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TRAINING AND EMPLOYMENT GUIDANCE LETTER NO. 09-08, CHANGE 1

TO: ALL STATE WORKFORCE AGENCIES
 ALL STATE WORKFORCE ADMINISTRATORS
 ALL STATE WORKFORCE LIAISONS

FROM: DOUGLAS F. SMALL /s/
 Deputy Assistant Secretary

SUBJECT: 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

- Purpose.** To inform states of a change in the guidelines for negotiating Workforce Investment Act (WIA) Title IB performance goals and performance levels for the Wagner-Peyser Act funded activities for Program Year (PY) 2009. In addition to the change in guidelines for negotiating performance goals, this document also publishes the GPRA goals for eleven other programs administered by the Employment and Training Administration (ETA); and explains the regression model used for setting the new national targets for the workforce investment program.
- References.** WIA Section 136; WIA regulations at 20 CFR Part 666 and Part 661; TEGL No. 9-07, "Revised Incentive and Sanction Policy for Workforce Investment Act Title IB Programs"; TEGL No. 17-05, "Common Measures Policy for the Employment and Training Administration's (ETA) Performance Accountability System and Related Performance Issues;" TEGL No. 11-01, "Guidance on Revising Workforce Investment Act State (WIA) Negotiated Levels of Performance"; and TEGL No. 14-08, "Guidance for Implementation of the Workforce Investment Act and Wagner-Peyser Act Funding in the American Recovery and Reinvestment Act of 2009 and State Planning Requirements for Program Year 2009."

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- 3. Background.** The information in this TEGL supplements the guidance related to performance negotiations in TEGL 09-08, "Negotiating Performance Goals for the Workforce Investment Act Title IB Programs and Wagner-Peyser Act Funded Activities for Program Year 2009." Additional guidance on WIA State Plans and performance negotiations for PY 2009 can be found in TEGL 14-08, sec. 18, which also provides guidance for implementation of WIA and Wagner-Peyser Act funding provided by the American Recovery and Reinvestment Act of 2009 (Recovery Act).

The intent of this guidance is to provide revised national performance targets required for the Government Performance Results Act (GPRA), also referred to as the "GPRA goals." The targets set as GPRA goals provide information by which Congress and the Office of Management and Budget evaluate the success of Federal programs, including those operated by states and localities. This TEGL describes actions taken to address the effects of the current recession on the GPRA goals over the next few years. It includes an overview of the methodology used to develop the regression model used for estimating the reduced "Common Measures" targets for employment and training programs during the current recession. It also provides revised targets for the Unemployment Insurance program and other programs administered by ETA, which are not necessarily subject to state-level negotiations.

The Department of Labor recognizes that labor market conditions are a critical factor affecting performance of state and local programs. Areas experiencing high unemployment and declines in job openings are likely to have fewer employment opportunities for individuals. Consequently, the performance of WIA programs is likely to be affected by economic conditions, particularly in this period of economic downturn. The impact of economic conditions on WIA performance led the Department to develop a regression model that adjusts targets according to these conditions.

- 4. Revisions to the National Performance Goals.** The revised national performance targets are based on estimates developed from administrative and economic data regarding the experience of job seekers within their local labor markets as reported in Workforce Investment Act Standardized Record Data (WIASRD) or other data systems used by the non-WIA programs. Estimation is based upon participants' experiences in their local labor markets. This approach is more precise than estimating the individual-local labor market relationships with data aggregated across disparate geographical areas, such as states or the nation. To measure local labor market conditions, unemployment rates are collected by local workforce investment areas (LWIAs) for the WIA and Wagner-Peyser Employment Service (ES) programs and by county for the Trade Adjustment Assistance (TAA) program.

For program years 2008, 2009, and 2010, adjustments to national performance targets were made using estimates of the effects of unemployment rates on performance results for the following programs: WIA Adult, WIA Dislocated Worker, WIA Youth, ES, and TAA.

For all other workforce investment programs, the national targets are adjusted using either the WIA Adult or WIA Dislocated Worker estimates, depending on which program they are most similar to, because detailed participant data are not readily available for direct estimation. Specifically, the WIA Adult estimates are used for the Senior Community Service Employment Program (SCSEP), Migrant and Seasonal Farmworkers-National Farmworker Jobs Program (MSFW-NFJP), Indian and Native American Program (INA), Work Incentive Grants (WIGs), Reintegration of Ex-Offenders (Prisoner Reentry Initiative-PRI), and National Emergency Grants (NEGs). The WIA Dislocated Worker estimates are used to adjust the retention goal target for Registered Apprenticeship. The WIA Youth estimates are used for the Reintegration of Ex-Offenders, ages 14-17, and estimates are not applied to the Community-Based Job Training Grants or YouthBuild because these two programs are conducting baseline data collection.

The justification for using WIA Adult or Dislocated Worker estimates derives from the similarity in the characteristics of the participants of these two WIA programs to the other programs. The Unemployment Insurance (UI) Program uses UI-specific regression workforce development models and the Office of Foreign Labor Certification has its specific methodologies to set performance targets. While state workforce agencies may not be generally involved with these last two programs, including the estimates in this TEGL allows ETA to systemically publish targets for most of its programs.

In this round of WIA performance negotiations, states will be required to establish PY 2009 performance levels for the Wagner-Peyser Act component of the State Plans at the same time they negotiate performance levels for the WIA Title IB programs by June 2009. A state can extend its PY 2008 performance levels for the WIA title 1B programs to PY 2009 or choose to negotiate new performance levels. This guidance gives states the opportunity to see a larger set of performance goal targets that reach across all the programs using the common measures. States should also note that the Department revisits the GPRA targets at the end of every program or fiscal year to make adjustments. Adjustments to the GPRA targets, based on the infusion of Recovery Act funds, will be taken into consideration as participants receiving additional resources begin exiting their respective programs.

- 5. Addressing Effects of the Recession.** When TEGL No. 09-08 was issued, the Department established preliminary GPRA goals through PY 2010. These goals are being revised to acknowledge the effects of the business cycle on program performance. The revisions, based on the regression analysis carried out as part of a study conducted by the W. E. Upjohn Institute for Employment Research, allow the Department to more closely align performance targets with anticipated program results.

Study results revealed a strong negative relationship between unemployment rates and two of the common measures – entered employment rate and retention rate for the various programs – and the adjustments are statistically significant. The estimated effects on earnings also revealed a negative relationship with the unemployment rates, and they vary by program. The magnitude of the impact differs in part by the average level of earnings for participants in the various programs.

A negative relationship was also found between unemployment rates and degree or certificate attainment, as well as literacy and numeracy gains for the WIA Youth program. While these performance measures may not have the same direct relationship with the labor market as do the common measures, it is important to consider the effect of business cycles on the support system of participants. As the economy weakens and job prospects diminish, it may be more difficult for youth to find support, leading them to drop out of the program before completing a degree or certificate.

Performance targets for each of these programs are adjusted for the estimated effects of the year-to-year change in unemployment rates. Official Fiscal Year (FY) 2010 Budget unemployment rate assumptions are used in the calculations. The calculations start in PY 2007 (FY 2007 for TAA and Registered Apprenticeship) and extend through PY 2014. The actual performance rate in PY 2007 is used as the base.

The adjusted target for each year is calculated by multiplying the previous year's performance target by the change in unemployment rates times the appropriate estimate of the effect of the unemployment rate change on the performance goal. This factor is then added to the previous target. The estimated effects are converted into percentage changes so that their effect is proportional to the magnitude of the target, which varies by program. The procedure is repeated for each year to set the targets.

A downward adjustment factor occurs when the unemployment rate increases from year-to-year, and an upward adjustment factor is applied when the unemployment rate decreases. The reference point for the adjustment is PY 2007 for WIA and other program year programs and FY 2008 for TAA and Registered Apprenticeship. The regression-adjusted performance targets are considered to be ambitious in light of the depth of the current recession. Unemployment rate adjusted performance targets may, in the out-years, be supplemented by an incremental increase to reflect the vigorous pursuit of positive labor market outcomes for exiters in a recovering economy.

The Department will be providing a complete description of the methodology used to compute the PY 2008 through PY 2010 and FY 2009 through FY 2010 targets for all the programs using the common measures on the www.doleta.gov/Performance Web site. The methodology developed by the W. E. Upjohn Institute for Employment Research is expected to be extended and further documented in the near future. The Department will also provide the separate methodology developed by the Unemployment Insurance program on the same Web site.

6. **Additional Analysis for Performance Target Setting.** The Department will conduct additional analysis to accomplish the following:

- a) Create modeling of workforce performance measures that includes participant characteristics in the estimation equations. ETA plans to construct a performance adjustment procedure at the national level that adjusts the national performance targets for changes over time in the mix of participant characteristics, as well as unemployment rate. The estimation equation will also include prior work history, educational attainment, and barriers to entry (proxies by limited English and disability variables) that affect their ability to find and retain jobs and their earnings levels.
- b) Develop state-by-state and workforce investment board (WIB)-by-WIB Workforce Investment Act models by June so they can be used to adjust state and WIB target levels. State (and WIB) performance targets will be adjusted relative to the national targets in two dimensions. For the state models, the first adjustment is the difference between a state's unemployment rate and the national average. The second is the state's composition of participants relative to the national average. Both adjustments can be made using the estimates obtained from the modeling performed previously with some additional specifications. The estimates provide the weights that will be used to reflect the effects of the various factors (unemployment rates as well as individual participant characteristics) on performance.
- c) In 2010, further analysis will enable additional uses of the data for performance management purposes that will allow local WIBs to identify services that produce positive outcomes. While the workforce system is dedicated to moving all eligible individuals into meaningful employment and to advancing their careers, the system also recognizes that individuals enter the program with different skills, motivation, and barriers to employment. This recognition points directly to the need to target resources to meet the individual needs of participants and to fill the gaps of knowledge, experience, and skills that they face in seeking employment. Through this value-added contribution, the model will aid the WIBs in identifying which services assist individuals in overcoming employment barriers, thus enabling the WIBs to more effectively allocate resources.

7. **Action Requested.** As states and ETA regional offices are negotiating performance goals for WIA and Wagner-Peyser programs, the revised national performance goal targets for GPRA may be used as one of several benchmarks by which to gauge their states' proposed performance levels in the context of these national system goals. The revised GPRA performance goals for the Department's WIA Adult and Dislocated Workers, Wagner-Peyser, as well as for other programs, are listed in the Attachment. To see the difference between the original GPRA performance targets for the WIA and Wagner-Peyser programs, please refer to Attachment 2 of the original TEGL No. 09-08. More information is available at: <http://www.doleta.gov/Performance/goals/gpra.cfm>.
8. **Inquiries.** Questions regarding this guidance should be directed to the appropriate Regional Office.
9. **Attachment.** Government Performance Results Act National Performance Goals for Employment and Training Programs.