



# The U.S. Experience with Performance Monitoring and Measurement: Strengths and Weaknesses

Burt S. Barnow  
George Washington University

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# Brief History of Performance Measurement in U.S. E&T Programs

- Performance measurement started in 1970s under the Comprehensive Employment and Training Act (CETA)
- CETA and subsequent E&T programs had federal money distributed to states and local areas where the services were delivered
- Over time, states have been given a larger role in establishing policies, and now federal government holds states accountable through performance measurement system and states oversee local programs
- Performance measurement was part of law under Job Training Partnership Act of 1982 and subsequent programs (WIA and WIOA)

# History of Performance Measurement (continued)

- Motivations for instituting performance measurement in E&T programs
  - Improve knowledge of effectiveness
  - Reduce/eliminate principal agent problems
  - Eradicate perverse incentives (e.g., cream skimming)
  - Identify good and bad programs
  - Reward good programs and penalize poor performers
- Original performance measurement effort for E&T programs led by economists & evaluators, so approach was different than most later work under Government Performance and Results Act (GPRA) of 1993 for other departments and programs

# History of Performance Measurement (continued)

- Regression analysis was used to create level playing field, where performance expectations were set lower if area served more people with disadvantages in labor market and worse economic conditions
- Adjustments for hard to serve groups also intended to reduce incentive for programs to engage in “cream skimming” where programs served people likely to look good instead of people who needed help or more likely to benefit from program
- Performance standards were initially set using regression models so that roughly 75% of local programs would “pass,” but this approach no longer used
- Until current program (WIOA), programs included additional funding for bonuses for high performance and sanctions for poor performance, with technical assistance for low performance in one year and possibility of loss of right to operate program for poor performance two consecutive years

# Performance Measures under Job Training Partnership Act

- **Adult follow-up employment rate**, defined as the proportion of adult respondents who were employed at least 20 hours per week during the 13th week after termination
- **Adult follow-up weekly earnings**, defined as average weekly earnings for all adults who were employed for at least 20 hours per week during the 13th week after termination
- **Welfare adult follow-up employment rate**, defined in the same manner as for the adult follow-up employment rate but for adult welfare recipients only
- **Welfare follow-up weekly earnings**, defined in the same manner as adult follow-up weekly earnings
- **Youth entered employment rate** defined as the proportion of youth terminees (other than potential dropouts who remained in school) who entered employment with at least 20 hours per week
- **Youth employability enhancement rate**, defined as the proportion of youth who obtained one of the employability enhancements at termination

# Performance measures under Workforce Investment Act of 1998 after Institution of “Common Measures”

- Entered Employment 1<sup>st</sup> Qtr. after exit (Adult programs)
- Employment Retention 2<sup>nd</sup> and 3<sup>rd</sup> Qtr. after exit (Adult programs)
- Six Months Average Earnings 2<sup>nd</sup> and 3<sup>rd</sup> Qtr. after exit (Adult programs)
- Placement in Employment/Education 1<sup>st</sup> Qtr. after exit (Youth programs)
- Attainment of a Degree or Certificate by 3<sup>rd</sup> Qtr. after exit (Youth programs)
- Literacy Numeracy Gains (Youth programs)
- Statute called for “customer satisfaction measures” that were dropped after common measures adopted
- Before common measures were adopted, the Adult programs had a measure for attainment of a recognized credential related to educational achievement or occupational skills

# Performance Measures under Workforce Innovation and Opportunity Act of 2014

- Percent Employed 2<sup>nd</sup> Qtr. after exit (Adult programs)
- Placement in Employment/Education 2<sup>nd</sup> Qtr. after exit (Youth programs)
- Percent Employed 4<sup>th</sup> Qtr. after exit (Adult programs)
- Placement in Employment/Education 4<sup>th</sup> Qtr. after exit (Youth programs)
- Median Earnings 2<sup>nd</sup> Qtr. after exit (All programs)
- Credential Attainment (up to 1 year after exit)(All programs except Wagner-Peyser)
- Measurable Skill Gains (All programs except Wagner-Peyser)
- Effectiveness in Serving Employers (All programs)

# Trends in Performance Measurement

- Trend toward longer-term outcomes, with no measures at time of exit and one measure now 4<sup>th</sup> quarter after exit
- Credential attainment added under WIA and measureable skill gains added under WIOA
- For the first time, WIOA only includes sanctions but no rewards for good performance
- Employer and participant satisfaction measures were dropped when common measures were added

# Trends in Performance Measurement

- WIOA adds services to employer measures, and DOL is piloting 3 measures
  - Employer penetration rate: % of establishments in state receiving services
  - Repeat business customers: % of establishments who are receiving a service and received a service in previous 3 years
  - Retention with same employer: % of participants who exit and are employed with the same employer in the 2<sup>nd</sup> and 4<sup>th</sup> quarters after exit
  - States must select two of the measures and may pilot their own measure
  - Ongoing evaluation of employer services measures by Urban Institute and GW
- Efficiency (cost measures) were used for a while under JTPA, but were dropped when research showed they created poor incentives

# Some Suggestions for Consideration

- Prior research (Barnow, Heckman et al.) indicated little relationship between performance measures and program impact for JTPA
  - Use WIA evaluation data to see if still the case
  - Consider ways to link evaluation and performance
- WIOA includes sanctions but no rewards: This is unpopular with the programs, and with right structure, rewards can help develop program insights
  - Bonus funds could be used for pilots exempt from performance measures if subject to rigorous evaluation
- Negotiation for standards were very unpopular under WIA (Barnow and King, D'Amico et al.): How is record under WIOA?

# Some Suggestions for Consideration

- Given limitations of statistical models, are performance sanctions set at appropriate level?
- Goals for job search much different than for training: Should performance standard depend on activity rather than be same for all?
  - Wagner-Peyser services inexpensive and intended to have quick employment effects
  - Training under WIOA more costly and intended to boost earnings
- Performance measures have moved from termination date to 4 quarters after termination: Is that appropriate?
  - Longer-term measures better capture long-term results
  - Shorter-term measures better for management purposes

For questions, comments, or additional  
information contact

Burt S. Barnow  
[Barnow@GWU.edu](mailto:Barnow@GWU.edu)  
(202) 994-6379

