

Analysis of 2018 WIOA Title I State and Federal Performance Negotiations

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INTRODUCTION

On May 22, 2018, the State of Hawaii Workforce Development Council (WDC) completed negotiations with representatives from the U.S. Department of Labor Employment and Training Administration Region 6 on PY 2018 and PY 2019 performance measures for Title I Adult, Dislocated Worker, and Youth Programs in accordance with the requirements of the Workforce Innovation and Opportunity Act of 2014 (WIOA). Negotiated performance measures included rates for *Employment - 2nd quarter after exit*, *Employment - 4th quarter after exit*, *Median Earnings*, and *Credential Attainment*. The State-Federal negotiation process included two sets of proposed performance measures (one each from WDC and Federal negotiators), a Statistical Adjustment Model, and PY 2017 1st through 3rd quarter “Quarterly” and 3rd quarter “rolling four quarters” data.

In the end, WDC convinced the Federal negotiators to accept 8 out of 11 (73%) of WDC’s originally proposed outcomes, which were identical to PY 2017 negotiated outcomes—an optimal result for laying a foundation for the State to achieve its performance measure goals in the next two program years. For the three remaining proposed outcomes, WDC accepted an increase of 1 percentage point (also referred to as “point”) to *Employment - 2nd quarter after exit* for the Adult Program, and 1.2 points to *Employment - 4th quarter after exit*. In addition, WDC accepted an increase of \$224 to *Median Earnings* for the Dislocated Worker Program. For PY 2019, performance measures minimally increased by 1 percentage point or less, or in the range of \$100-300.

Currently, Local Boards are in the process of negotiating performance measures for their respective counties. As discussed in WIOA Bulletin No. 19-18 (2018), once their negotiations are completed, Local Boards will submit signed letters of agreement and narratives for their finalized performance measures by September 30, 2018, to WDC. To facilitate the Local Boards’ negotiation process and the development of their respective rationales for their narratives, this report describes the performance measure negotiation process between WDC and Federal negotiators and analyzes its outcomes.

STATE PROPOSED PERFORMANCE MEASURES

Before meeting with Federal negotiators, WDC prepared a narrative that explained the unique geographical and economic conditions of the State of Hawaii as the basis for its proposed performance measures. As listed in the “Modification of Hawaii WIOA Unified State Plan-February 2018 for Public Comment,” WDC proposed the PY 2017 negotiated performance measures (Attachment 1 in WIOA Bulletin No. 18-18, 2018) for PY 2018 and PY 2019. If accepted by Federal negotiators, this would in effect extend the time for counties to achieve the performance rates established for the State of Hawaii for PY 2017 in the previous Federal negotiation. However, Federal negotiators obtained different proposed performance measures from the Federal portal for WDC data. Although the proposed measures obtained through the Federal portal are currently listed in “Hawaii WIOA Unified State Plan 2018 Approved,” Federal negotiators allowed WDC to use the original proposed outcomes, based on negotiated PY 2017 performance measures, as a starting point.

FEDERAL PROPOSED PERFORMANCE MEASURES

The Statistical Adjustment Model

Before the meeting, Federal negotiators sent WDC a Statistical Adjustment Model (SAM) with three components to guide negotiation discussions. The first component consisted of three regression models, one for each Title I program: Adult, Dislocated Worker, and Youth. The models incorporated local economic characteristics, and demographic and socioeconomic characteristics of participants. Thus, the first set of regression models calculated “national” performance rates for the average State. The second component of SAM added a state-effect variable into the calculation of performance measure rates. The state-effect variable was intended to capture differences between States that were not already captured by characteristics in the “national” models and adjust outcomes accordingly. In the case of Hawaii, the state-effect generally had a downward influence on performance measure outcomes. These calculated rates were referred to as “predicted outcomes.” The third and final component of SAM was the “average PYs 2011-2015 simulated WIOA rates” (or “average simulated WIOA rates” for short). To obtain these values, actual participant-level data collected under the Workforce Investment Act (WIA) for program years 2011-2015 were converted into simulated WIOA performance data and then average values were calculated. With a few exceptions, the “average simulated WIOA rates” were lower than the outcomes from the “national” models and predicted outcomes. “Average simulated WIOA rates” were higher than the *Credential Attainment* rates obtained from the “national” models for Adult and Dislocated Worker, and higher than the predicted outcome for the Youth *Credential Attainment* measure.

FINAL NEGOTIATED OUTCOMES

In the WDC narrative, an argument was made against the usefulness of the “national” models and predicted outcomes in the case of Hawaii. While the models incorporated local demographics and economic characteristics, WDC asserted that Hawaii’s unique economy and geography led to the regression outcomes being an unfair starting point for negotiations. The Federal negotiation team accepted these arguments and primarily utilized the lower “average simulated WIOA rates” during the negotiation process. In sum, WDC began negotiations by removing from discussion two statistical approaches that would have required a higher starting point for discussing performance measure outcomes.

In Attachment 1, when comparing the first column of rates labelled “Final PY 2017/Proposed PY 2018 State Outcome” and the column labelled “Final PY 2018,” many of the rates are identical. WDC successfully argued for acceptance of three out of four of its original proposed performance measures for the Adult Program. Only one measure, *Employment – 2nd quarter after exit*, is 1 percentage point (or point) higher than the WDC proposed rate. For the Dislocated Worker Program, Federal negotiators accepted two out of four of the WDC proposed outcomes. In the case of *Employment – 4th quarter after exit*, the final rate is 1.2 points higher, and for *Median Earnings* the outcome is \$224 higher, than the proposed ones. Finally, for the Youth Program, all WDC proposed outcomes were accepted by the Federal negotiators. In sum,

negotiation preparations and informed discussion facilitated the acceptance of 8 out of 11 (or 73%) of the WDC proposed outcomes and small increases in the remaining three outcomes.

PYs 2011-2015 Simulated WIOA Outcomes: Averages and Trends

Upon closer examination of the table in Attachment 1, some of the negotiated performance measure rates for PY 2018 (“Final PY 2018”) are higher than those listed under “Average PYs 2011-2015 Simulated WIOA Outcome” and “PY 2017 Q3 Outcome (Rolling 4),” the latter column representing a performance outcome average over the last four quarters ending with PY 2017 3rd quarter. Stakeholders may question why negotiated final rates were not closer to these lower outcomes. In fact, upon reflecting on the data that were made available before the negotiations, WDC decided in those cases to request during negotiations for performance outcomes lower than those originally proposed. However, Federal negotiators demonstrated the inaccuracy of using an average for negotiations by providing the WIOA simulations for each program year from 2011 to 2015, and the general trend of increase in rates over the five-year period. Nonetheless, where outcomes were lower in the “PY 2017 Q3 Outcome (Rolling 4)” data compared to the simulated data, WDC proposed an outcome lower than what Federal negotiators may have desired based on the simulated WIOA data. The next three subsections for each of the Title I programs provide an in-depth analysis of the process that led to each performance measure outcome.

Adult Program

Simulated WIOA Employment Rate - 2nd Quarter After Exit

2011	2012	2013	2014	2015
62.8	58.3	64.5	65.7	71.6

Since Federal negotiators discussed from the start how the 5-year simulated WIOA average masked performance measure improvement over time, they argued that the most appropriate starting point for negotiations would be found by examining the trend in the data and the simulated WIOA outcome for PY 2015. Referring to the simulated data above, and considering that WIOA requires continuous improvement in programs, the Federal negotiators might have argued that WDC accept a rate higher than 71.6%, the simulated rate for PY 2015. However, WDC pointed to the actual WIOA “PY 2017 Q3 Outcome (Rolling 4)” rate of 40.2% (Attachment 1). WDC argued that performance rates set too high would make it difficult for Local Boards to succeed. Hence the Federal team allowed WDC to set the PY 2018 rate at 1 percentage point higher than the PY 2017 negotiated rate, and an additional percentage point was added to the PY 2019 rate. Although the negotiated PY 2018 rate was 4 percentage points higher than the “Average Simulated WIOA Outcome” (Attachment 1), it was 3 points lower than the simulated WIOA outcome for PY 2015.

Simulated WIOA Employment Rate – 4th Quarter After Exit

2011	2012	2013	2014	2015
45.5	58.5	60.5	62.7	67.8

From the table in Attachment 1, the comparatively low “Average Simulated WIOA Outcome” of 59% for *Employment – 4th quarter after exit* is largely due to a much lower PY 2011 simulated WIOA rate compared to all other years, as shown above. Eliminating the PY 2011 rate yields a simulated WIOA outcome average of 62.4%, only 1.5 percentage points less than the “Final PY 2018” rate of 63.9 %. In fact, Federal negotiators started in the upper 60s for the PY 2018 rate. However, WDC pointed out that the “PY 2017 Q3 Outcome (Rolling 4)” was only 36.8%. Consequently, Federal negotiators accepted WDC’s lower proposed outcome of 63.9% for PY 2018, with a 1 percentage point increase for PY 2019.

Simulated WIOA Median Earnings

2011	2012	2013	2014	2015
\$4,495.6	\$4,696.4	\$4,627.5	\$4,770.3	\$4,900.4

For *Median Earnings* for the Adult Program, WDC’s original proposed rate of \$5,350 was higher than what was trending in the above simulated median rates. On the other hand, it was \$4,650 (or 46.5%) lower than the “PY 2017 Q3 Outcome (Rolling 4)” median earnings of \$10,000 (Attachment 1). When the Federal negotiators offered a performance rate that was \$100 lower than the WDC proposed rate of \$5,350, WDC accepted it without debate. For the PY 2019 median earnings outcome, the Federal negotiators agreed to an increase of \$100.

Simulated WIOA Credential Attainment Rate

2011	2012	2013	2014	2015
69.0	69.5	59.2	49.7	66.5

The “Final PY 2018” *Credential Attainment* rate of 51% was the same as the WDC proposed outcome (Attachment 1) and 15.5 percentage points lower than the above simulated rate of 66.5% for PY 2015. Moreover, this rate was 11.8 percentage points lower than the “Average PYs 2011-2015 Simulated WIOA Outcome” of 62.8% and 49 points lower than the “PY 2017 Q3 Outcome (Rolling 4)” rate of 100%. Federal and WDC negotiators noted the instability in the trending rates in the simulated WIOA data and questioned the 100% outcome for PY 2017 3rd quarter (rolling 4 quarters). Both sides agreed that in this case the PY 2017 negotiated rate was a more reasonable target outcome for PY 2018. Federal negotiators also accepted a 1 percentage point increase for PY 2019.

Dislocated Worker Program

Simulated WIOA Employment Rate - 2nd Quarter After Exit

2011	2012	2013	2014	2015
71	73.9	69.4	75.7	78.1

Despite rates moving into the upper-70s in the above simulated trend data, the negotiated “Final PY 2018” Dislocated Worker *Employment Rate - 2nd quarter after exit* was 74%, with a 1 percentage point increase for PY 2019 (Attachment 1). Federal negotiators accepted WDC’s proposed rate for this measure, which is equivalent to the “Average PYs 2011-2015 Simulated WIOA Outcome” and is 4.1 points lower than the simulated WIOA outcome rate for PY 2015.

Simulated WIOA Employment Rate – 4th Quarter After Exit

2011	2012	2013	2014	2015
63.5	70.5	67.6	72	73.7

Although the Federal negotiators did not accept WDC’s PY 2018 proposed rate of 69.2% for *Employment – 4th quarter after exit*, the negotiated rate of 70.4% is a mere 1.2 percentage points higher. Further, the “Final PY 2018” rate is 3.3 percentage points lower than the above simulated WIOA outcome for PY 2015, and the gap between the “PY 2017 Q3 Outcome (Rolling 4)” and the negotiated rate is smaller compared to other measures (Attachment 1). The negotiated PY 2019 rate is an additional point higher.

Simulated WIOA Median Earnings

2011	2012	2013	2014	2015
\$6,085.60	\$6,051.70	\$5,981.50	\$6,129.00	\$7,492.50

For *Median Earnings*, the Federal negotiators relied more on simulated trend data and “PY 2017 Q3 Outcome (Rolling 4)” data, and insisted on a final rate higher than WDC’s proposed rate of \$6,776. Since the “PY 2017 Q3 Outcome (Rolling 4)” median earnings was \$8,809 (Attachment 1) and the above PY 2015 simulated median earnings was \$7492, WDC agreed to go a little higher than its original proposed rate. The negotiated *Median Earnings* for PY 2018 was \$7,000—only \$224 more than the PY 2018 level proposed by WDC, but \$492.50 less than the above simulated PY 2015 median earnings. The negotiated rate for PY 2019 is \$300 higher than PY 2018 but still lower than the above PY 2015 median earnings.

Simulated WIOA Credential Attainment Rate

2011	2012	2013	2014	2015
75.4	83.9	56.3	69.4	63.3

Due to the above *Credential Attainment* rates from PY 2013 to PY 2015 showing a decreasing trend, WDC convinced Federal negotiators to accept its proposed *Credential Attainment* rate of 66.5% (Attachment 1). Although 3.2 percentage points higher than the above simulated rate for PY 2015, the negotiated rate is 3.2 points lower than the “Average PYs 2011-2015 Simulated WIOA Outcome” of 69.7%, and 33.5 points lower than the “PY 2017 Q3 Outcome (Rolling 4)” rate of 100%, which Federal and WDC negotiators questioned based on other available data sources (see Attachments 2 and 3 in WIOA Bulletin No. 19-18, 2018).

Youth Program

Simulated WIOA Education/Employment Rate - 2nd Quarter After Exit

2011	2012	2013	2014	2015
45.3	62	55.2	59.7	74

For the Youth Program, Federal negotiators accepted WDC’s proposed rate of 59% for *Education/Employment – 2nd Quarter after exit*, even though the above simulated WIOA data shows a 74% outcome for PY 2015. The “PY 2017 Q3 Outcome (Rolling 4)” of 19.4% (Attachment 1) was a helpful counterpoint to the higher simulated PY 2015 rate. The “Final PY 2018” rate is equivalent to the “Average PYs 2011-2015 Simulated WIOA Outcome” and PY 2019 is an additional percentage point.

Simulated WIOA Education/Employment Rate – 4th Quarter After Exit

2011	2012	2013	2014	2015
33.1	42.5	55.4	57.4	63.1

For the next measure, the above simulated PY 2014 and PY 2015 data are higher than the negotiated rate of 55.9% by 1.5 and 7.2 percentage points, respectively. WDC successfully achieved its proposed rate because the “Average PYs 2011-2015 Simulated WIOA Outcome” and the “PY 2017 Q3 Outcome (Rolling 4)” (Attachment 1) were substantially lower than the simulated PY 2014 and PY 2015 rates.

Simulated WIOA Credential Attainment Rate

2011	2012	2013	2014	2015
52.7	58.4	56.5	63.7	75

A similar situation can be seen in the above simulated trend data for *Credential Attainment*. The WDC proposed rate of 61.1% was accepted by the Federal negotiators, even

though it is 2.6 and 13.9 percentage points lower than the last two program years in the above simulated data. The negotiated rate is close to the “Average PYs 11-15 Simulated WIOA Outcome” but higher than “PY 2017 Q3 Outcome (Rolling 4)” (Attachment 1). The “PY 2017 Q3 Outcome (Rolling 4)” of 27.5% was an unusually low rate for this performance measure compared to outcomes reported in HireNet, the State’s Participant Management Information System, for PY 2016 and PY 2017 1st and 2nd quarters (see Attachments 2 and 3 in WIOA Bulletin No. 19-18, 2018).

CONCLUSION

By the end of the State-Federal negotiation process, WDC had attained target performance measures for the next two program years that were data-driven, and thus realistic and achievable. Compared to all possible PY 2018 and PY 2019 performance targets for which Federal negotiators might have lobbied, WDC kept the negotiated targets within striking distance to set the counties up for success. All PY 2018 and PY 2019 negotiated rates, except for two measures, are equal to or lower than the PY 2015 rate in the simulated WIOA data set. In the first exception, *Adult Median Earnings*, the “Final PY 2018” and “Final PY 2019” rates are nearly half of the rate reported in “PY 2017 Q3 Outcome (Rolling 4).” In the second exception, the Dislocated Worker *Credential Attainment* rate, the “Final PY 2018” rate is 3.2 percentage points lower than the “Averaged Simulated WIOA Outcome,” while the “Final PY 2019” rate is 2.7 points lower than the simulated average. Hence, WDC succeeded in achieving PY 2018 and PY 2019 negotiated outcomes within the reach of the State.

The final step requires Local Boards to consider what they can achieve within their counties for PY 2018 and PY 2019. Just as WDC successfully argued for Federal consideration of what makes Hawaii unique while negotiating performance measure rates, each Local Board must assess their respective counties, and their counties in relation to other counties. In developing rationales for performance measures, Local Boards should address unique county characteristics, such as available resources, opportunities, and challenges, and how these relate to their final performance measures. Data should drive the decisions being made by Local Boards in their negotiation process, with the understanding that WIOA requires continuous improvement. Finally, narratives must explain any differences in Local Board performance measures compared to WDC’s negotiated measures.

REFERENCES

2018. "Hawaii WIOA Unified State Plan 2018 Approved," 325-327.
<http://labor.hawaii.gov/wdc/reports/>.
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2018. WIOA Bulletin No. 19-18, SUBJECT: PY 2018 and PY 2019 Local Workforce Development Board Performance Negotiations for Workforce Innovation and Opportunity Act (WIOA) Title I Adult, Dislocated Worker, and Youth Programs; May 25. <http://labor.hawaii.gov/wdc/wia-docs/>

ATTACHMENT 1: State and Federal Proposed and Final Negotiated PY 2018 and PY 2019 Performance Measures

Performance Measure	Final PY 2017/ Proposed PY 2018 State Outcome ^a	Average PYs 2011-2015 Simulated WIOA Outcome ^b	PY 2017 Q3 Outcome (Rolling 4) ^b	FINAL PY 2018 ^c	FINAL PY 2019 ^c
Adults					
Employment Rate – 2 nd quarter after exit	67.6	64.6	40.2	68.6	69.6
Employment Rate – 4 th quarter after exit	63.9	59	36.8	63.9	64.9
Median Earnings	\$5,350	\$4,698	\$10,000	\$5,250	\$5,350
Credential Attainment	51	62.8	100	51	52
Dislocated Workers					
Employment Rate – 2 nd quarter after exit	74	73.6	50.5	74	75
Employment Rate – 4 th quarter after exit	69.2	69.5	61.9	70.4	71.4
Median Earnings	\$6,776	\$6,348	\$8,809	\$7,000	\$7,300
Credential Attainment	66.5	69.7	100	66.5	67
Youth					
Education/Employment Rate – 2 nd quarter after exit	59	59.2	19.4	59	60
Education/Employment – 4 th quarter after exit	55.9	50.3	14.6	55.9	56.4
Credential Attainment	61.1	61.3	27.5	61.1	62.1

^a “Modification of Hawaii WIOA Unified State Plan-February 2018 for Public Comment,” 332-333;
<http://labor.hawaii.gov/wdc/reports/>

^b PY2018 - PY2019 WIOA Negotiation Tool, USDOL ETA Region 6.

^c Letter from John R. Bailey, Regional Administrator, USDOL ETA Region 6 San Francisco, May 31, 2018.