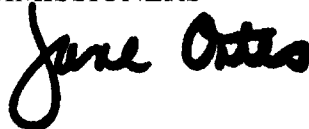


TRAINING AND EMPLOYMENT NOTICE	NO. 48-09
	DATE June 14, 2010

TO: ALL STATE WORKFORCE AGENCIES
 ALL STATE WORKFORCE ADMINISTRATORS
 ALL STATE WORKFORCE LIAISONS
 STATE AND LOCAL WORKFORCE BOARD CHAIRS AND DIRECTORS
 STATE LABOR COMMISSIONERS

FROM: JANE OATES
 Assistant Secretary



SUBJECT: Pilot and Implementation of a Regression-based Method for Performance Target Setting for the Public Workforce System

1. **Purpose.** The purpose of this Training and Employment Notice (TEN) is to (1) inform the public workforce system about the pilot project to test a regression-based method for performance target setting at the national, state, and local Workforce Investment Board (WIB) levels for Workforce Investment Act (WIA) title I programs and (2) ask states to submit requests to participate in the pilot and to participate in the refinement of the model to help inform the full implementation.

2. **References.**

- Workforce Investment Act (WIA), Section 136 Performance Accountability System.
- Training and Employment Guidance Letter (TEGL) No. 09-08, Change 1, “Revised National Performance Goal Targets for the Government Performance Results Act (GPRA) to Support Negotiating State Performance Goals for the Workforce Investment Act Title IB Programs, Wagner-Peyser Act Funded Activities for Program Year 2009,” dated June 5, 2009 <http://wdr.doleta.gov/directives/attach/TEGL/TEGL09-08c1.pdf>;
- TEGL No. 21-09, “Instructions for Submitting Workforce Investment Act and Wagner-Peyser Act State Plans and Waiver Requests for Program Year 2010,” dated April 15, 2010 <http://wdr.doleta.gov/directives/attach/TEGL/TEGL21-09.pdf>;
- TEGL No. 23-09, “Negotiating Performance Goals for the Workforce Investment Act Title 1B Programs and Wagner-Peyser Act Funded Activities for Program Year 2010,” dated April 27, 2010 <http://wdr.doleta.gov/directives/attach/TEGL/TEGL23-09.pdf>;
- “Performance Management of U.S. Job Training Programs,” Barnow, B. and Smith, J. (2004). In *Job Training Policy in the United States*. (pp. 21-55). Kalamazoo, MI: W.E. Upjohn Institute for Employment Research http://www.upjohninst.org/publications/books/jtp/ch2_barnow_and_smith.pdf; and
- “Methodology for Adjusting GPRA Workforce Development Program Performance Targets for the Effects of Business Cycles,” Bartik, Eberts and Huang. June 6, 2009. <http://www.upjohninst.org/publications/wp/09-154.pdf>.

- 3. Background.** During the last two years, the Employment and Training Administration (ETA) developed and began adjusting the common performance measure targets at the national level for workforce investment programs using factors included in the regression analysis. The recent recession highlighted the need to create a uniform process for setting performance measure targets that more closely reflect the effects of weak labor markets on the performance outcomes of workforce programs. ETA was able to use the regression-based methodology as an alternative to annual incremental increases to national performance targets used to demonstrate ambitiousness. Prior to the recession, incremental increases to the national performance goals or targets raised the bar for expected outcomes without a consistent methodology over the course of the business cycle or other approaches to improve service delivery.

The regression-based method provides a systematic, transparent, and objective method to set and administer WIA performance targets, and ETA plans to extend it from the national level to the state and local levels. This method statistically controls for external factors, such as local unemployment rates and participant characteristics; factors that are considered when reaching agreement on the performance levels. Controls for external factors “level the playing field” across states and local workforce areas by making the targets neutral with respect to who is served and local labor market conditions. Barnow and Smith (2004) discuss the effects of performance incentives on service delivery behavior. Registering certain participants to produce favorable outcomes is a type of service delivery behavior that attempts to meet ever-increasing performance targets at the expense of harder-to-serve populations. By adjusting or controlling for the characteristics of participants served at the state and local levels, the regression-adjusted targets encourage workforce system providers to more extensively serve populations with significant barriers to employment. Such an approach is consistent with ETA’s planning guidance emphasis on the importance of serving low-skilled and low-income individuals.

- 4. Setting Performance Targets for States and Local Workforce Investment Boards.** The regression-based method, which is currently used to adjust national performance targets, is being extended as a pilot to nine states in Program Year (PY) 2010 to adjust state and local workforce board performance targets. Adjustments of state performance targets will be computed according to the extent to which external factors for each state differ from the national level, weighted by each factor’s estimated effect on a program’s performance measure. Adjustments of local workforce area performance targets will be computed in a similar manner, with local workforce area levels compared with their respective state levels. The statistical procedure is similar to what was used by the Job Training Partnership Act (JTPA), the predecessor of WIA; however, the current estimation model employs a multivariate approach that includes more factors that take into account the effects of local labor market conditions and participant characteristics on program performance. This approach translates into a more rigorous and consistent method that provides equity across states and local WIBs. The weights are derived by estimating the effect of each selected external factor on the performance outcomes of program participants who exited from the program. Adding up the weighted differences of each factor yields the adjustment factor for each state (or for each local workforce area).

The weights in the model will be updated each program year as new Workforce Investment

Act Standardized Record Data (WIASRD) and official Office of Management and Budget economic assumptions become available. The national, state, and local targets will be recomputed and made available for each program year in conjunction with the President's Congressional Budget Request.

5. **Implementing the Regression-based Model.** ETA plans to implement a regression-based method to adjust performance targets in two phases. Beginning in PY 2010, the first phase will implement the use of statistically-adjusted targets for up to nine pilot states. This phase of the project will provide ETA and the pilot states an opportunity to: (1) establish and test procedures; (2) construct the information systems through which states and local WIBs receive the pertinent information related to the adjusted targets; (3) use the local WIB targets for local performance management purposes; and (4) receive feedback from the pilot states and their local WIBs on ways to improve and refine the model and performance management systems. The pilot effort will only bind the states to the adjusted targets with respect to Section 6 of this TEN.

Using feedback from the pilot, the refined model will be expanded and used by the remaining states. Nationwide implementation will commence at the beginning of PY 2011 and will include all the states, the District of Columbia, Puerto Rico, Virgin Islands and their local WIBs. During PY 2010, ETA will issue guidance for the full implementation of adjusted performance targets starting with PY 2011.

Currently, ETA plans to pilot and implement regression-adjusted targets only for WIA title I programs. As additional individual data from other programs besides the WIA Adults, Dislocated Workers, and Youth programs are assembled and analyzed, ETA will expand the use of the regression model with other workforce programs.

6. **Piloting Options in States.** Pilot states will have the opportunity to review the specifics of the regression model designed for the Department of Labor by the W. E. Upjohn Institute for Employment Research (Upjohn Institute), as well as the actual regression-adjusted numbers for their state and localities. A working paper, "Methodology for Adjusting GPRA Workforce Development Program Performance Targets for the Effects of Business Cycles," is available on the Upjohn Institute's Web site at <http://www.upjohninst.org/publications/wp/09-154.pdf>. This report provides an overview of the estimation methodology and results of the regression model. During the pilot phase, ETA and the Upjohn Institute will make the PY 2010 state and local adjustment targets and factors of the regression model available on their respective Web sites. The PY 2010 estimates will be provided for information purposes for all states and for immediate use by the pilot states.

Pilot states can implement the use of a regression model using the following different approaches:

- a) Use regression-adjusted performance targets for one or more analytical purposes.
 - i) Pilot states may want to compare the use of the regression-adjusted targets to that of the unadjusted targets and analyze the likely effects on performance management and program operations.
 - ii) Alternatively, the pilot states may want to work with ETA and the Upjohn Institute on the analyses of the data and the implications of state implementation.

- b) Use regression-adjusted performance targets for monitoring or management purposes.
 - i) States may want to monitor local WIB performance against the regression-adjusted targets.
 - ii) Alternatively, states may use the regression-adjusted targets for more active performance management purposes. Thus, pilot states could make greater or lesser use of the regression-adjusted targets for the local WIBs, as the adjusted targets may not replace the negotiated targets in PY 2010. If the states choose to adopt the local targets, performance expectations will vary between local WIBs.
- c) Maintain the state-negotiated PY 2010 targets while implementing regression-adjusted targets at the local levels or negotiate use of the state and local regression-adjusted targets.
 - i) States may decide to maintain their PY 2010 state-negotiated targets while implementing the regression-adjusted targets at the local WIB levels. This approach may produce behavioral changes at the local level while keeping the current negotiated state-level and incentives processes intact.
 - ii) Alternatively, states may work with their respective Regional Offices and agree to the use of the regression-adjusted targets for the state and local WIBs. This approach may more closely resemble the full implementation process.
- d) Improve and expand the regression model. The states selected will benefit from the pilot because they will work with ETA and the Upjohn Institute to expand the regression model; participate in improving the model; and determine how to apply the model in their respective states; and lead the country in adopting the model. Pilot states may also apply the adjustment methodology beyond WIA title I programs by supplying individual record data that can be used to extend the analysis to other workforce programs, such as the Wagner-Peyser Employment Service.

7. **Selecting Pilot States for the Regression Model.** For PY 2010, ETA will select up to nine volunteer states to work with ETA and the Upjohn Institute to implement regression-adjusted performance targets for the WIA title I programs at the state and local WIB levels based on their request to participate in the pilot phase. If more than nine states would like to participate, ETA will attempt to select at least one state from each region. Pilot states will be selected in consultation with the Regional Offices.

The pilot phase will provide an opportunity for participating states and their local WIBs to receive training and technical assistance. States will also be able to provide feedback on implementation issues before this project is applied on a national scale. Working closely with the pilot states, ETA and Upjohn Institute staff will provide technical assistance with respect to: (1) understanding the adjustment procedure; (2) implementing the adjusted targets into their operations; (3) establishing criteria and administrative processes to use adjustment factors beyond the standard model; (4) preparing the technical guides; and (5) constructing the information system (shared Web site) that will transmit the relevant data to states and local WIBs. The Upjohn Institute will also conduct site visits during the pilot phase to provide technical assistance and to obtain feedback about implementation of the model. In addition, training sessions will be convened on a regular basis. Furthermore, an expert panel comprised of state and local workforce administrators and academics will be formed to

provide additional technical advice for the pilot phase.

Technical reports will be prepared for ETA, state administrators, and local administrators to explain the adjustment process in detail and the implementation procedures by the Upjohn Institute. In addition, the nine pilot states will receive PY 2010 estimated regression-adjusted targets for the common performance measures for each WIA program at state and local levels. Other statutory measures should have been negotiated with the Regional Offices. The Web site will also contain technical guides, related research papers, and other appropriate data.

8. **Action Requested.** For those states volunteering to participate in the pilot phase, please inform the Regional Administrator about plans to implement the regression model (i.e. option the state plans to pilot). In addition to submitting their request, all pilot states are expected to: (1) share their PY 2010 state and local performance data with the Upjohn Institute; (2) participate in the assessment of the pilot phase; (3) recommend changes and improvements for its PY 2011 implementation; and (4) provide input and review methods and procedures for national implementation.

Interested states are encouraged to participate in this pilot by contacting their Regional Administrator (with their respective regional performance specialist copied) by June 21, 2010. States selected will be notified by June 23, 2010.

9. **Inquiries.** For more information about this initiative, please contact Stephen Wandner, Director, Division of Strategic Planning and Review at (202) 693-3663, wandner.stephen@dol.gov or Gloria Salas-Kos, Federal Project Officer, Office of Policy Development and Research, at (202) 693-3596, salas-kos.gloria@dol.gov.