DEPARTMENT OF LABOR

Employment and Training Administration

Consultation Paper on Performance Accountability Measurement for the Workforce Investment System Under Title I of the Workforce Investment Act

AGENCY: Employment and Training Administration, Labor.

ACTION: Notice.

SUMMARY: The purpose of this notice is to disseminate consultation papers for interested parties on the Performance Accountability Measurement System for Title I of the Workforce Investment Act. There are two papers. The first presents the broad framework for Core Measures of Performance and Customer Satisfaction specified in Title I, Section 136. The second presents the framework for Negotiating State Adjusted Levels of Performance as specified in Title I Section 136. These papers are to be used by States intending to implement the Workforce Investment Act as of July 1, 1999. The Department of Labor will work with States individually to ensure that there are no negative consequences if significant changes occur in these papers based on the comments received. Interested parties have 30 days to provide comments on these papers. Over the next several months additional consultation papers will also be disseminated for comment.

FOR FURTHER INFORMATION CONTACT: Mr. Eric Johnson, Workforce Investment Implementation Taskforce Office, U.S. Department of Labor, 200 Constitution Avenue, NW, Room S5513, Washington, DC, Telephone: (202) 219–0316 (voice) (This is not a toll-free number), or 1–800–326–2577 (TDD). Information may also be found, or comments provided, at the website—http://usworkforce.org.

SUPPLEMENTARY INFORMATION: The Workforce Investment Act (WIA or Act), Pub. L. 105–220 (August 7, 1998) provides the framework for a reformed National workforce and employment system designed to meet the needs of the Nation's employers, job seekers and those who want to further their careers. Title I of WIA specifies Core Performance and Customer Satisfaction measures. Each Governor must submit a five-year strategic plan no later than April 1, 1999, to begin WIA programs by July 1, 1999, and no later than April 1, 2000, to begin WIA programs by July 1, 2000. The current law, the Job Training Partnership Act, is repealed effective July 1, 2000. States planning to implement during PY 1999 are to utilize these papers in addressing Performance Accountability in their plans.

An important part of the five-year strategic plan is the establishment of performance levels for each of the core performance and customer satisfaction measures, which will be negotiated between the Governor and the Secretary of Labor. These levels will form the basis for incentives and sanctions as specified in Title I, section 136 and Title V, section 503 of the Workforce Investment Act.

The U. S. Department of Labor is establishing this performance accountability measurement system, and the process for reaching agreement on State adjusted levels of performance. These two consultation papers are part of that effort. Some of the questions on which the Department of Labor is seeking input are the following:

- Which services would be appropriately defined as self-service/informational and thus not included in the core measures, and which services fall into the core services, intensive services or training;
- The point at which adult and youth registrants are counted for different performance measures (e.g., at a certain time after registration, during the reporting period, after completion of service, after program exit);
- The use of wage records for performance measurement considering availability, completeness, accuracy, timeliness and when wage records might be combined with supplemental sources (i.e., administrative records or survey data for performance purposes) considering the need for consistency, comparability and cost effectiveness;
- Who will be counted in the numerator and/or denominator of those measures expressed as rates, for example how should the employed and underemployed who receive services be accounted for;
- Identifying possible unintended effects resulting from definitions/policies around performance measurements;
- Identifying burdensome and unnecessary requirements that will provide limited benefit, but will be costly in terms of both record keeping requirements and processing;
- Using adjustment models in (1) negotiating State adjusted levels of performance to account for differences in service mix, participant characteristics and labor markets and/or (2) determining eligibility for incentives and consideration for sanctions comparing negotiation assumptions with actual information.
- Sources and types of information that would be useful in negotiating State adjusted levels of performance;
- The circumstances in which revisions to State adjusted levels of performance will be required by the Department, including special circumstances for early implementing States and the differences between the first program year and subsequent years covered by a State's 5-year plan. For example, if better data available in later years or if actual performance data shows that the assumptions under which State adjusted performance levels were negotiated are incorrect, should the Department require that approved levels for later years be changed.

Please consider these issues as you review these consultation papers, and provide comments.

Signed at Washington, DC, this 17th day of March 1999.

Raymond L. Bramucci,

Assistant Secretary of Labor, Employment and Training Administration.

Attachment 1—Performance Accountability Measurement for the Workforce Investment System

I. Introduction

The Workforce Investment Act (WIA) calls for a comprehensive accountability system to assess the effectiveness of State and local areas in providing employability and training services. The Act requires:

- A focus on results defined by "core indicators" of performance;
- Customer Satisfaction with programs and services measured and related to results;
- A strong emphases on Continuous Improvement of Services;
- Annual performance levels and improvement plans developed during negotiations among Federal, State and local partners;
- Awards and Sanctions based on State performance; and
- State reporting and record keeping.

In addition, States are required to provide annual reports to the Secretary of Labor with respect to progress in achieving State performance measures. The Act requires certain additional information be provided, such as cost of workforce investment activities and specified recipient data.

This paper presents a draft framework for the workforce investment system core performance and customer service measures that apply to States in Title I of the WIA and will be used in determining State adjusted performance levels, eligibility for incentive grants or imposing sanctions. Additional papers on all of the above listed requirements are being developed and will be provided for comment in the coming weeks. This paper is intended to elicit discussion about how success will be defined for workforce investment system activities and how it can efficiently and effectively be measured Statewide. The concepts within the paper build on previous Department of Labor (DOL) efforts such as the Workforce Development Performance Measures Initiative, the Labor Exchange Performance Measures Work Group, Simply Better!, Employment Service (ES) Reinvention and the Enterprise. It also incorporates input from State and local officials that was received at recent consultations focusing on WIA accountability and from other WIA briefings and communications.

Please keep in mind that this document presents an overall framework. It does not fully address a number of the detailed technical and operational issues that were raised at recent consultations, nor is it intended to serve as reporting instructions. In addition to your feedback on this framework, we are also interested in input on technical and operational issues that may not have been addressed by this paper. All of this input will be used to develop further guidance and finalize the document for use by those States planning to implement the Workforce Investment Act before July 2000. This paper includes proposed definitions for the Core Indicators of Performance that will be used for State incentive grant eligibility determinations and sanctions.

The paper is divided into three sections:

• Adult Performance Measures and Definitions that will apply separately to: (1) Adult Services, (2) Dislocated Worker services, and (3) Services to Eligible Youth 19 to 21 years old in Youth programs under Section 129 of WIA.

• Youth Performance Measures and Definitions for Services to Eligible Youth 14 to 18 years old in the Youth Program.

• Customer Satisfaction Measures for Participants and Employers.

While the specific core performance indicators and customer satisfaction indicators outlined in this paper only apply by law to Title I of WIA, DOL may adopt them, as appropriate, for other DOL programs, and will work in cooperation with other Federal partner agencies to reach agreement where feasible on uniform measures. Thus, all partners are encouraged to review and comment on this draft framework. However, any changes to other programs whether internal or external to DOL would require appropriate actions based upon present Laws, Regulations and/or policies.

Definitions to be used by all States and localities are provided for each of the core indicators and customer satisfaction measures to ensure comparability. Comparability of measures among States is important for two reasons. First, core indicators and the customer satisfaction performance levels are to be negotiated between the States and DOL. One of the factors affecting those negotiations are ''how the levels compare with State-adjusted levels of performance established for other States * * *'' Second, comparability also contributes to continuous improvement. Having standard definitions will allow States and localities to benchmark other States and localities to promote continuous improvement. Comparability also will facilitate the sharing of best practices within and among the States. Since the performance and accountability system under WIA includes incentives and sanctions, comparability is important to fairness and equity.

Continuous improvement is a significant and required element of WIA. States and localities need to collect more substantial data than the core measures or other required measures under the Act to function in a continuous improvement environment. Therefore, it is important for State and local leadership to take advantage of the opportunity when developing their performance systems to go beyond Federal requirements.

II. Adult/Dislocated Worker Services

A. Workforce Investment Act (WIA) Requirements/Program Activity Categories for Reporting

The WIA provides for a continuum of service delivery that includes three levels of services: (1) core services; (2) intensive services; and (3) training services. All persons will have access to core employment-related information and self-service tools without restrictions or additional eligibility requirements, assuming sufficient funds are available. Those core services that are not primarily informational and must be staff-assisted will require WIA registration. Intensive services and training will also require WIA registration. The intensive services are provided when a determination is made that unemployed individuals are or would be unable to obtain employment after receiving the basic core services, or when employed individuals are determined to be in need of these intensive services to obtain or retain employment that allows for self-sufficiency. Similarly, training services are only available after a determination that the individual is unable to obtain or retain employment that leads to self-sufficiency through intensive services.

For accountability purposes, WIA establishes core indicators of performance in State and local WIA financed systems for participants in all workforce investment activities other than self-service and informational activities. This exception recognizes the low cost per unit of providing these services. WIA also requires that States and localities report on how participants in workforce investment activities other than training (except for self-service and informational activities) compare to participants in training activities. Therefore, the level of service individuals receive defines whether the individual will be counted in the core indicators and if so, how they will be categorized for reporting purposes.

Many of the core services generally will be low cost, self-service and consist primarily of information and not require registration. In contrast, intensive services will be more costly, require significantly more staff investment, and thus, justify a different measurement system that calls for registering and tracking individuals throughout their program participation. For reporting, services are divided into—

• Core Services (for registered participants)
• Intensive Services
• Training

Consistent with WIA, participants who use one-stop self-service facilities or only access information do not need to be registered and tracked. Access to some Core Services will be universally available through the Internet, at a One-Stop center or through a One-Stop partner. States and local Boards will be free to allow completely anonymous access to core services that are primarily information and universally available (for example, browsing a job bank or using a computer in the resource room). However, States and local Boards may be encouraged to request unique identifying information about customers who use the Internet (for example, current America's Job Bank account) and who use the universally available self-service capacity in One-Stop centers.

For customers who are assessed for purposes of determining whether they require services or training that are not universally available, additional information will need to be collected as part of the assessment process. This information will include demographic data elements such as racial-ethnic characteristics, veteran status and information on disabilities, and will assist in referring individuals to other partners' services and will be available for comparisons of program applicants and registrants.

B. What Services Fall Into What Category?

The categorization of services is a State or local decision and will depend on the nature of the service. To serve as a guide and to assist in this identification, Table 1 includes most of the core, intensive, and training services described in Section 134(d). Each of the required WIA services is *italicized*. Frequently provided services that are in addition to those required by the legislation are not italicized. Given the wide variation in types of service that can be categorized as job search and placement assistance, and career counseling, finer distinctions have been made for these services. As soon as a participant moves from the self-service/informational level of service to registered service (core, intensive, training) core measures apply.

TABLE 1.—CATEGORIES OF SERVICES

A. Core services—Self-service and information	B. Other core services (registration required)	C. Intensive services (registration required)	D. Training (registration required)
Determination of eligibility to receive assistance.	Follow-up services, including counseling for registrants (those previously receiving intensive/training services) after entering employment.	*Comprehensive and specialized assessment, including diagnostic testing and interviewing.*	*Occupational skills training.*
Outreach, intake (which may include profiling), and orientation to the One-Stop center.	Individual job development	*Development of individual employment plan.*	*On the Job Training.*
Initial assessment of skill levels, aptitudes, abilities, and support service.	Job clubs	*Group counseling*	*Workplace training and cooperative education programs.*
Labor Market Information	Screened referrals (testing and background checks done before referral or when operating as the employers agent).	*Individual counseling and career planning.*	*Private sector training programs.*
Consumer reports information and delivery system performance information.		Case management	*Skill upgrading and retraining.*
Information on other One-Stop partner services and supportive services.		*Short term pre-vocational services.*	*Entrepreneurial training.*
Information on filing UI claims.			Job readiness training.
Assistance in establishing WtW eligibility and other non-WIA training and education.			Adult education and literacy activities in combination with training.
Resource Room usage			Customized training.
''How to'' group sessions (e.g. writing a resume).			
Job referrals (informational, e.g., job scouts, ES referrals in non-exclusive hiring arrangements, short-term or seasonal placements).			
Internet browsing—job, info, and training searches.			
Internet accounts—Career Kit, Personnel Kit.			
Talent referrals (informational, e.g., talent scouts, ES staff referrals of resumes without further screening).			

The following considerations provided some of the rationale used in preparing this guide. First, ''self-service and informational activities'' are by their nature core services that do not require registration and tracking. A second consideration is the likely per unit cost of services. A number of placement activities are primarily informational in nature and relatively low cost. In these instances, the added cost of registration and participant tracking may not be justifiable. Thirdly, some services benefit participants but are undertaken primarily for their value to employers (e.g., assistance with recruitment for seasonal work—summer or holiday) are intended only to provide short term employment and do not necessarily increase worker earnings, retention or occupational skill attainment. Fourthly, these groupings of activities are intended to be clean, easy to administer, and applicable to all programs.

C. How to Measure Core Services, Intensive Services and Training

1. Core Indicators of Performance

Measure	Definition
Entry into Unsubsidized Employment:	
Entered Employment Rate (Sec 136(b)(2)(A)(i)(I)).	The rate will be defined for cohorts of registered participants unemployed at the time of registration. The numerator will be the number of these registered participants that are shown to have paid employment in the quarter following registration or service completion. The denominator will be all registered participants unemployed at the time of registration who were active during the reporting period (received services or continuing from a prior period) but who are no longer actively receiving services, other than post-employment services. This includes enrolled participants who (1) have obtained unsubsidized employment; (2) have withdrawn from participation; or (3) who have completed training or services. Individuals should be considered no longer active and to have completed service if they have received no services in the last quarter of the reporting period, and are not scheduled to receive services in the future. **Note:** State and local officials opposed using a program exit or termination to trigger reporting. Records of all registered participants unemployed at the time of registration, and not enrolled in a training program at the end of the reporting period would be drawn and matched against wage records to identify employment. Dislocated workers as defined in WIA, Title I, subtitle A, sec.101 (9) are included in the definition of unemployed. A person is considered employed if his/her social security number appears in the employer wage report (no minimal wage requirement) in the quarter following the one in which the seed record for matching is drawn. Not all jobs are covered by State UI wage records. Therefore, a State or locality may supplement the results of the wage record review by other methods and count as employed any of these individuals in jobs not covered by the State's UI wage records. Again, employment would be determined based on employment in the quarter following the one in which the seed record is drawn. Supplementary information could include: use of the New Hire index, surveys, self-reported hires or staff-reported hires through an administrative record system. Seed records not shown as employed would be matched against administrative records to exclude from the computation individuals who remain active, i.e, have received services in the last quarter or are scheduled to receive them in the future.
Retention in unsubsidized employment Six Months after entry into the employment:	
Six Month Retention Rate (Sec 136(b)(2)(A)(i)(II)).	The rate is computed using information on the total number of registered participants who have employment and who appear in the wage records, and wage record information for the second quarter thereafter (6 month rate). For example, an individual completing training and placed immediately in the first quarter of the program year, would be recorded as employed in the second quarter. The fourth quarter records would be queried to determine retention. **Note:** retention is not limited to the same employer.
Earnings Received in Unsubsidized Employment Six Months After Entry into Employment:	
Average Earnings Change in Six months (Sec 136(b)(2)(A)(i)(III)).	The average earnings change is measured as follows: the wage record earnings for the registered participant in the two quarters following employment (not counting the quarter in which employment was recorded) less 50% of the wage record earnings for the four quarters prior to enrollment (not counting the quarter of enrollment). The post-employment income can be with the same or other employer in which the placement was first noted. The measure is reported as an average (mean) gain. For Incumbent workers and others who are employed at the time of registration average earnings and retention would be computed begining in the second quarter following the quarter in which services are completed.
Educational Credential/Occupational Skills	
Credential Attainment Rate (Training Services Only) (Sec 136(b)(2)(A)(i)(IV)).	For adults entering employment after training and eligible youth 19 through 21 entering employment, post-secondary education or advanced training after training, the percent who attained a State-recognized credential related to educational skill attainment (diploma, degree or certificate) or attainment of an occupational skill (license or certification) recognized by a State or a Nationally-recognized industry trade body. Information in administrative records or information gathered through electronic interfaces with other data bases available or surveys may be used. Additional guidance on acceptable credentials and certificates will be provided.

2. Why These Measures and Definitions?

Wage record versus surveys. WIA requires that wage records be used but does not exclude the use of surveys to supplement information. Where the same information is obtainable from both sources, instructions will provide that wage records be used both to ensure comparability among States and to minimize costs.

Earnings change versus absolute earnings level. A change—gain/loss—measure was chosen because of the different circumstances within the WIA service population and the difficulty of creating an absolute earnings target for all adults.

Earnings change—prior period earnings. Six month comparisons are made with a full twelve month period prior to registration. (Fifty percent is used for the six month change for comparability of periods.) The twelve month period is used to minimize, to the extent possible, the impact on dislocated workers of reduced earnings as layoffs approach and any severance pay that may be added to earnings.

Retention rate. While most of the measures use the registered population as the base, this measure chooses only those who are employed because the retention question makes no sense in another context.

Credentials rate (Training Service only). Adults entering employment after receipt of core or intensive services also may acquire some credential as a result of WIA participation. However, given the few relative to the number who will be employed after receiving services, the cost of this added information collection is not justified.

III. Youth 14 to 18 Years Old

A. WIA Requirements/Guiding Principles

WIA authorizes programs to provide services to prepare youth to enter the workforce or to advance to postsecondary education or other occupational skills training. Programs link academic and occupational learning. Service providers will have strong ties to employers and must also include tutoring, study skills training and instruction leading to completion of secondary school (including dropout prevention). Other elements of programs should include alternative school services, mentoring by appropriate adults, paid and unpaid work experience (such as internships and job shadowing, occupational skills training, leadership development, and appropriate supportive services.) Youth participants also will receive guidance and counseling and follow-up services for at least one year. Programs must also provide summer job opportunities linked to academic and occupational learning. The mix of year-round and summer activities is left to local discretion.

Eligible youth are low-income, ages 14 through 21 with barriers to employment. WIA specifies different youth core indicators for older youth ages 19 through 21 and for youth ages 14 through 18. The older youth performance measures are identical to the adult program measures and were addressed earlier in the paper. The three required core indicators for youth ages 14 through 18 are—

- Attainment of basic skills and, as appropriate, work readiness or occupational skills;
- Attainment of secondary school diplomas and their recognized equivalent;
- Placement and retention in postsecondary education or advanced training, or placement and retention in military service, employment, or qualified apprenticeships.

B. Guiding Principles

- Performance measures should reflect the same flexibility available for program design and services and the varied successful outcomes recognized. WIA allows a wide variety of services that are offered to youth. This provides the opportunity for local programs to design and operate programs that meet local needs and respond to gaps in services as they are identified for their area. Indicators should not force certain designs to remain competitive in terms of measurement.
- Performance measures should accommodate a variety of different approaches to serving youth without forcing arbitrary time limits or sequencing of services. Measures should not determine when youth begin or end services by forcing measurements before participants are ready to complete their goals or require that a youth leave the program before credit can be taken for outcomes achieved. Research has shown that programs that establish an ongoing relationship with youth, and continue to serve them for several years while adjusting goals and services to reflect needs as youth age have the greatest success.
- Performance measures need to recognize that youth goals change as youth mature and must be age appropriate. The denominator for various rates should depend on the appropriateness of the goal as determined through individual service plans. For example, younger youth participants should receive services that encourage staying in or returning to school and keeping up academically. As the participants get older, goals will change and relate to getting a secondary school diploma, and, ultimately, placement and retention in post-secondary education, advanced training or employment.
- Indicators must (1) recognize the differing goals depending on the activities/services; (2) the age of the youth; and (3) allow comparison between activities/services that include modest levels of summer job opportunities and those that invest a large proportion of resources during the summer. WIA provides for summer employment opportunities directly linked to academic and occupational learning, but intentionally did not provide a separate funding stream or differing set of indicators. In addition, the summer employment opportunities element is not intended to be a stand alone program (WIA sec. 129(c)(2)(C)). Indicators should be designed so that achieving every goal established for every youth—whether for a year-round or summer employment opportunities only—would result in a 100 percent rate.

C. Establishing a Basis for Performance Measurement

State and local officials with whom DOL consulted strongly believed that the core indicators of performance for participants should reflect completion of their activities, not necessarily completion of participation. By design, youth programs are intended to provide a continuum of services for youth resulting in attainment of several interim outcomes such as the acquisition of basic skills, work readiness, or occupational skills, award of a secondary school degree, and then, placement and retention in employment or advanced education/training. Participant goals are reflected in individual service strategies and will be different from one youth to another, depending on the needs and interests of the youth.

1. Core Indicators of Performance

Measure	Definition
Attainment of basic skills and, as appropriate, work readiness or occupational skills:	
Skill Attainment Rate (Sec 136(b)(2)(A)(ii)(I).	A rate computed by dividing the number of youth who attained a higher level of proficiency with regard to basic skills, and, as appropriate, work readiness skills or occupational skills by the number of youth receiving services or training for whom attaining basic skills, and, as appropriate, work readiness skills or occupational skills were goals to be achieved during the reporting period. Goals are based on individual assessments using widely accepted and recognized measurement/assessment techniques. (Outcomes are counted as they are achieved, not when the youth completes program participation).

Measure	Definition
Attainment of secondary school diplomas or recognized equivalents	
Diplomas or Equivalent Attainment Rate (Sec 136(b)(2)(A)(ii)(II)).	A rate computed by dividing the number of youth who attained a secondary school diploma or equivalent divided by the number of youth for whom attaining a diploma or certificate was a goal to be achieved during the reporting period. This goal will generally be appropriate for older youth 16 or 18 years old.
Placement and retention in postsecondary education or advanced training, or placement and retention in military service, employment, or qualified apprenticeships:	
Retention Rate (Sec 136(b)(2)(A)(ii)(III)).	Of those who are receiving follow-up services and for whom placement and retention is a goal, the percent with retention status at 30 days, 90 days, 180 days and one year from beginning follow-up. This overall rate would be an average of measures for all four periods.

2. Age as the Basis for Outcomes.

These younger youth reporting requirements are for participants who are 14 to 18 when enrolled in the youth program. They are appropriate as long as the youth continues to receive services identified in their individual service plans and has not attained the outcomes established for that age group. If the youth were going to continue being served by the youth program after achieving goals established prior to age 19, the youth does not need to be ''terminated'' but instead the record would indicate that the youth transferred to the age 19 to 21 youth program. This would have the same effect as a ''termination'' for performance measurement purposes but would not disrupt services to the youth. Individuals ages 19 through 21 who have completed the goals established for them prior to turning 19 and those who enter the youth program as age 19 or older should have individual service plans leading to the attainment of the goals appropriate for that age group. These outcomes would be measured in accordance with the same principles established for the adult program.

D. Why These Measures and Definitions?

Skill Attainment Rate; Attainment of secondary school diplomas and their recognized equivalents: and Placement in postsecondary education or advanced training, or placement in military service, employment, or qualified apprenticeships. All three core indicators use as their denominators the total number of youth age 14 through 18 for whom the particular outcome to be measured was a goal. This recognizes that depending on the age of the youth and their needs, individual goals will differ significantly and that the effectiveness and quality of a program should be measured by its experience in achieving goals established for its participants. It allows comparisons of programs and allows for program goals to be established without having to know the exact mix of ages of participants and relative investments in different activities. It also permits a 100 percent rate if all goals are achieved.

Note: A youth participating in WIA youth activities/services for multiple reporting periods (years), could be counted during each of the periods (years) if goals established in each are achieved.

Placement Rate and Retention Rate. Unlike the adult program where separate measures are provided for placement and retention, WIA calls for a single youth indicator that includes both placement and retention rates in one measure. The retention rate—for unsubsidized employment and further education—was chosen as the core indicator because of the difficulty in coming up with a single measure that measures placement and retention. A meaningful measure with both would be difficult because of complications coming up with a single denominator. Placement will be measured, but outside the core indicators.

Unsubsidized employment. WIA specifies that adults be measured with regard to placement in unsubsidized employment. The Youth indicator specifies only placement in employment. Unsubsidized employment is being used for consistency and because it, and not subsidized employment, will lead to self-sufficiency.

IV. Customer Satisfaction

A. Workforce Investment Act Requirements

In addition to the core measures, WIA, at sec. 136(b)(2)(B), states that ''the customer satisfaction indicator of performance shall consist of customer satisfaction of employers and participants with services received from the workforce investment activities authorized under this subtitle.'' The Statute also requires, at sec. 136(b)(3)(A)(i), that there be State adjusted levels of performance for customer satisfaction and that ''the levels of performance established * * * shall, at a minimum—

(I) Be expressed in an objective, quantifiable, and measurable form; and

(II) Show the progress of the State toward continuously improving on performance.''

The Act draws a link between the core measures and customer satisfaction by indicating that negotiations between DOL and the States must take into consideration ''* * * the extent to which the levels involved will assist the State in attaining a high level of customer satisfaction.'' WIA further suggests that ''customer satisfaction may be measured through surveys conducted after the conclusion of participation in workforce investment activities.''

B. Methods To Measure Customer Satisfaction

Customer satisfaction measures are important because they provide valuable information from customers for strategic planning and program operation. Such feedback to supervisors and staff can motivate high performance and continuous improvement. They also send a clear message to staff, management, and customers themselves that customers matter.

There are a number of different methods to collect customer satisfaction information. The simplest approach is to train staff to listen to the customers they serve and to ask questions that elicit customer needs while they are providing service. Focus groups and group interviews are another strategy. A trained manager or staff person can circulate in the resource center where people are waiting and ask questions informally to gain a better understanding of customer needs and concerns. Suggestion boxes are also a way of gathering information. As part of a comprehensive continuous improvement strategy, organizations generally use a combination of strategies since each serves a somewhat different purpose and provides different types of information.

To meet the customer satisfaction requirements of WIA, the recommended measures focus on customer satisfaction surveys. This is the only method that allows State and National aggregation of comparable, quantifiable data. The proposed measures present a general framework for developing a National customer satisfaction index for different customers.

An index is a single score that is created by combining the scores from several questions that address different dimensions of the customer experience. The customer satisfaction index will be described in more detail in the proposed measures. Essentially, the index would provide a way to capture common customer satisfaction information across programs that could be aggregated to a State and National level. The proposed measures will continue to be modified as DOL receives feedback and validation through consultation with the workforce investment system.

C. Proposed Customer Satisfaction Measurement Strategy

WIA requires measures of customer satisfaction for both participants and employers that are quantifiable, comparable across States, and that, along with the core indicators of performance, promote continuous improvement.

The basic approach for gathering and reporting customer satisfaction measures that meet these requirements will be as follows—

- There will be separate surveys of participants and employers;
- Customer satisfaction indicators will be derived from State or locally conducted surveys that include a few embedded questions that enable comparisons across States, while allowing each State to design its own instrument;
- Guidelines will be issued to the States requiring the States to validate survey methods to ensure comparability across States;
- Participants surveyed will include only registered individuals who have completed their activity/service participation (excluding follow-up services). This includes individuals who have completed services and are now employed, those who have discontinued receiving services or training, either because they have withdrawn or completed;
- Employer surveys can be based on a random sample of employers using the system; and
- Results on the embedded questions, for both employers and participants, will be compiled on the State level and reported annually.

While the Act requires reporting and comparisons across States, the primary value of effective customer feedback is to drive strategic planning and continuous improvement at the local level. DOL plans to play a strong, proactive technical assistance role that will provide States and localities with easy access to the information, instruments, tools and other resources that will enable them to use this feedback as a springboard toward high performance and quality services.

ETA will finance the design and development of customer satisfaction instruments and methodologies that meet requirements, and make these available to the States. However, States will have the option of designing their own instruments and methods as long as the few questions that enable comparisons are embedded in the State instruments and the methodologies used to collect responses on those questions are within guidelines that DOL will develop. These guidelines will include suggestions for establishing State baseline levels to be used where they do not already exist.

Attachment II—Reaching Agreement on State Adjusted Levels of Performance Under Title I of the Workforce Investment Act of 1998; A Consultation Paper

This Consultation Paper provides a framework regarding the approach and process for reaching agreement on State adjusted levels of performance under Title I of the Workforce Investment Act of 1998 to be incorporated in States' five-year strategic plans required by that Act. Comments are solicited on the overall framework and the approach. The paper does not address the additional indicators a State may identify in the State plan in accordance with Title I, because they are not subject to the agreement process.

I. Introduction

A. Broad Legal Framework

In Section 136, the Workforce Investment Act (WIA) establishes a comprehensive performance accountability system for the Statewide and local workforce investment systems. Its purpose is to assess the effectiveness of States and local areas in achieving continuous improvement of their Federally-funded workforce investment activities, in order to optimize the return on investment of Federal funds in those activities.

As part of the performance accountability system, WIA requires the Secretary and the Governor of each State to reach agreement on the respective State performance levels for the core indicators of performance and the customer satisfaction indicator. WIA requires that the State performance levels be expressed in an objective, quantifiable, and measurable form. The law also requires that the levels show the State's progress toward continuously improving in performance. The negotiated performance levels become ''State adjusted levels of performance'' and must be incorporated into the State's 5-year plan. They become the basis for sanctions for failed performance. Together with adjusted levels of performance for adult education literacy programs and performance levels for vocational education programs, they become the basis for incentive grants.

State adjusted levels of performance for the first three program years covered by a State 5-year plan are agreed to during the plan review and approval process. In reaching agreement on those levels, the Secretary and the Governor must take into account the expected levels of performance identified by the State in its 5-year plan. The Secretary and the Governor also must take into account the following three factors: (1) the extent to which the levels will help the State achieve a high level of customer satisfaction; (2) how the levels compare to those of other States, with consideration of, at least, differences in economic conditions, participant characteristics at entry into the program, and services to be provided; and (3) the extent to which the levels promote continuous improvement in performance and ensure optimal return on investment. State adjusted levels of performance for the fourth and fifth program years covered by a State 5-year plan must be agreed to before the beginning of the fourth program year.

The State plan is not required to identify expected levels of performance for those years. In reaching agreement, the Secretary and the Governor must take into account the same three factors listed above. The Governor may request revision of the agreed to performance levels if unanticipated new circumstances in the State result in significant change in any of factors for any year.

B. Guiding Principles

WIA reflects the Nation's commitment to accountability for results in government programs that is expressed in the Government Performance and Results Act. It embodies strong commitment to partnership among government entities in serving people in areas of workforce development. It promotes flexibility to provide services that provide maximum benefit to customers and high levels of customer satisfaction. These commitments are characterized by key principles that must be reflected in the process of reaching agreement on target levels for State performance measures.

1. Performance expectations for related workforce investment programs and for related reporting purposes (e.g., reporting under the Government Performance and Results Act) should be aligned to facilitate better management of overall performance.

2. State and Federal partners share the commitment to high performance and customer satisfaction, and continuous improvement in both.

3. The process and considerations in reaching agreement on State performance levels must be consistent for all the States so as to assure fairness in the derivation of performance levels.

4. States should have maximum flexibility to target populations for WIA services within the parameters of the law, and to develop and adopt innovative methods for accomplishing workforce investment objectives; this flexibility should be reflected in agreed target levels of performance.

5. States should have maximum flexibility to develop reasonable methodologies for setting performance goals in the core measurement areas and customer satisfaction.

C. Assumptions

Critical assumptions underlie the discussion of the process for reaching State/Federal agreement on State adjusted levels of performance. These assumptions relate to performance measures, incentives and sanctions, performance data and tools, and continuous improvement.

1. A paper on Performance Accountability Measurement for the Workforce Investment System is being circulated for comment. The measures described here are drawn from that paper, and so are subject to change. There are seven measurements for the core indicators of performance. Four of these apply separately to activities under three funding streams (adult, dislocated worker, and youth ages 19–22) and three apply to activities for youth ages 14–18, for a total of fifteen measures. In addition to those fifteen measures for the core indicators of performance, there are two measures for the customer satisfaction indicator. Each State plan will include one State adjusted performance level for each of the seventeen measures. The indicators and their measures, grouped by program, are:

• Adult Program (four indicators)

• Entry into unsubsidized employment, measured by Entered Employment Rate,
• Retention in unsubsidized employment after entry into the employment, measured by Six Month Retention Rate,
• Earnings received in unsubsidized employment six months after entry into employment, measured by Average Earnings Change in Six Months,
• Attainment of educational credential/occupational skills credential for adults entering employment after training, measured by Educational Credential/Occupational Skills Credential Attainment Rate (Training Services Only);

• Dislocated Workers Program

(Four indicators—same as for the Adult Program)

• Entry into unsubsidized employment, measured by Entered Employment Rate,
• Retention in unsubsidized employment after entry into the employment, measured by Six Month Retention Rate,
• Earnings received in unsubsidized employment six months after entry into employment, measured by Average Earnings Change in Six Months,
• Attainment of educational credential/occupational skills credential for adults entering employment after training, measured by Educational Credential/Occupational Skills Credential Attainment Rate (Training Services Only);

• Youth Ages 19–22 Program

(four indicators—same as for the Adult Program, with a variation in the credentials indicator)

• Entry into unsubsidized employment, measured by Entered Employment Rate,
• Retention in unsubsidized employment after entry into the employment, measured by Six Month Retention Rate,
• Earnings received in unsubsidized employment six months after entry into employment, measured by Average Earnings Change in Six Months,
• Attainment of educational credential/occupational skills credential for youth ages 19–22 entering post-secondary education, advanced training, or employment after training, measured by Educational Credential/Occupational Skills Credential Attainment Rate (Training Services Only),

Youth Ages 14–18 Program

(three indicators)

• Attainment of basic skills and, as appropriate, work readiness or occupational skills, measured by Skill Attainment Rate,
• Attainment of secondary school diplomas and their recognized equivalents, measured by Diplomas and Equivalents Attainment Rate,
• Placement and retention in postsecondary education or advanced training, or placement and retention in military service, employment, or qualified apprenticeships, measured by Placement Rate;

Customer Satisfaction for Combined Programs

(two indicators)

• Participant satisfaction, measured by an index derived from several questions on customer satisfaction surveys,
• Employer satisfaction, measured by an index derived from several questions on customer satisfaction surveys.

2. The Department of Labor expects that negotiations will lead to high State adjusted levels of performance to encourage high performance.

3. Incentives will be awarded and sanctions will apply based on performance against State adjusted levels of performance beginning in the first year of WIA implementation. Only States that exceed their agreed to levels will be eligible for incentive awards. Sanctions based on first year performance will not include monetary penalties.

4. The Department of Labor will establish a single estimate of National average performance for each performance measure. Initially, because only limited historical outcome data are available to develop information on likely outcomes for WIA core

performance indicators, the information will be subject to serious qualifications. For some indicators, rough estimates of the distribution of performance among States and simple adjustment models will be developed as tools for reaching agreement on State adjusted levels of performance. For other core performance indicators and the customer satisfaction indicator, the available data will not be sufficient at the outset to develop such tools. The Department expects that future negotiations will be informed by discussions with and the actual performance of the early implementing States.

5. A commitment to continuous improvement is not simply an agreement to raise the State adjusted levels of performance for successive years and incrementally improve performance numbers. Continuous improvement is the process of building dynamic, high achieving systems within every organization through the ongoing systematic improvement of products, programs, services, and processes by both small increments and major breakthroughs. Continuous improvement encompasses a commitment to a systematic approach to high performance. Continuous improvement is driven by finding opportunities to do better, as well as by solving problems that need immediate correction. It becomes a regular part of daily work, and provides a method of eliminating problems at their source. Performance measures and customer satisfaction are integrated into a continuous improvement approach to focus on where to concentrate resources, or redesign programs or sequences of services in order to achieve better results.

II. Principal Stages of Agreement Process

There are three principal stages of the process for reaching agreement on State adjusted levels of performance in State five-year plans. These stages are defined in terms of plan submittal and approval. The first stage precedes submittal of the State plan and includes the Department's provision of information, the State's planning and development of an ''expected level of performance'' for each of the prescribed indicators of performance and customer satisfaction, and preliminary State/Federal discussions. The second stage begins with the State's submittal of its plan including the expected levels of performance that serve as the starting point for negotiations between the State and Federal partners, and ends when the State adjusted levels of performance are agreed to by the State Governor and the Secretary of Labor and incorporated into the State plan. The third stage follows approval of the plan with the agreed levels and encompasses possible modification of the plan to revise the State adjusted levels of performance.

A. Stage One: Federal and State Information and Preliminary Discussion

Before any meaningful activity can be accomplished relative to planning or setting State performance goals, the State and Federal partners will need an understanding about the process and its relationship to other processes in the performance accountability system, e.g., reporting, incentive and sanction policies, GPRA goals, etc. Ideally, this information would become available before a State engages in its strategic planning process or sets its ''expected levels of performance'' and must be available before the negotiation process begins. Both the State and the Federal partners must gather and assess information prior to States' submittal of their plans.

1. Federal Information

The Department expects to release information in the following areas at the earliest possible time. Each of these items will be covered in papers to be developed and issued for comment.

- Specific measures will be identified for the core performance and customer satisfaction indicators. Definitions will be provided for those measures, and will include the scope of the measures, e.g., are they only Title I, all WIA referenced activities, etc.
- Information will be provided about performance measurement tools under development, such as estimates of the distribution of performance among States and simple adjustment models. The information will include sources of data, the expected usefulness of information to be developed, and for which measures, if any, there will be State-specific estimates or adjustment models.
- The process for negotiating the measures will be established and communicated to the system. This will include expectations for how and when the discussions will occur as well as the kinds of information that must be available from the State to facilitate the discussions.
- Guidance will be issued about the levels that will be considered acceptable when negotiating adjusted performance levels, including specific information on:

—Policies that set criteria for evaluating expected levels of performance;
—Policies for award of incentives and related concepts for meeting and exceeding WIA Title I performance goals (note that this does not include the overall policy for consideration of performance WIA Title II and Carl D. Perkins Act programs); and
—Policies defining sanctions and related definitions for failure to meet standards.

- Guidance will be issued on determining the impact of adjusted levels of performance on attaining high levels of customer satisfaction.
- Policy will be set to describe the consideration of continuous improvement in the goal setting process.
- Specific data and tools including models, if available, will be provided for comparing the adjusted levels of performance among States. Data and tools will continue to be released as they are developed.

2. State Information

WIA envisions an accountability process that takes into consideration unique State and local requirements and circumstances. As States engage in the planning process and develop the expected levels of performance they will identify in their State plans, they will gather information that will be useful in the subsequent negotiation process. States will obtain preliminary information about the economy, anticipate characteristics of the population to be served, and set strategies for determining service mix, since these must be considered in setting performance levels. States will explore pertinent data sources related to sequenced services and one-stop service systems and examine their utility in establishing a baseline for the negotiations process. States will develop information gleaned from an environmental scan to determine the progress local areas have made in developing a service delivery system as required in WIA. States will consider the strength of State/local partnerships among agencies and organizations that will support the system and strategies under consideration to strengthen and streamline the delivery system. States are encouraged to take into account, in developing their expected levels of performance, the results of the negotiation of local performance levels.

3. Preliminary Discussion

The Department recognizes, with the States, that time is short for development of State plans, including performance levels, particularly for those States that expect to implement WIA in July 1999. The Department appreciates and continues to encourage

State and local involvement as WIA policies and procedures are developed. In this spirit of cooperation, preliminary discussion of performance management, including the development of performance levels, is welcomed. States are encouraged to contact their Regional Offices for discussion and technical assistance prior to plan submittal. The benefits of early discussion could include:

- Ensuring understanding of guidance, policy, data, and technical material provided by the Department prior to plan submittal;
- Benefitting from the experience of regional staff and other States;
- Tailoring the provision of technical assistance on performance accountability to meet local and regional planning needs;
- Developing a mutual understanding of State and Federal expectations and assumptions prior to plan submittal, to ensure development of a shared set of goals;
- Allowing maximum time (in advance of the up-to-ninety-days plan review period) for States and local areas to complete necessary planning and consultation on performance levels; and
- Smoothing the agreement process.

B. Stage Two: Formal Discussion and Agreement

A State's submittal of its five-year plan to the Secretary of Labor triggers the up-to-ninety-days review period during which the Federal and State partners are to reach agreement on the State adjusted levels of performance for the core and customer satisfaction indicators. The agreed to levels will be incorporated into the plan prior to its approval. A State's plan will not be approved if agreement has not been reached. It is expected that the negotiations will take place between the States and the Department's Regional Offices, consistent with guidelines to be issued by the Department to the workforce development system.

The State plan will include the State's expected level of performance for each core indicator and customer satisfaction indicator. The plan will also include an explanation of the derivation of each expected level. In the formal negotiations, States should be prepared to provide support for any data and data analysis used in arriving at the expected levels of performance. States should also be prepared to discuss any environmental or strategic issues that are expected to influence performance levels.

In addition to the expected levels of performance identified in the State plan for the first three years covered by the plan, WIA specifies three factors that the Governor and the Secretary must take into consideration in the agreement process. The first is the extent to which the State adjusted levels of performance will help the State achieve a high level of customer satisfaction. The second is how those levels compare to the adjusted levels of other States, considering differences in economic conditions, characteristics of participants upon entry into WIA programs, and services to be provided. The third factor is the extent to which the adjusted levels promote continuous improvement in performance and ensure optimal return on investment. As mentioned earlier, the Department expects to issue guidelines for consideration of all of these factors, to ensure consistency and fairness in the agreement process. The performance levels, representing the anticipated results of the comprehensive workforce development plan, will be considered in the context of the entire plan. Particularly because of the anticipated limitations of available data at the outset of WIA implementation, the negotiation process itself is expected to be a learning experience for the State and Federal partners.

C. Stage Three: Modifications, and Years Four and Five

WIA specifies that Governors may request revisions to State adjusted levels of performance for any of the five program years included in a State plan, based on unanticipated circumstances in their respective States that result in significant changes in factors including economic conditions, characteristics of participants, and services provided. WIA does not prohibit consideration of other factors. The Secretary will issue guidelines establishing objective criteria and methods for making revisions requested by Governors. These guidelines also will specify the conditions under which a State is required to revise the agreed to levels of performance. The revision process will be addressed in a separate paper which is expected to be issued for comment in late April 1999.

Because of the transitional nature of the program for the first three program years and the lack of data from which predictions of WIA performance can be derived for each State, there must be allowance for changes in expected performance beyond the circumstances specified in WIA. Allowance for changes in performance expectations is particularly important because a State's performance measured against its State adjusted levels of performance will affect its eligibility for incentive grants and its susceptibility to sanctions. As the body of WIA experience grows—over time in individual States and as more States implement WIA—more information will become available to permit development of more useful performance management tools, including National figures, State-specific information, distributions of performance data across States, and adjustment models. The effects of continuous improvement approaches will be better understood and more predictable as their application is tested. Because of these anticipated changes, it is expected that State adjusted performance levels included at the beginning of a State's five-year plan will be able to be refined as time passes.

Federal guidance will delineate circumstances in which the State adjusted levels of performance must or may be revised—upward or downward—for individual States or for all States. Some possibilities beyond those identified in the law are listed here.

- Performance levels are set for all States based on the pre-WIA wage record experience of a few States, and experience shows that the predictions were not valid.
- The operation of the one-stop system in a State varies significantly from that discussed during performance negotiations.
- Changes in State law, Statewide vision, or strategies have a significant impact on performance outcomes.
- Changes in Federal law or policy have a significant impact on performance outcomes.

WIA requires that agreement be reached on State adjusted levels of performance for the fourth and fifth program years covered by a five-year plan prior to the beginning of the fourth year. The State does not submit expected levels of performance for those years. The law seems to contemplate that experience under WIA in the first three years will provide a sufficient basis for setting levels for subsequent performance.

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