



Approaches to Reporting DEED Workforce Development Program Performance

Report to the Legislature
as required by Minn. Stat. 116L.98

January 21, 2011
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Total cost of salaries, printing, and supplies in
developing/preparing this report is \$8,500
(reported as required by Minn. Stat. 3.197).

INTRODUCTION

Per 2010 Minnesota Statute 116L.98, WORKFORCE PROGRAM OUTCOMES:

The [DEED] commissioner shall develop and implement a set of standard approaches for assessing the outcomes of workforce programs under this chapter. The outcomes assessed must include, but are not limited to, periodic comparisons of workforce program participants and nonparticipants. The commissioner shall also monitor the activities and outcomes of programs and services funded by legislative appropriations and administered by the department on a pass-through basis and develop a consistent and equitable method of assessing recipients for the costs of its monitoring activities.

In addition, the February 2010 Office of the Legislative Auditor (OLA) report on Minnesota workforce programs includes this recommendation: **DEED should adopt a set of standard approaches for reporting performance across programs.**¹ The report goes on to say, “The uniform accountability report required by the Legislature will help, however, we think it is too narrow. A comprehensive understanding of an employment program’s success requires more than a single approach. Several different approaches are used, although few if any programs are measured by all of the approaches. We think the state should use all of them.”

This is the Department of Employment and Economic Development (DEED) report on how DEED will address the applicable statute and the legislative auditor’s report.

APPROACHES TO ASSESSING PERFORMANCE

The OLA report proposed five approaches to assessing program performance and presented a table that described these approaches and their limitations.² That table is re-created below; DEED’s added explanatory material is in brackets.

Return-on-Investment (ROI): Compares costs per participant with a set of benefits [preferably expressed as dollar amounts] gained from public investments in a program.

Performance Outcome Measures: Measures a program’s effectiveness and efficiency in comparison with preset expected levels of performance, such as the percentage of clients expected to find a job. [This is part of the Uniform Program Accountability Measures report required by the legislature.³]

Customer Satisfaction Survey: Assesses perspectives of people who participated in a program. Can help identify how well certain populations’ (such as communities of color) needs are being met or what about a program needs to change.

External Monitoring of Programs: [Monitoring of program by department staff who are not part of the program. Often involves a site visit, as well as analysis of program data documentation and finances.] Analyzes compliance with statutory and regulatory requirements. Identifies problems to be corrected. Describes how well programs are serving intended constituents.

Participant and Nonparticipant Comparisons: [Matches program participants to individuals who have not received services and compares outcomes.] Demonstrates objectively whether clients would have succeeded without help from the program. Can analyze outcomes over a longer period of time than is typical.

Limitations of the Approach	Return-on-Investment	Perf. Outcome Measures	Customer Sat. Survey	External Monitoring	Partic. & Nonpartic. Comparison
May not distinguish among individuals with differing capabilities.	X	X			
Does/may not account for what would have happened to clients had they not been in program.	X	X	X	X	
Does not determine whether program is meeting statutory obligations.	X	X	X		X
May use untenable assumptions (e.g., all clients who found jobs are still working 5 years later).	X				
Methodologies may be inconsistent, preventing results from being compared.	X				
Can lead to selective enrollment of individuals most likely to produce strong positive outcomes.		X			
Often limited to only short-term outcomes.		X			
Does not measure cost-effectiveness or efficiency.			X	X	
Relies on subjective options that may be influenced by variety of factors.			X		
Does not assess perspectives from representative sample of clients.				X	
Requires complex methodology.					X
Can limit but not eliminate effects of selective enrollment.					X
Limited data may affect ability to match clients with comparison non-clients.					X
Shows results only from past years.					X
Poses difficulties in drawing conclusions when analyzing subgroups with small numbers.					X
Restricted usefulness in making short-term program management decisions.					X

IMPLEMENTATION PLAN

The table and discussion below use the five approaches presented by OLA to summarize DEED’s current efforts, proposed steps, and timelines to implement improvements. The discussion also considers funding. Programs administered through federal grants are often allowed 10 percent or more of the funds for administrative costs, which cover assessing performance. See further discussion of methods and costs below the table.

Proposed Approach	DEED’s Existing Effort	DEED’s New Steps [Timeline]
Performance Outcome Measures	<ul style="list-style-type: none"> Many DEED programs have existing performance measures as required by the U.S. Depts of Labor and Education. DEED will continue to provide reports on federally mandated performance measures. Pass-through agencies were asked to provide comparable measures for the <i>Uniform Program Accountability Measures</i> report. 	Continue DEED Uniform Program Accountability Measures project: <ol style="list-style-type: none"> Refine DEED and pass-through program measures based on legislative feedback to the <i>2010 Uniform Program Accountability Measures</i> report and on the measures’ usefulness to managers. [2011-2012] Produce <i>2012 Uniform Program Accountability Measures</i> report to the legislature with input, output, and outcome measures. [12/2012]

Proposed Approach	DEED's Existing Effort	DEED's New Steps [Timeline]
	<ul style="list-style-type: none"> The first <i>Uniform Program Accountability Measures</i> report was delivered to the legislature on Dec. 30, 2010. 	<ol style="list-style-type: none"> Incorporate ROI measure as reliable results become available. [2013-2014]
Return-on-Investment	<ul style="list-style-type: none"> The Governor's Workforce Development Council (GWDC) ROI Initiative Committee has been working since June 2009 on a standard ROI model and methodology. In September 2010, the ROI Initiative Committee began pilot-testing the ROI model on 3 programs including 1 pass-through program. 	<p>DEED staff will continue working with GWDC staff and external ROI initiative Committee members to:</p> <ol style="list-style-type: none"> Pilot-test ROI model on DEED and pass-through programs and revise model based on tests. [9/2010 – 12/2011] Extend ROI to additional DEED and pass-through programs. [2012-2014] Create and disseminate policies on use and interpretation of ROI. [Ongoing] Add ROI results to <i>Uniform Program Accountability Measures</i> reports to the legislature. [2014]
Customer Satisfaction Survey	<ul style="list-style-type: none"> The ongoing Job Seeker and Employer Customer Satisfaction Surveys cover several DEED workforce programs and use established methodology to collect and report results at 6-month intervals.⁴ Questions on job seeker satisfaction with outcomes, as recommended in the 2010 OLA report, were incorporated into the Job Seeker's Survey in August 2010. 	<ol style="list-style-type: none"> Evaluate the extent and reliability of customer feedback processes of DEED programs not included in the Customer Satisfaction Survey and of pass-through programs. [2011] As feasible, develop and implement cost-effective methods for collecting customer satisfaction information for programs without adequate customer feedback processes. [2011-2012] Add customer satisfaction results as they become available to the <i>Uniform Program Accountability Measures</i> report to the legislature. [2012]
External Monitoring of Programs	<ul style="list-style-type: none"> Most DEED programs, including pass-through programs, have an established monitoring process. The monitoring is based on the grantee's work plan and budget, which are required by DEED. Federal awards come with expectations and specified processes for monitoring, and these are followed and met. DEED retains monitoring reports in a central location and furnishes copies of these reports to the legislature when requested. 	<ol style="list-style-type: none"> To address OLA's concern that DEED establish an equitable way to fund its monitoring of pass-through grants, DEED is working with the new administration to suggest legislation for the 2011 session that would address this issue. [2011] Pass-through grants awarded by the legislature should include a set of specific goals and objectives for the grantee. DEED suggests the legislature consult with DEED program staff to determine appropriate outcomes and uses of the pass-through grants. Although DEED requires a work plan and budget of all grant recipients, and uses these as guidelines in monitoring, it is difficult to determine if the program is meeting its expected goals and outcomes if those have not been clearly described in the appropriating language. [Ongoing] DEED will continue to follow the guidelines and

Proposed Approach	DEED's Existing Effort	DEED's New Steps [Timeline]
		<p>policies of the state Office of Grant Management for frequency and type of monitoring. DEED will also continue to use stricter guidelines for some programs depending on program complexity and length. [Ongoing]</p> <ol style="list-style-type: none"> 4. To be effective, the authority to respond to the findings of monitoring should come with the responsibility to monitor. DEED should be given the authority and flexibility to withhold, redirect, or de-obligate funding if a grantee is not meeting goals outlined in its work plan. 5. DEED will continue to maintain monitoring reports on file in a centralized location in accordance with data retention guidelines and to furnish these reports to the legislature whenever requested. [Ongoing]
<p>Participant and Nonparticipant Comparisons</p>		<p>This is the most difficult and expensive of the measurement approaches as it requires identification and selection of a control group. A control group is comprised of individuals with the same characteristics as the program's participants, but who have not received any services. Often, little is known about the characteristics, such as educational level, of individuals not receiving services, making it difficult to match them to program participants.</p> <ol style="list-style-type: none"> 1. As these results are especially important to ROI calculations, DEED will work with the GWDC ROI Initiative Committee as it develops a comparison group process as part of its pilot testing of the ROI model. [2012] 2. DEED will consider the advice in the OLA report (p. 35, "<i>Minnesota should follow the lead of the state of Washington, which retained outside consultants to conduct similar comparison analyses . . .</i>") as well as the GWDC ROI Initiative Committee's recommendations and may engage an external vendor, with assistance from DEED staff, to conduct these studies. 3. DEED will consider costs, the experiences of other states, and the GWDC ROI Initiative Committee's recommendations in establishing how often comparisons are done (may not be economically feasible to conduct comparisons for small program)

COSTS

Producing performance measures is a necessary part of operating programs and providing the best value to DEED funders and clients. Estimations of the cost of producing the different options are discussed below.

Performance Outcome Measures: these costs are described in DEED's *2010 Uniform Program Accountability Measures* report to the legislature and are estimated at \$100,000 annually, although DEED was not given an appropriation to administer the mandate. Many programs also report performance to their federal funders. Several full-time-equivalents across DEED support this work.

Return-on-Investment: cost estimates have been gathered from other states that have undertaken ROI programs similar to the one currently under development in Minnesota. Namely,

- In Texas, ROI analysis of workforce programs has been conducted twice, in 2003 and 2008. The full ROI analysis conducted in 2008, including participant and nonparticipant comparisons (i.e., net-impact estimation) cost \$125,000. The analysis was undertaken by the Ray Marshall Center at the University of Texas, with the vast majority of funds (>85 percent) going to staff time. The study covered Workforce Investment Act (WIA) Title I-B programs serving adults, dislocated workers, and older youth (youth aged 14-18 were excluded due to the lack of suitable comparison group); Temporary Assistance for Needy Families education and training programs; Food Stamp Employment and Training; Trade Adjustment Assistance/Training programs; and a state program serving ex-offenders. Estimates were generated by local workforce service areas (WSAs), and 18 of Texas' 28 WSAs were included.⁵
- In Washington, the full ROI analysis, including participant and nonparticipant comparisons (i.e., net-impact estimation) cost \$320,000 to assess each program once over a four-year period. The analysis was undertaken by the Upjohn Institute for Employment Research. The study covered 11 programs statewide: WIA Title I-B adult, dislocated worker, and youth programs; community and technical college job training and worker retraining programs; private career schools; apprenticeship programs; Adult Basic Education; State Services for the Blind programs; Vocational Rehabilitation programs; and secondary school career and technical education programs.⁶

Customer Satisfaction Survey: current costs for the DEED Customer Satisfaction Survey are approximately \$20/completed interview; these are telephone interviews as mandated by the U.S. Department of Labor (DOL). Depending on program size, the yearly number of completed interviews required varies from 300-400. Adding new programs to the survey will cost \$6,000-\$8,000/program/year.

External Monitoring of Programs: the costs of monitoring existing DEED programs, primarily staff time (including related staff costs, i.e., benefits), travel, and other related non-personnel services, is over \$980,000 annually and currently is covered almost entirely by federal dollars. DEED is working with the new administration to suggest legislation that will address the costs of monitoring pass-through programs.

Participant and Nonparticipant Comparisons: see Return-on-Investment above.

Federal Guidance on Administrative Costs: generally, many federal grants are allowed a standard 10 percent or more for administrative costs. For example, the Senior Community Service Employment Program, a U.S. DOL program administered by DEED, is allowed up to 13.5 percent of the budget for administrative costs. DEED allows itself 3.5 percent for administrative costs that include program oversight and monitoring; the subgrantees are then allowed the remaining 10 percent for administrative costs.

An additional example is the monies issued from U.S. DOL for the WIA dislocated worker, adult, and youth programs. DEED, by law, is allowed to use 15 percent of funds issued for these programs. Five percent is used for administrative costs such as program oversight and monitoring activities. The other 10 percent, while called discretionary funds, must be used for required activities (such as data validation, customer satisfaction, management information systems, and state workforce council) and allowable activities (such as labor market information). Subgrantees are then allowed up to 10 percent of their allocated funds to be used for administrative costs.

EXPERIENCES OF OTHER STATES

The Washington State Workforce Training and Education Coordinating Board (WTECB) is charged with evaluating the performance of state and federally supported workforce development programs. The WTECB produces biennial program evaluations using administrative data and surveys of participants and their employers. These evaluations describe how well participants 1) achieve workplace competencies, 2) find employment, 3) achieve family-wage levels of earned income, 4) are productive, 5) move out of poverty, and 6) are satisfied with programs and services.⁷ The WTECB also reports on a seventh outcome, ROI, but says that “the data burden is greatly expanded as compared to what is required for the other six criteria, and so the strategy . . . is to examine this outcome every four years.”⁸

The Texas Association of Workforce Boards (TAWB) has contracted with researchers at the Ray Marshall Center for the Study of Human Resources, Lyndon B. Johnson School of Public Affairs, University of Texas-Austin, to conduct ROI of its workforce programs. The first report was published in 2003,⁹ and a subsequent report (examining data for state fiscal years 2003-2005) was published in 2008.¹⁰

In a related paper in 2003,¹¹ the Texas researchers describe challenges they faced in setting up the ROI studies. They note that although their ROI estimation approach was “simpler, quicker and cheaper” than conducting participant and nonparticipant comparisons, it was also “less precise.” Their primary challenges were serious data-related problems (incomplete individual-level data, lack of data-sharing agreements, quality and variability of datasets) and inadequate resources (costs for staff time, technical expertise, and computer resources). These are likely to be the major challenges facing Minnesota in setting up ROI, and participant and nonparticipant comparisons, for its workforce development programs.

NATIONAL PERSPECTIVE

In 2007, the U.S. Office of Management and Budget required the development of efficiency measures for all federal government programs. The U.S. DOL’s Employment and Training Administration commissioned a study on efficiency measures in employment and training programs. The study researchers reviewed the literature, convened an expert panel, interviewed state workforce agency officials, and analyzed expenditure and outcome data for 11 programs.

The authors concluded with nine recommendations, most of which ought to be kept in mind as DEED builds on its existing performance measurement processes.¹² Some pertain to understanding, using, and funding the results:

- *Recommendation #3: Carefully Consider Programmatic Differences before Implementing Efficiency Measures.* Because programs have different goals, target populations, and services, measures should be tailored to what the program is trying to achieve and caution should be used in comparing results across programs.
- *Recommendation #8: Estimate ROI in Conjunction with Impact Studies but Not as Regular Performance Measurement.* In this study, ROI was considered to include participant and nonparticipant comparisons. The authors encourage U.S. DOL and the states to conduct ROI analyses on a regular basis, but note it would be very expensive to measure ROI on an annual basis. They also point out that the time required to generate reasonable post-program data is too long to make ROI useful for annual decision-making.
- *Recommendation #9: Further Study is Needed on Several Topic Areas Related to and Likely to Affect Efficiency Measure Results - Including Co-Enrollment [between programs] and Cost Sharing.* In the course of their study, the authors identified several issues that needed to be resolved before measures that are consistent, valid, and reliable can be produced. These included how customers who are enrolled in more than one program should be handled, how cost-sharing among programs for services like one-stops (WorkForce Centers) should be dealt with, and how annual measures should count customers who stay in a program more than one year.

CONCLUSION

The workforce development programs administered by DEED already undergo multiple assessments of their performance. There are plans in place to further examine the performance and outcomes of programs to ensure maximum efficiency and effectiveness. DEED looks forward to working with the governor, legislature, partners, and service providers in continuing to improve its assessment options and resource commitment to this investment.

¹ "Evaluation Report: Workforce Programs." Office of the Legislative Auditor, February 2010, p. 55.

² "Evaluation Report: Workforce Programs." Office of the Legislative Auditor, February 2010, p. 56.

³ Minn. Stat. 116J.997, Program Accountability Measures, requires DEED to develop a uniform accountability report for economic development or workforce-related programs funded in whole or in part by state or federal funds.

⁴ Programs whose customers are interviewed in the DEED Customer Satisfaction Survey: Job Service, WIA Adult, WIA and State Dislocated Worker, WIA Youth, Minnesota Youth, Vocational Rehabilitation, State Services for the Blind Workforce Development, Minnesota Family Investment Program - Employment Services. As required by the Dept of Labor, the surveys use a methodology based on the American Customer Satisfaction Index to produce a score of overall satisfaction for Workforce Investment Act programs.

⁵ Telephone and email correspondence with Christopher King at the Ray Marshall Center for the Study of Human Resources, Lyndon B. Johnson School of Public Affairs, the University of Texas at Austin.

⁶ Telephone correspondence with Bryan Wilson at the Washington Training and Education Coordinating Board.

⁷ Hollenbeck, K.M. and W. Huang. September 2006. *Net Impact and Benefit-Cost Estimates of the Workforce Development System in Washington State*. Upjohn Institute Technical Report No. TR06-020, Kalamazoo, MI, p. 1.

⁸ *Ibid.*, p.1.

⁹ King, C.T., D. O'Shea, S.E. Looney, C.A. Redman, and W. L. Holcombe. March 2003. *Return-on-Investment (ROI) for Workforce Services in Texas, State Fiscal Year 2000-2001, Summary Report*. Austin: Ray Marshall Center for the Study of Human Resources, Lyndon B. Johnson School of Public Affairs, the University of Texas at Austin.

¹⁰ King, C.T., Y. Tang, T.C. Smith, and D.B. Schroeder. August 2008. *Returns from Investments in Workforce Services: Texas Statewide Estimates for Participants, Taxpayers and Society*. Austin: Ray Marshall Center for the Study of Human Resources, Lyndon B. Johnson School of Public Affairs, the University of Texas at Austin.

¹¹ King, C.T. and D. O'Shea. April 2003. *Estimating Return-on-Investment (ROI) for Texas Workforce Development Boards: Lessons Learned and Next Steps*. Austin: Ray Marshall Center for the Study of Human Resources, Lyndon B. Johnson School of Public Affairs, the University of Texas at Austin.

¹² Trutko, J. and B.S. Barnow. May 2010. *Implementing Efficiency Measures for Employment and Training Programs, Final Report*. Contract No. DOLJ061A20363, p. 168-183.