Common Measures Policy," Attachment A, to All State Workforce Liaisons and Agencies, Training and Employment Guidance Letter No. 15-03, December 10, 2003. Available online: [http://ows.doleta.gov/dmstree/ten/ten2k2/ten\\_08-02a2.htm](http://ows.doleta.gov/dmstree/ten/ten2k2/ten_08-02a2.htm).