

Managing Decentralisation: A New Role For Labour Market Policy

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Chapter 12

The US: Managing Different
Levels of Accountability

By: John Dorrer National Center on Education and the Economy

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For over 30 years, workforce development programmes in the United States have been steadily decentralised. The Comprehensive Employment and Training Act of 1972, the Job Training Partnership Act of 1983 and the Workforce Investment Act (WIA) of 1998 successively assigned powerful roles and responsibilities to state and local governments and encouraged strategic planning to solve local labour market problems.

The aims of decentralisation are to fit better programme designs and services delivery to the demands of local labour markets and needs of client groups. Decentralisation has also encouraged local partnerships encompassing transportation, childcare, housing and other social services. By integrating community-based and diverse governmental resources, states and local areas have been able to address broader employability and social development aims in the context of workforce development programmes. Recently, some states and local areas have sought to align better economic and workforce development resources to support sectoral and cluster-based job creation and growth strategies.

Decentralisation creates formidable political, managerial and technical challenges in practice. Roles and responsibilities assigned among the levels of government and the other stakeholders of the workforce development system are rarely without conflict. State and local administrators have welcomed federal resources but have seen federal regulations as intrusive and the demands of federal oversight bodies as burdensome. State and local officials have routinely argued that federal programme regulations including accountability measures limit flexibility and impede adaptation of programmes to local circumstances including the integration of employment and workforce development programmes funded from multiple sources. Those at the federal level have argued with equal enthusiasm that federal investments demand high standards for accountability. They attribute the lack of innovation at the state and local level to a failure to maximise the innovation potential embedded in most federally funded workforce development initiatives. Federal officials are quick to point to examples of high performing, innovative programmes and service strategies resulting from significant risk taking and creativity displayed by state and local organisations.

The Workforce Investment Act expires in September 2003 and is up for reauthorisation. Federal, state and local government officials along with numerous other stakeholders are

once again engaged in intense debate about reforming the workforce development system. The five-year operational experience and performance record of 50 states and over 600 local workforce boards under the policy and regulatory framework of WIA provides a track record to inform policy and system change. In a statement before the US House of Representatives, Emily Stover De Rocco, Assistant Secretary of Labor identified WIA as a “ground-breaking piece of legislation that has sparked dramatic improvements in the delivery of employment and training services nationwide”. She went on and proclaimed:

“Now our challenge is to build on these reforms in order to make the Act even more effective and responsive to the needs of local labour markets and to strengthen the innovations that many states and local communities have developed to serve business and individuals with workforce needs.”

The challenges of balancing flexibility and accountability will, no doubt, remain central in the debates over the next few months. Major reform proposals call for further deregulation, devolution of authority to states and modifications to the performance accountability system. While states and local areas have made use of more flexible programme designs and service integration strategies, performance accountability systems have remained more rigid and continue to focus on individual programmes. Reauthorisation of the Workforce Investment Act presents an opportunity to align better policy goals, programme co-ordination and service integration objectives with the performance accountability system.

While previous legislative battles have centred on balancing roles and responsibilities among federal, state and local levels, the reforms of WIA seem to be more focused on strengthening the roles of states at the expense of local control. Economic, political and institutional forces will continue to assert powerful influences on the reform process and the final shape of these reforms is not yet known.

Key innovations advanced by WIA

The period from 1992 to 1998 was marked by an extensive review and analysis of workforce development strategies and programmes culminating in the passage of the Workforce Investment Act of 1998. A rapidly growing economy with tight labour markets and skill shortages helped to focus serious attention on reforming the US. workforce development system. One of the underlying thrusts for reform was to bring about greater coherence and alignment among a patchwork of over 150 separate federal employment and workforce development initiatives. There was widespread perception that workforce programmes were

duplicative with overlapping responsibilities and inefficiency. Furthermore, the fragmented nature of the systems discouraged access by job seekers and employers. Reforming and aligning this unwieldy system would prove to be more difficult meeting with politically and institutional resistance from some reluctant partners.

WIA reaffirmed the respective roles of the federal, state and local governments in planning and implementing workforce development programmes. The basic system of workforce regions at the sub-state level was maintained. WIA provided for cities with a population of 500 000 or more with automatic designation as a service area while sub-state regions of 200 000 population were designated provisionally. It also preserved the role of business leadership for local workforce boards and extended it to state boards in hopes of achieving more responsiveness and greater accountability on the demand side of the labour market.

WIA also brought forth a longer-term strategic orientation to planning and accountability. The quest for programmatic coherence, streamlined service systems and vastly improved customer services across the spectrum of employment and workforce development programmes demanded new visions and bold approaches. WIA introduced a participatory planning process calling upon states and local communities to craft a more comprehensive, integrated approach for organising and delivering employment and workforce development services. States were required to develop a five-year strategic plan. States could also choose to develop a “unified” plan encompassing 13 different federal employment, education and training programmes under a common planning and accountability framework. While some states made attempts to create unified plans, most did not because of the considerable complexity involved in bridging regulatory and policy differences of separate programmes.

The planning process was also envisioned as a way to achieve more effective collaboration and partnership-building between the state and local levels. The local elected officials and the local workforce boards, working with the business community, service providers and community-based organisation leaders, were expected to shape the vision and customise the system to better respond to specific local labour market needs. The planning process led by the governor and state board in collaboration with local elected officials and local boards sought to secure the partners’ endorsement of the vision, along with performance goals and the critical strategies needed to attain them. The plan was expected to provide a roadmap with quantifiable milestones. This five-year strategic plan was intended as a management tool that all stakeholders could use to guide the evolution of the workforce investment system and to assess progress toward the agreed upon goals. As economic conditions changed requiring revisions in planning assumptions and strategies, plan

modifications were encouraged to ensure that these plans remained relevant in guiding the evolving workforce development system.

WIA also called for bold systems changes and innovation in service delivery. A network of one-stop career centres was to be established to integrate services of multiple partners and funding streams and to improve access and efficiency for both job seekers and employers. One-stop career centres included the public employment service along with job training, adult education and vocational rehabilitation service providers as mandatory partners. States and local areas had considerable flexibility in expanding the one-stop partners and adapting the delivery system to fit local needs.

One-stop career centres were envisioned as high quality, accessible service environments offering information, guidance and resources for a spectrum of job seekers including dislocated workers, low wage and disadvantaged workers as well as employed workers seeking to upgrade their employment situation. Services would be provided based on needs beginning with low intensity information and job placement assistance and leading to the issuance of individual training accounts for those unable to find employment because of a lack of skills. An important accountability innovation introduced by WIA required education and training providers who wanted to qualify to receive training funds to provide outcomes data so that consumers could compare the efficacy of training programmes.

Partnership development and service integration in one-stop centres was given considerable emphasis. Guidance from the federal level for administrative, management and performance accountability systems development, including more specific directions for financing the one-stop operating costs, remained ambiguous however and caused considerable hesitation and delay in implementing one-stop career centres.

The performance accountability framework

The general public, legislative bodies and the executive branch demand accountability for public investments. WIA makes a bold accountability declaration in the Statement of Purpose of the Act.

"The Act provides for activities that increase the employment retention and earnings of participants; and increase the occupational skill attainment by participants and as a result improve the quality of the workforce, reduce welfare dependency and enhance the productivity and competitiveness of the Nation."

One of the key challenges to the successful implementation of WIA was the design and development of a performance accountability system to assess the effectiveness of state and local programmes. Federal, state, and local officials along with non-governmental groups, including community-based organisations, labour unions and business groups had considerable involvement in the design of the system and in reaching final agreement on performance measures. Inclusion was seen as a means to create widespread acceptance and “ownership” of the system.

Separate performance indicators were identified for youth and adults based upon recognition that distinct programme investment strategies and outcomes would apply to each group. Core indicators of performance focused on outcomes were adopted and new customer satisfaction indicators were included in the new system.

The core indicators of performance for adults consisted of:

- entry into unsubsidised employment;
- retention in unsubsidised employment six months after entry into employment;
- earnings received in unsubsidised employment six months after entry into employment;
- attainment of a recognised credential relating to achievement of educational skills and occupational skills.

Core indicators of performance for youth (aged 14 to 18) consisted of:

- attainment of basic skills, work readiness or occupational skills;
- attainment of secondary diploma or equivalent;
- placement and retention in post-secondary education, advanced training, military service, employment of apprenticeship.

Reliance on unemployment insurance wages records ensured that employment and earnings data would be consistently collected in a more efficient manner. Levels of customer satisfaction would be measured through surveys conducted upon completing participation in workforce investment activities. By gathering feedback from job seekers served by the one-stop centre and the employers who hired them, planners expected that such input would be central to forging a continuous improvement culture making services more responsive for the two primary actors in the labour market.

Policymakers clearly understood that if flexibility in programme design is to benefit the state and local level, more flexibility would be needed in specifying the accountability

system. WIA encourages states and local areas to specify additional performance indicators reflecting innovative or distinctive services delivery approaches and partnerships. Levels for core and customer service performance measures including any additional measures proposed by states was to be expressed in “objective, quantifiable and measurable form” as presented in a formal multi-year plan. Furthermore, such measures needed to show continuous improvement over an initial three-year period.

Before the plans of individual states were approved at the federal level, a negotiation process between federal and state officials was called for. The process was to yield a formal performance agreement. Key factors and conditions driving the negotiations process and influencing the final agreement included:

1. promoting the achievement of high levels of customer satisfactions with services provided by the workforce development system;
2. comparing performance levels with other states, including taking into account economic conditions, needs of populations served and types of service strategies adopted;
3. evidencing of continuous improvement in performance measures.

Agreements reached could be renegotiated as a result of changes in significant factors, including economic and labour market conditions or needs of populations seeking services.

The planning process provided for incentives and rewards based upon negotiated performance standards. Meeting and exceeding standards resulted in states receiving incentive payments. If states failed to meet negotiated performance levels, sanctions would be applied. Prior to sanctions however, the first line of response from the federal level called for the provision of technical assistance and the preparation of a formal performance improvement plan. If a state failed to meet its negotiated performance targets for two years in a row, the Secretary of Labor could reduce by up to 5% the amount of the grant that would be payable to the state by the federal government. Funding withheld under these circumstances would be re-invested for technical assistance and additional performance improvement planning.

If performance failure occurred at the local level, the states assumed the responsibility for technical assistance and performance improvement planning. If the performance failure persisted in the second year, the governor could make revisions to local area workforce plans, choose to restructure the local workforce board and eliminate local partners from the one-stop career centres deemed responsible for poor performance.

In building the performance accountability system under WIA, there was also a more intense pressure on the federal government to take an active role in accountability systems development. Not only would federal officials sit in judgement of state efforts, they would be asked to share more responsibility for getting results. In 1993, the Government Performance and Results Act (GPRA) was enacted. This important federal legislation shifted the focus of government decision-making and accountability. Advocates sought for government agencies to move “away from a preoccupation with the activities that are undertaken — such as grants dispensed or inspections made — to a focus on the results of those activities, such as real gains in employability, safety, responsiveness, or programme quality”. Under the Act, agencies are required to develop multi-year strategic plans, annual performance plans, and annual performance reports. Under GPRA, annual performance plans are intended to inform the Congress and the public of:

1. annual performance goals for agencies’ major programmes and activities;
2. measures that will be used to gauge performance;
3. strategies and resources required to achieve the performance goals;
4. procedures that will be used to verify and validate performance information.

These annual plans are to provide a direct linkage between an agency’s longer-term goals and mission and day-to-day activities.

Annual performance reports are required to report on the degree to which performance goals were met. The issuance of the agencies’ performance reports provide the opportunity to assess federal agencies’ actual performance for the prior fiscal year and to consider what steps are needed to improve performance and reduce costs in the future.

Leadership and participation of the business sector in planning workforce development programmes represent another important dimension of accountability. Both the Job Training Partnership Act (1983) and the Workforce Investment Act (1998) provided strong business leadership to ensure oversight of workforce development programmes. There were high expectations that workforce development investments would become more responsive to labour market and employer needs as business leaders at the state and local levels framed strategies and assessed performance of workforce development initiatives. Business participation in governance and oversight of the workforce development system has been uneven and problematic according to some business advocacy organisations.

During the mid-to-late 1980s, the growing quality and customer service movement embraced by business and industry impacted upon public service systems, including

employment and workforce development programmes. For the first time, accountability focused on the “customer” satisfaction and system responsiveness to meeting customer needs. Surveys and measurement systems were adopted on a widespread basis to provide quantifiable feedback on how well services responded to customer expectations and measured up against quality standards.

Performance accountability challenges: data systems and technology

An effective performance accountability system requires development and maintenance of complex database systems and sophisticated information technology infrastructure. Reliable and retrievable data that accurately reflects service inputs and the outcomes from the workforce investment system is the foundation an accountability system. One of the major challenges for the decentralised, multi-partner workforce development system has been to design, implement and maintain data and reporting system in a cost-effective manner. As mandated and voluntary partnerships for services delivery have evolved under a decentralised system, the challenges of aligning and integrating information and data system have become formidable. Some states, such as Texas, Pennsylvania and Florida, have made major investments in building comprehensive information systems that serve the needs of multiple partners and service providers and thus permit comprehensive tracking of participants and management of multiple programmes within one management information system.

For most states and local areas, the development and implementation of comprehensive management information systems including multiple partners remains a formidable and expensive undertaking. Too often, the federal funding sources of local partners define basic outcomes, such as what constitutes a job placement with variable definition. There is a significant variance in policies related to confidentiality and data sharing among partners. Finally, the design, development and maintenance of comprehensive management information systems add considerable expense severely taxing smaller states and local areas with limited resources.

WIA requires each state to prepare an annual progress report detailing progress on core and customer satisfaction performance measures for the state overall as well as individual local workforce areas. States are also expected report on evaluation activities and progress with any additional indicators included in the plan. Along with reporting on the progress of core and customer satisfaction, states are required to report detailed information, including:

- number of participants who have completed training;
- entry in to unsubsidised employment related to training;

- wage at entry into unsubsidised employment, including wage replacement for dislocated workers;
- cost of workforce investment activities;
- retention and earnings received in unsubsidised employment 12 months after entry;
- core and Customer Satisfaction Performance for public assistance recipients, out-of-school youth, veterans, displaced homemakers, older workers and individuals with disabilities.

Reports showing individual state performance are published annually and used by funding sources, including the legislative branch, to judge the efficacy of workforce investments. State-by-state comparisons of performance are used in developing performance improvement strategies. Many states and local workforce boards have developed performance accountability systems and evaluation strategies that exceed the minimum requirements set for under WIA. Organisations such as the Workforce Excellence Network have been established by states and local areas to “promote, establish, implement, and utilise methods for continuously improving the workforce investment system”.

WIA reform proposals: responding to some of the early lessons

The Workforce Investment Act has been in place for five years. As part of its reauthorisation, significant reforms are expected to be implemented. Fifty states and over 650 local workforce boards have a demonstrated track record in highly variable economic, labour market, institutional and political circumstances. The US economy has moved from high growth and tight labour markets to a prolonged downturn with rising unemployment. Along with the of federal deficits, state and local governments are facing extraordinary budget challenges as revenues are not keeping up with expenditures. These conditions will certainly influence WIA reforms particularly as they impact the flexibility in resource utilisation.

A number of substantive proposals for improving the flexibility and accountability of the system are being advanced. Business, labour and community groups have all taken an active part in pushing for reforms to make WIA more responsive to the needs of their constituencies. While the final shape of reforms and outcomes are not yet certain, major efforts of key Congressional committees and proposals from the executive branch have identified bold changes centred on flexibility and accountability. A full vote by the US House of Representatives and separate action of the US Senate are still pending before final approval of these reforms.

Among the key reform proposals that have been advanced are:

Further consolidation of funding streams. Primary funding streams authorised under the Workforce Investment Act include funds for adults, youth and dislocated workers. A separate source of funding supports the public employment service. Effectively and efficiently integrating these funding streams to align resources and programme services has proven to be problematic leading to duplication and inefficiency. To give states and local areas greater flexibility, combining these funding streams into a single grant is proposed.

Along with streamlined programme administration, combining funds would result in states and local areas shifting resources more easily as needs and economic conditions change. While such flexibility for allocating resources may be welcomed by state and local government officials, advocates for disadvantaged populations and dislocated workers fear that their constituencies may lose priority standing and fail to get their fair share of workforce development resources absent targeting provisions.

Expanded waiver authority/block grant authority. To encourage greater flexibility and reduce impediments to programme and service integration at the state and local level, the Workforce Investment Act permits waivers to regulatory provisions. Over 30 states have made use of waivers in better adapting WIA to state and local circumstances. Proposals have been put forward to further ease statutory restrictions and encourage states to make more use of waiver provisions. Among the Administration's reform proposals is a provision that would allow governors to apply for block grant authority. Under a block grant authority, governors would have complete discretion on how to administer specific programmes funded under WIA. Key areas where governors would be able to exercise discretion are in sub-state funding and governance structures shifting considerable authority from the local to the state level. Such authority would remain in force as long as negotiated performance measures are met. Failure to meet such performance levels would result in sanctions and loss of authority.

While expanded waiver provisions and block grant authority would maximise flexibility at the state level and help to overcome constraints to service integration, local officials are concerned that such broad authority resting at the state level would shift resources over time. Shifting resources from the local to the state level would undermine the ability to address workforce development problems and opportunities including the integration of job creation and workforce development investments.

Technical improvements to the performance accountability system. States and local areas have expressed continued frustration with the performance accountability system under WIA. Separate

measures for youth, adults and dislocated workers were perceived as excessive and burdensome. Proposals call for adoption of eight indicators that are now being developed by the mandated federal partners as part of a common measures initiative for employment and job training programmes. For adult programmes, these new indicators are job entry, retention in employment, earnings increase and efficiency. For youth programmes, proposed indicators are placement in employment, education or military, attainment of degree or certificate by participants, literacy and numeracy gains, and efficiency. Also, as a part of the common measures initiative, there are further efforts to develop common definitions. Currently definitions of key terms and measures such as “entered employment” are defined differently by one-stop career centre partners as well as other federally funded service systems that collaborate with one-stop centres.

Common performance measures and definitions will help to improve service integration and more efficient operations. Some states and local areas are distrustful however and would like to have a more active role in specifying the new performance indicators and definitions. State and local areas are particularly concerned about the introduction of a new efficiency measure (cost per programme participant). There is fear that such measures would encourage high volume-low cost services over more intensive training and human capital investments.

The new common performance measures proposal would also eliminate customer satisfaction indicators (employers and job seekers). At time when there should be more intensive focus on meeting customer needs and providing high quality services, the elimination of these measures would undermine long-term investments and strategies to give more voice to the customers of public services.

National performance goals. Previously, negotiations between states and the federal government to arrive at performance targets for WIA were judged to be too rigid. A new proposal calls for the establishment of long-term national performance goals. National targets would be established to form the basis for state-level negotiations. This approach would call for state negotiated levels averaging the established national targets. In addition to creating a more challenging negotiating framework, reforms are proposed so that the negotiation process would more rigorously take in to account local labour market conditions and the characteristics of individuals served, including factoring in the rates of job creation or loss.

State and local areas want to be reassured that the adoption of national performance goals will not undermine state and local flexibility. Some state and local advocates are proposing the use of national regression models that would more thoroughly account for participant demographics and local economic conditions in order to avoid creating disincentives for working with hard-to-serve populations.

Conclusion

Efforts to decentralise and decategorise workforce development initiatives have yielded considerable flexibility and opportunities for innovation. As result, states and local areas have made significant progress in programme co-ordination and service integration. More comprehensive, high performing systems should lead to better access for more workers and employers. Furthermore by aligning resources and service, those with the largest employability and skill deficits should reap the greatest benefit. The Workforce Investment Act has served as an important catalyst and an organising framework for the development and implementation of more ambitious labour market and human capital development strategies. Formidable challenges remain however and more reaching reforms are needed.

As the workforce development system evolves and adjusts to new economic and demographic realities, the 30-year collaboration between federal, state and local levels must continue to effectively harmonise strategies, resources and systems. Taxpayers have a right to expect a full accounting of the investments made on their behalf. Performance accountability systems must determine if we are using our scarce resources wisely and inform us how we could do it better. As decentralisation and de-categorisation provide us with greater flexibility, accountability systems must also reflect the more complex nature of interventions and investments associated with integrating services and resources. Performance accountability is especially important at the state and local level where providers have a more intimate accountability as their work is most visible to consumers. In re-authorising the Workforce Investment Act, policy-makers must ensure that its visionary ambitions are supported by a performance accountability strategy and system that befit the endeavour.

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