



# Workforce Development Services

**OLA** Office of the Legislative Auditor  
State of Minnesota



**Workforce Development Services**  
February 7, 2005

## Workforce Development Services



- Job seekers and employers
- One-stop delivery system

2

## Major Entities in Minnesota's Workforce Development Services

- Federal government
- State government
  - Governor
  - Department of Employment & Economic Development (DEED)
  - Governor's Workforce Development Council
- Local government
  - Elected officials
  - Local workforce councils

3

## Minnesota's 16 Workforce Service Areas and 50 Workforce Centers




4

## Local Workforce Councils

- Workforce councils govern each service area
- Local elected officials appoint members
- Federal and state laws set functions and membership requirements
- Service area directors

5

## Services



- Workforce center resource rooms
- State employees and local employees
- Other service providers

6

# Workforce Development Services

## Federal Law Presents Conflicts

- Unclear authority, such as for deciding whether workforce centers remain open
- Problems for the state and local areas
- Unclear authority created inefficiencies

7

## Responsibility Needs Clarification

- State law should clarify:
  1. DEED sets minimum statewide standards
  2. Local workforce councils have authority for siting and closure decisions

8

## Improve Information on Funding

- No agency has full funding authority or information
- \$204 million in FY2004 is only part of the spending
- State and local entities should more fully exchange annual funding and spending information

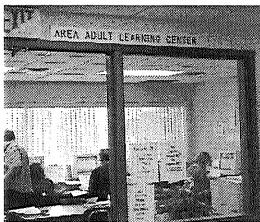
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## Incomplete Coordination

- Multiple entities have authority to set policies, leading to problems
- Incomplete coordination with adult literacy programs
- Incomplete coordination with postsecondary vocational education

10

## Additional Coordination is Needed



- Workforce councils should coordinate with adult-basic education organizations
- DEED and MnSCU should improve local coordination

11

## Federal Performance Measures Minnesota Met or Exceeded

	Program Year 2001	Program Year 2002	Program Year 2003
17 Measures	✓	✓	✓

12

# Workforce Development Services

## Problems With Performance Measures

- Effectiveness of certain services cannot be measured
  - Users of resource rooms
  - DEED should continue efforts to count users and monitor whether services helped
- Performance measures have limitations
  - DEED should improve method of measuring customer satisfaction

13

## Relating Training Services to Occupations in Demand

- Federal requirement
- Compliance with requirement varied
- Local councils should ensure compliance
- DEED should evaluate

14

## Employer Use of Services

- Most Minnesota employers do not use certain workforce center services
- Low ratio of employers using the Job Bank to employers actively hiring

Ratio of Employers Posting Jobs in Job Bank to Employers Actively Hiring	
4 <sup>th</sup> Quarter 2002	2 <sup>nd</sup> Quarter 2003
1 to 16	1 to 14

15

## Why Employer Use is Low

- Lack of awareness
- Misperceptions of services available

16

## Business Impressions After Using Workforce Center Services

- High satisfaction among employers surveyed
- Chamber of commerce perceptions

17

## Outreach to Employers

- Most local areas do not have their own marketing plans
- DEED should target its marketing
- DEED should intensify efforts to coordinate contacts
- Contacts with businesses are not always coordinated

18

# *Workforce Development Services*

## **Overall**

- Governance duties need clarification
- Coordination among programs should improve
- DEED should measure effectiveness of services not currently measured
- DEED should improve its business outreach
- Local workforce councils should ensure that training services relate to occupations in demand

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**The *Workforce Development Services* report is available via the World Wide Web at:**

**[www.auditor.leg.state.mn.us](http://www.auditor.leg.state.mn.us)**

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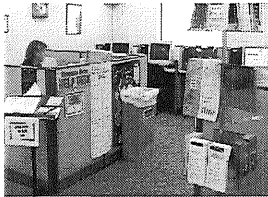
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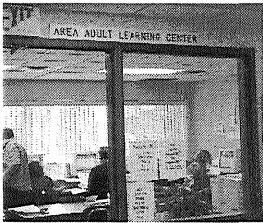
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Response from the  
Governor's Workforce Development Council  
to the Senate Jobs, Energy and Community Development Committee  
regarding the  
Workforce Development Services Study by the  
Office of the Legislative Auditor

February 7, 2005

Don Gerdesmeier, GWDC Vice-Chair and representative, Minnesota Teamsters  
Luke Weisberg, GWDC Executive Director

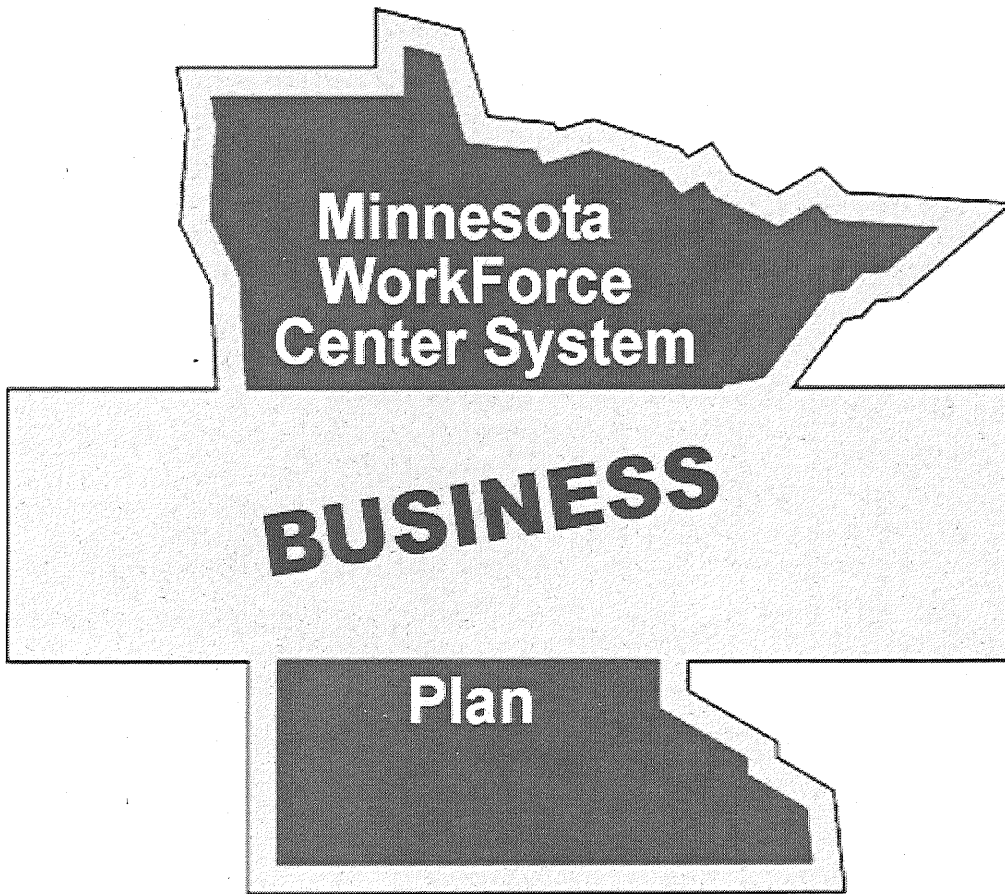
The Governor's Workforce Development Council (GWDC) appreciates the work of the Office of the Legislative Auditor and the opportunity to discuss the findings of the "Workforce Development Services" study with this committee.

The study's recommendations are consistent with prior work by the GWDC on these issues and also fit well with our current WorkForce Center Business Plan, completed at the request of the Legislature, and to be presented to this committee later this month. Broadly, the GWDC agrees with the recommendations presented and appreciates the OLA's acknowledgement of the complex relationships that exist between and among Local Workforce Councils and other stakeholders as well as DEED, MnSCU, the GWDC and other state entities responsible for delivering service and/or developing guidance.

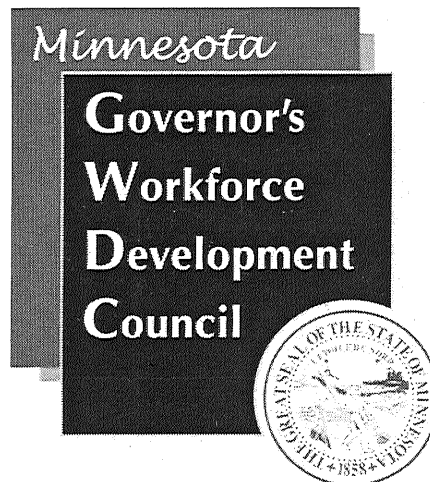
The GWDC's oversight and advisory functions include offering content-specific strategy (where we should focus our workforce development efforts); as well as tactical advice on service delivery strategies (how workforce development services are delivered and by whom). Last August, the GWDC presented recommendations to the Governor intended to focus our workforce and economic development efforts on a few strategic goals; and, to consistently promote local leadership to address local needs. This month, we are presenting a business plan to shift the operations of the WorkForce Center system to further support those strategic and tactical recommendations. We find the OLA's analysis and recommendations to be very much aligned with the GWDC's perspective.

Finally, we would like to offer our support to implement some of the cross-agency recommendations in the report. The GWDC often likens Minnesota's workforce development, economic development, and education investments to an investment portfolio. Using that analogy, the GWDC, by virtue of its broad representation from stakeholders, Cabinet members, and legislators is well-positioned to assess the portfolio's performance and offer guidance on future investments. We will work closely with our member/partner agencies to ensure that the GWDC is a useful venue for implementing some of the recommendations from this report.

Thank you for the opportunity to share our perspective on this work.



Presented to the  
Minnesota State Legislature  
January 2005



# 2005 WorkForce Center Business Plan

## ACKNOWLEDGEMENTS

This report was produced by the Governor's Workforce Development Council (GWDC) Creating System Excellence Committee and approved by the GWDC Executive Committee on behalf of the full Council.

John Molinaro from West Central Initiative led this committee including:

Sharon Bredeson, Staff-Plus

Kathy Carney, Teamworks

Noreen Dunnells, Central Minnesota United Way

Chuck Johnson, Minnesota Department of Human Services

Matt Kramer, Minnesota Department of Employment and Economic Development (DEED)

Rhonda Sivarajah, Anoka County Board of Commissioners

Dan Smith, Minnesota Department of Education

Inez Wildwood, Allete

Others who were active participants in the committee's work and/or provided comment to drafts of this report include:

Erik Aamoth, DEED

Bonnie Elsey, DEED

Kitty Gogins, Ramsey County Workforce Investment Board

Anne Olson, Minnesota Workforce Council Association

Jane Samargia, HIRED

Jerry Vitzthum, Anoka County Job Training Center

Jim Zentner, Ramsey County Workforce Solutions

Koryn Zewers, GWDC

Special thanks to Libby Starling, Director of Policy, Planning and Measures at DEED for her significant contributions to the document.

Jerry Steinworth, graphic designer from DEED, Jeanne O'Flanagan from DEED, and Viola Curtis from the GWDC were instrumental in the production of the report.

Luke Weisberg, GWDC Executive Director, served as principal staff to the committee.

Minnesota

**Governor's  
Workforce  
Development  
Council**



1<sup>ST</sup> NATIONAL BANK BUILDING  
332 MINNESOTA STREET, SUITE E200  
SAINT PAUL, MN 55101-1351

651-205-4728 T ■ 651-296-0994 F  
651-282-5909 TTY ■ WWW.GWDC.ORG

January 2005

To Members of the 2005 Minnesota State Legislature:

This WorkForce Center Strategic Plan is being submitted to the Minnesota State Legislature in fulfillment of the statutory requirements (§268.665) of the Governor's Workforce Development Council (GWDC) and, perhaps more importantly, represents a significant shift in how Minnesota's WorkForce Centers will be operated in the coming years. The reach and depth of this shift is evident immediately in the format and title of this report. We are presenting a "business plan" for the operation of Minnesota's WorkForce Centers – not a traditional strategic plan for publicly-funded services.

Minnesota was a trail-blazer in our initial development of WorkForce Centers prior to passage of federal legislation requiring states to establish a system of "one-stop career centers" to deliver services to jobseekers and employers. This plan builds on the strengths and learning from our decade-long experience to frame a new vision for our WorkForce Center service delivery system. This new vision accounts for increasing demand by employers for a qualified workforce, a rapidly changing market in which employers and jobseekers find each other, and the fiscal realities facing Minnesota and our federal government. Further, this vision is consistent with the goals and direction of Governor Tim Pawlenty in promoting "economic success of individuals, businesses and communities".

We are mindful that the vision presented in this business plan will require some negotiation among state agencies (principally the MN Department of Employment and Economic Development) and local elected officials and stakeholders (through Local Workforce Councils). This business plan envisions full implementation beginning in July 2006, allowing for many details to be further articulated in the next 17 months. The GWDC is committed to supporting state and local leaders as they work through the remaining operational details to implement this vision. We also appreciate engagement from state legislators and the Governor's Office in these issues as we work together to refine our workforce development service delivery structure so it can provide the most value to Minnesota businesses and jobseekers.

We appreciate your confidence in the GWDC to address these issues and look forward to your active support in moving forward this vision.

Sincerely,

Cynthia L. Leshner, GWDC Chair  
Chief Administrative Officer, Xcel Energy

John Molinaro, GWDC Committee Chair  
Vice-President, West Central Initiative



## EXECUTIVE SUMMARY

At its inception in 1995, Minnesota's WorkForce Center system was built on key principles of co-location among previously separate agencies and programs and coordination across program and agency boundaries. Two key components drove the original vision: 1) co-location into readily accessible physical sites – the WorkForce Centers themselves; and 2) a management structure that emphasized partnership among program managers. With ten years experience, a rapidly changing workforce development marketplace, and scarce public resources to support the system, the Governor's Workforce Development Council (GWDC), in fulfillment of its statutory obligation to the Minnesota Legislature, offers this business plan with new vision and principles to move the WorkForce Center system forward.

Three significant shifts in the workforce development marketplace are necessitating a fresh look at the function of Minnesota's WorkForce Centers and the relationships among the partners and stakeholders in the workforce development system. First, there has been a steady decline in buying power of public funds available to states and localities for workforce development services. Second, a strong emphasis on rapid attachment to the labor market rather than initial investment in education and training, ushered in through federal welfare reform, has permeated much of the workforce development field. Finally, a significant private for-profit market offering labor exchange functions and, increasingly, individual education and training has grown and matured around the traditional publicly-funded workforce development system.

The primary goal of the WorkForce Center system is to ensure that businesses can find a qualified workforce on a timely basis. The means for doing so is through community-owned and operated place-based franchises with system-wide performance expectations and shared infrastructure. Some high-quality services and information products will also be electronically-accessible and will be provided directly by state agencies in addition to community-owned and operated physical locations. WorkForce Centers will include selected minimum service components delivered and supported directly by the Department of Employment and Economic Development (and other state agencies, as appropriate). WorkForce Centers will also be required to meet quality standards for other services provided. Through a combination of state-delivered minimum service components and locally managed services that meet statewide quality standards, Minnesota's WorkForce Centers will retain the efficiencies of a statewide system as we currently have, while allowing for greater flexibility by local leaders to tailor services and a service delivery strategy meaningful to their customers and constituents.

In developing this vision and business plan, the GWDC affirmed that businesses are the primary customer of the WorkForce Center system. While this may represent a shift from past practice and may be at odds with the current operation of some federal programs, the GWDC sees workforce development services as a means to satisfy the



## 2005 WorkForce Center Business Plan

needs of business customers and, in doing so, adding value to jobseekers who are the direct beneficiaries of a business-focused workforce development system. This business plan also seeks to ensure that services are widely available and that wherever possible, publicly-funded services should augment, not compete with, services available in the for-profit and nonprofit market.

This business plan identifies four broad functions that WorkForce Centers fulfill for business customers and other jobseeker beneficiaries including: labor exchange, career exploration and information services, education and training services, job search and other support for specific market groups of jobseekers (including Unemployment Insurance). Within these functions, there are many specific services provided to a range of business customers and jobseeker beneficiaries that often correspond with specific federal or state funding streams. Finally, the business plan identifies the modalities through which services are delivered. Currently, Minnesota's WorkForce Center system is organized largely around services, funding streams, and modalities, e.g., certain staff deliver certain services in specific ways. This business plan seeks to open up each of the four broad functional categories and ask:

- Who is best able to meet the broad categorical needs of business customers and jobseeker beneficiaries?
- How can those needs be most efficiently and effectively met?
- Who should be responsible (e.g., accountable for outcomes and/or funding) to ensure that those needs are met?

Following an articulation of functional categories, services, and delivery modalities, a strategy is presented that emphasizes local leadership, decisionmaking, and ownership; statewide shared infrastructure; and, continued support for selected service components that will ensure some statewide consistency. The aim is to look carefully at the function of our WorkForce Centers and allow local leaders to create efficiencies and synergies across programs that have not previously been developed. The implementation challenge will be to establish an effective balance between local leadership and statewide consistency.

The GWDC recognizes that this is a significant shift from the current operation of Minnesota's WorkForce Centers and in the relationship between state agencies and Local Workforce Councils. In that spirit, this plan envisions a July 2006 implementation date, allowing for more than a year of time to negotiate the details of this shift and build support for its successful implementation. Minnesota's political, business, and civic leadership agree that the state's most competitive advantage now and in the future is a well-educated, job-ready, dependable workforce. **This business plan, when fully implemented, is expected to give local leaders significant flexibility to create that workforce in response to local business need; while at the same time, building on the strengths of our past investment in a statewide system of WorkForce Centers.** The GWDC looks forward to working actively with state and local leaders and stakeholders throughout the workforce development system to refine and successfully implement this vision in the coming years.



## I. INTRODUCTION

Minnesota has operated a system of WorkForce Centers since 1995. The original vision for the WorkForce Center system was developed by state and local leaders and implemented under the leadership of what was then the Minnesota Department of Economic Security. The general direction and expectations established by Minnesota leaders was largely adopted in federal legislation passed in 1998 requiring states and localities to develop a “one-stop” workforce service delivery system. This federal legislation, the Workforce Investment Act (WIA), requires a wide array of partners in the one-stop service delivery system and offers further guidance to states and localities regarding performance and management of the WorkForce Centers.

In 2002, the Minnesota State Legislature charged the Minnesota Governor’s Workforce Development Council (GWDC) with developing a biennial WorkForce Center Strategic Plan that offers analysis “regarding the performance and outcomes of the workforce centers [and] recommendations regarding WorkForce Center funding levels and sources, program changes, and administrative changes”.<sup>1</sup> This business plan fulfills the GWDC’s obligation to the state legislature, and provides Governor Tim Pawlenty, his cabinet agencies, and local workforce development leaders throughout the state with a renewed vision for a sustainable and adaptable WorkForce Center service delivery system to be developed during the coming year and implemented beginning in July 2006.

## II. VISION AND PRINCIPLES

At its inception in 1995, Minnesota’s WorkForce Center system was built on key principles of co-location among previously separate agencies and programs and coordination across program and agency boundaries. Two key components drove the original vision: 1) co-location into readily accessible physical sites – the WorkForce Centers themselves; and 2) a management structure that emphasized partnership among program managers. With ten years experience, a rapidly changing workforce development marketplace, and scarce public resources to support the system, we find ourselves articulating new vision and principles to move the WorkForce Center system forward.

This new vision is expected to drive the WorkForce Center system for at least five years beginning in July 2006. The GWDC expects the WorkForce Center system to transition from its current operations to this new vision during the balance of 2005 through June 2006.

### A. Vision Statement

The primary goal of the WorkForce Center system is to ensure that businesses can find a qualified workforce on a timely basis. The means for doing so is through community-owned and operated place-based franchises with system-wide performance expectations and shared infrastructure. Some high-quality services and information products will also be electronically-accessible and will be provided directly by state agencies in addition to community-owned and operated physical locations.



Within this vision, the GWDC identifies specific service components that are necessary for success and then creates two paths for delivering those components. For selected components (labor market information, job bank, and others), state agencies (principally the Department of Employment and Economic Development) will identify service components that they will deliver in whole to local communities and to which they provide ongoing support. These components will be established as **minimum service components** that must be provided in the WorkForce Centers. For other components (Resource Rooms, etc.), state agencies and the GWDC will establish **quality standards** that local leaders must meet using the financial, service, and staff resources available to them. Both paths will encourage efficient service delivery while at the same time allowing local decision makers to customize services as needed.

### B. Principles

In developing this vision and business plan, the GWDC affirmed the following principles:

- Businesses are the primary customer of the WorkForce Center system. Workforce development services are provided to satisfy the needs of business customers and add value to jobseekers who are the direct beneficiaries of a business-focused workforce development system.
- Services must be accessible (easy to use), widely available (no wrong door), and add value to the “product” (workforce services, prepared and trained workers) for the customer (businesses).
- Publicly-funded services should not duplicate that which is available in the for-profit and non-profit market for customer segments adequately served by those providers not competing for the same public funds.

The successful implementation of this vision and these principles will be evident as more business customers are served to their satisfaction and more jobseekers benefit from a business-driven workforce development system; and, costs are shared more efficiently between units of government and among non-government partners (as financial resources are expected to continue to decline). Most measurements currently used in the workforce development system are focused on outcomes of jobseeker beneficiaries. As we move forward, the Minnesota WorkForce Center system will need to articulate measures of success, consistent with the principles outlined above. That effort will take place between completion of this plan and the implementation date of July 2006.

## III. MARKET ANALYSIS

### A. The overall market

Defined broadly, Minnesota’s workforce development market includes private staffing firms, education institutions, and the publicly-funded system of WorkForce Centers and nonprofit providers. The market can be segmented by function and customer type. Functionally, the market includes: labor exchange, career exploration and information services, referral to (and in some cases direct provision of) education and training, and job search and other specialized support services (including Unemployment Insurance). The market can also be viewed by customer and beneficiary type. Primary customers are businesses who are often segmented by size, industry, and geography. Workforce development services also benefit (and are still often measured by outcomes of) unemployed jobseekers, incumbent workers, and several sub-groups within each of those.





By most measures, the overall market is burgeoning – the private staffing industry has more than doubled the number of jobseekers and employers they have matched during the past decade<sup>ii</sup>; enrollments for training in higher education institutions rose during the past decade<sup>iii</sup>; and although there was a slight dip in the most recent program year, the publicly-funded Workforce Investment Act system increased participation rates from about 800,000 individuals served to over one million from 2000 through 2003.<sup>iv</sup>

This business plan pertains specifically to Minnesota's WorkForce Center system – the publicly-funded slice of the market that has particular federal requirements regarding function and customer type and general responsibility for filling market gaps as needed.<sup>v</sup> Minnesota's WorkForce Center system provides services to business customers, and to jobseekers that are prepared and matched with business customers, including: labor exchange, career exploration and information services, education and training services, job search and other support for specific market groups of jobseekers (including Unemployment Insurance). The specific market segments to be reached through the Minnesota WorkForce Center system are discussed below.

#### **B. Changes in the market**

The publicly-funded market has experienced three significant changes in the past decade:

- Steady decline in buying power of public funds available to states and localities.<sup>vi</sup> This shift has obvious implications for the viability and financial sustainability of the WorkForce Center system.
- A strong emphasis on rapid attachment to the labor market rather than initial investment in education and training. This shift was ushered in with the reformation of federal welfare programs with the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) in 1996 and has permeated many federal- and state-funded efforts since that time. The impact of this change has been a refocusing of expectations and shift in actual services based on changed performance measures at the federal level.
- A significant private for-profit market offering labor exchange functions and, increasingly, individual education and training has grown and matured. At the same time, nonprofit and community-based organizations have also grown in reach and sophistication. Many nonprofit organizations operate as partners in the WorkForce Center system delivering publicly-funded services on behalf of units of government and at the same time, may also offer philanthropically-funded services to other market segments. Although this plan does not attempt to provide guidance and strategy to either the private or nonprofit players in Minnesota's workforce development system, their presence and engagement in the market must be acknowledged and should be embraced to further the goals of this strategic plan.



**C. Market segmentation**

The WorkForce Center system is focused (both by statutory requirement and through history and tradition) on several specific market segments, many of which are served with federal funds specifically intended for that market segment. In the table below, several key market segments and corresponding funding streams are identified. (NOTE: Funding amounts reported here is intended to represent the relative size of each key funding stream. Specific amounts available through each program may vary.)

**Table 1**

	Workforce Investment Act						Other federal	State-federal	Primary state programs			
	Title I-B: Adult	Title I-B: Dislocated Worker	Title I-B: Youth	Title II: Adult Education and Family Literacy	Title III: Wagner-Peyser	Title IV: Vocational Rehabilitation			Minnesota Family Investment Program (MFIP)	Minnesota Job Skills Partnership <sup>2</sup>	Minnesota Youth Program	State Dislocated Worker Program
<b>Primary Customers</b> Businesses within regionally-identified critical industry sectors and/or smaller businesses	X	X		X	X				X		X	X
<b>Other Beneficiaries</b> of workforce development activities (preparing individuals to meet the needs of the end customer, Minnesota's businesses)												
Persons with disabilities					X	X						
Persons with blindness or other visual impairment					X	X						
Youth (in-school and out-of-school)			X						X			
New Americans	X			X	X			X				X
Economically disadvantaged	X							X				X
Veterans					X							
Unemployed workers					X		X					X
Dislocated workers		X			X		X				X	
Migrant and seasonal farmworkers					X							X
Incumbent workers	X				X				X			X
FY04 Funding (millions) Sources: Federal Funds Information for States, state budget documents and program staff	\$8.4	\$11	\$9	\$6.8	\$12.4	\$39.5 <sup>3</sup>	\$35.3	\$50.8	\$6.8	\$4.1	\$47.7	\$35.7

<sup>1</sup> The Unemployment Insurance program does not primarily operate in the WorkForce Centers although some UI funds support activities serving UI claimants in local WorkForce Centers.  
<sup>2</sup> Minnesota Job Skills Partnership funds do not flow through the WorkForce Centers but are available at the local level to serve businesses.  
<sup>3</sup> Includes Vocational Rehabilitation and State Services for the Blind, which deliver services in addition to workforce development.



#### D. Customer needs and patterns

To identify customers and potential customers of the WorkForce Center system, we can identify those currently using services through WorkForce Centers and also those who, based on the market segments identified above are potential customers. However, as we'll note in the following section, by virtue of its public funding sources, the WorkForce Center system is obligated to provide service to any individual seeking service. As such, the universe of potential customers is often described as all business and/or all jobseekers in a given area. The most recent data on existing and potential customers and beneficiaries is being updated by DEED and will be available electronically in early 2005.<sup>vii</sup>

In addition to the program and customer data highlighted above, the DEED Labor Market Information and Research office regularly produces high quality and timely analysis of statewide and sub-state regional labor market needs. Local Workforce Councils and other stakeholders use DEED-generated data regularly to identify potential customer trends and also conduct their own semi-regular scans and assessments of economic and workforce needs in a given region.<sup>viii</sup>

### IV. COMPETITIVE ANALYSIS

As noted earlier, this plan pertains to the publicly-funded WorkForce Center system. As such, a "competitive analysis" is not meaningful as would be in a traditional business plan. If publicly-funded services are targeted appropriately, they should be filling market gaps rather than competing with others in the market. While this is largely true, we also find that the marketplace is still sufficiently muddled that many consumers and observers do not distinguish between private, for-profit; nonprofit; and public delivery of service and further do not recognize sources of funding behind each. To that end, this section identifies in what dimensions the publicly-funded WorkForce Center system is *perceived* to compete and where its relative strengths and weaknesses may be.

Concurrent with the rise of One-Stop Service Delivery System as the model for federally-funded workforce development activities has been the emergence of a vital private market in job placement. As the public workforce system has matured, so too have the options available in the private sector. For example, Monster.com, one of the best-known Internet-based job matching services, was founded in 1994, the same year that Minnesota submitted its original One-Stop Implementation grant. Placement firms for both temporary and professional positions have expanded their business well beyond the mid-20<sup>th</sup>-century model of the "Kelly Girl".

To some degree, the services of Minnesota's WorkForce Center System do compete with private services in preparing and matching job seekers with employment. However, by definition, the private sector is able to seek out opportunities for profit in job matching and job placement, whereas the public sector must meet the needs of all job seekers or businesses who seek assistance (within the constraints of program eligibility and funding).

This challenge presents opportunities that the WorkForce Centers can leverage to benefit their customers. Rather than duplicating services provided by the private sector, the public



workforce system can partner with the private sector, particularly with firms and organizations serving a niche clientele. These include, but are not limited to:

- Private (staffing) labor exchange firms
- Nonprofit, community-based organizations
- Other publicly-supported systems (e.g., school-based career services).

By referring business customers and job seekers to well-established private sector resources, the public workforce system can stretch its limited resources and maintain positive outcomes.

Among the several functional areas articulated earlier, the services which compete most directly with the private market are the basic labor exchange services for unemployed or underemployed adults and large businesses. Most other services are suitably segmented such that there is not direct competition between the WorkForce Center system and other actors in the arena.

## V. SERVICES

Currently, services are delivered by a mix of state staff, local government staff, and in many cases, nonprofit and/or for-profit vendors. The current mix of services is built on federal and state statute, historical precedence, and, to some degree, the strengths and weaknesses of each of the partners in the WorkForce Center system. This business plan clarifies the service offerings and seeks to open as many pathways as appropriate for those services to reach business customers and jobseeker beneficiaries. Further, this business plan creates a new business relationship modeled on a franchisor/franchisee relationship in which services can be offered and tailored most appropriately to meet local need.

As noted earlier, the major functional categories for WorkForce Center services are:

- Labor exchange services
- Career exploration and information services
- Education and training services
- Job search and other support for specific market groups of jobseekers (including Unemployment Insurance)

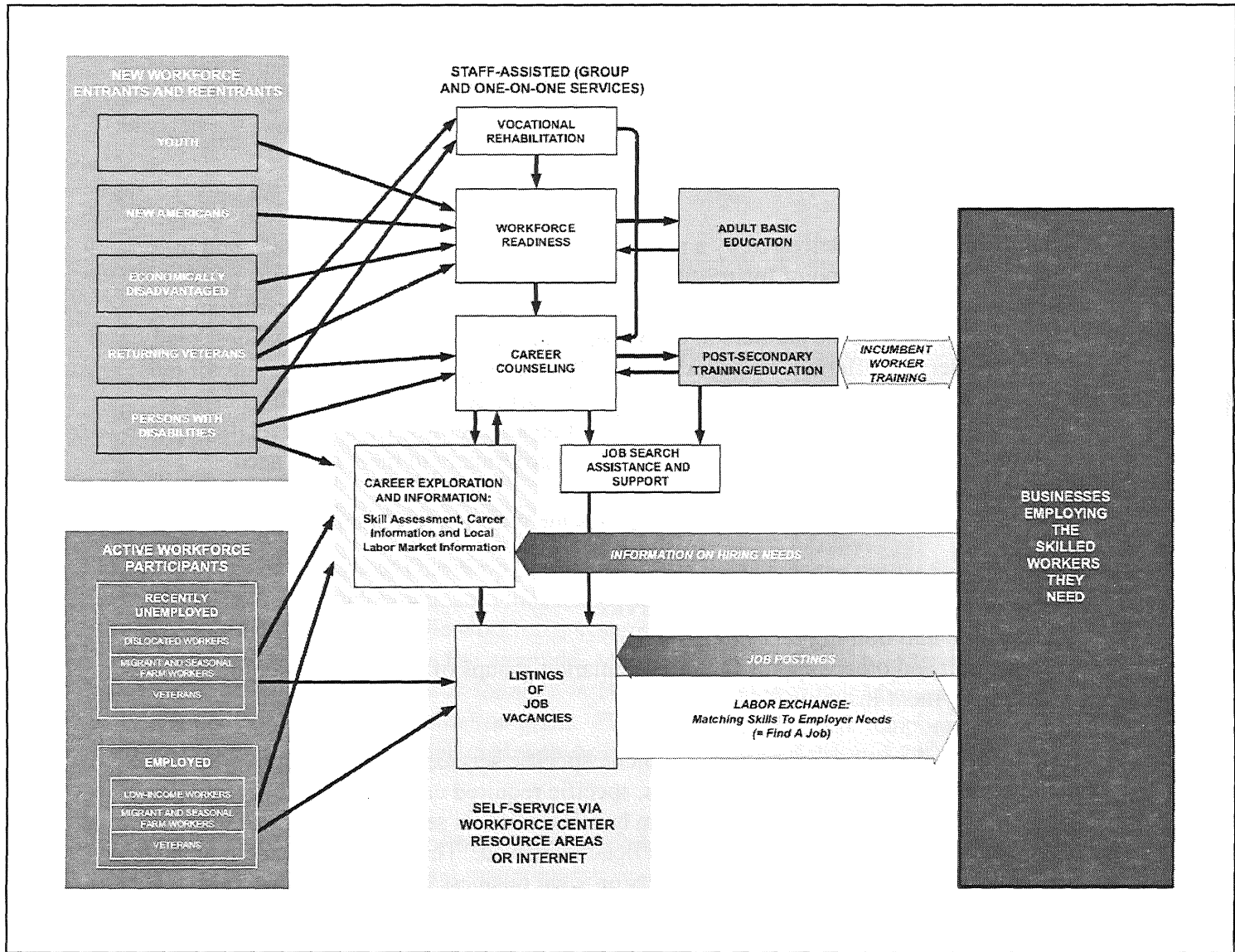
These functional groupings have, within them, specific service elements required by federal or state statute; and, in many cases, specific required customers and beneficiaries. Historically, the WorkForce Center system has described its services in terms of the business customers and/or individual beneficiaries served. This business plan attempts to re-focus WorkForce Center system partners on what business customers need; what support, training, and/or preparation jobseeker beneficiaries need in order to fulfill business customers' need; how those services can be most effectively delivered; and how those services will be funded.



**A. Visual Depiction of Customers and Beneficiary Service Flow**

The following flow chart (Figure 1) shows jobseeker beneficiaries on the left (organized, in part, by statutory definitions). The middle of the chart shows services provided to those beneficiaries in boxes that correspond generally to the functions outlined on the preceding page. The right-hand side shows the flow of prepared and trained workers to business customers. The services are loosely grouped by service modalities (indicated by the shading).

**Figure 1**





## B. Description of Services and Service Modalities

This section outlines the specific services provided to business customers and jobseeker beneficiaries. This is intended to provide further detail to the visual in the preceding section. Subsequent sections of the business plan refer primarily to the functional categories; however, it is important to note that federal law and reporting requirements are rather specific regarding some of these individual services.

Table 2

Functional Category	Services Provided ★
Labor Exchange	Job search and placement assistance
	Employer-focused customized labor exchange
Career Exploration and Information	Development of an individual employment plan
	Comprehensive and specialized assessments of skill levels and service
	Business Planning and Economic Development Data
	Local labor market and economic information
Job Search and Other Support	Job readiness workshops
	Intake and program eligibility determination for workforce, welfare-to-work, disability, or other programs
	Information on the availability of supportive services such as child care and transportation
	Information regarding Unemployment Insurance claims
	Vocational Rehabilitation services
	Counseling and case management services
Education and Training (principally referral, although directly delivered in some cases)	Classroom-based occupational skills training
	Skill upgrading, retraining and entrepreneurial training
	On-the-job training
	Adult education and literacy activities
	Customized training
★ This service list is a summarization of more detailed service matrices used by service providers and reported in Minnesota's plan to the US Department of Labor. Prior to full implementation of this business plan, the specific services articulated here will need to be correlated with required WorkForce Center service matrices.	

As noted in Figure 1, services are generally provided through one or more of three modalities:

- Staff-assisted group and one-on-one services in WorkForce Centers or via telephone;
- Self-service via WorkForce Center Resource Areas or Internet;
- Staff-directed/supported in other venues such as colleges, community-based organizations and others.

NOTE: The services outlined in the table above are what are currently provided in or through WorkForce Centers in Minnesota. The business model described in this plan does not yet define specifically which services must be physically available in WorkForce Centers in the future – that level of definition will be clarified as this business plan is implemented.



While there is some fluidity to who is best able to provide staff-assisted services, it is important to note that certain services in WIA Titles III and IV must (by interpretation of federal law) be delivered by state staff.

By clarifying function, modality, and customer/beneficiary, we can then articulate a service delivery strategy that ensures the most effective and efficient delivery of service based on one or more of those categories. As noted in Section IIA, these combinations of function, modality and customer/beneficiary will then be divided between minimum service components and quality standards to be established.

## VI. STRATEGY

### A. Strategic business model

This business plan calls for a franchise model in which Local Workforce Councils (Franchisee) will own and operate community franchises offered by DEED (Franchisor). Given the preceding analysis, the GWDC sees an opportunity to deliver services more effectively by clarifying (and in some cases creating) a balanced business relationship between community and state leaders.

DEED will have responsibility for system-wide support and delivery of key service components. Local Workforce Councils will be responsible for physical and electronic access to services within the Workforce Service Area (WSA). Woven into the responsibilities of each partner are federal requirements that must be met. To fulfill the principles and vision identified earlier, Local Workforce Councils must indeed function as the "owner" in the operation of a WorkForce Center with DEED (and other state agencies) establishing system-wide standards and acting as the common supplier of goods, product, and information to all franchisees.

### B. Key competitive capabilities and strengths

Given the analysis and data presented earlier, the GWDC concludes that potential partners in the WorkForce Centers each bring competitive strengths to the enterprise. Each service component can then be categorized accordingly and put into the franchisor/franchisee business relationship.

Generally, the GWDC finds that DEED is best positioned to deliver certain service components when:

- uniformity is important and local customization need is minimal;
- information and services can be delivered electronically statewide; and/or
- federal law requires certain state staff to deliver specific services and/or serve particular customers and jobseeker beneficiaries.

Local Workforce Councils are best positioned to meet quality standards for:

- many staff-assisted services;
- outreach and relationship-building with local businesses; and,
- planning functions requiring the convening of local stakeholders across workforce, economic, and community development.



The GWDC does not envision Local Workforce Councils necessarily delivering services with staff directly employed by them. Rather, this business model allows Local Workforce

Councils to explore opportunities to partner with other potential service providers in their areas such as local for-profit or nonprofit agencies to deliver services and staff WorkForce Centers themselves.

Table 3 takes the functional categories from Table 2 above and identifies responsibility for minimum service components to be provided by DEED and Quality Standards (to be developed) to be met by Local Workforce Councils as franchisor and franchisee, respectively. There are several prior work products from DEED, GWDC, and MWCA that begin to outline quality standards. The specifications for Minimum Service Components and Quality Standards will be developed during the coming year. The services provided in the WorkForce Center system have existing program measures by which value is assessed. Those measures are identified in the aggregate in the following table but not specific to each functional category.

Also, note that some services identified in Table 2 are program-specific, but could have protocols and/or standards developed that would cross programs. As an example, the expectations and process for developing an individual employment plan in WIA Title IV (Vocational Rehabilitation) is specific to that program. However, participants in MFIP or another program may also develop an individual employment plan (following guidelines unique to that program). We note that between the articulation of services in Table 2 and the articulation of Minimum Service Components and Quality Standards in Table 3, there may be opportunity to create efficiencies and synergies across programs that have not previously been developed.





Table 3

<b>Functional Category</b>	<b>Measure</b>	<b>Minimum Service Component</b> <i>Generally a service to be provided directly by DEED staff and/or a service modality to be managed or subsidized by DEED</i>	<b>Relevant Quality Standard</b> <i>Generally an expectation to be met by Local Workforce Councils through agreement with partners and/or contracted vendors</i>
Labor Exchange	Existing program measures and emerging system measures for individual services and programs.	<ul style="list-style-type: none"> <li>• DEED Business Services Staff</li> <li>• Job Bank infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>• Resource Room</li> <li>• Marketing</li> <li>• Data access and sharing</li> <li>• Jobseeker Satisfaction</li> <li>• Business Satisfaction</li> <li>• Accessibility</li> </ul>
Career Exploration and Information		<ul style="list-style-type: none"> <li>• DEED labor market and career information products</li> <li>• Regional Labor Market Analysts</li> </ul>	<ul style="list-style-type: none"> <li>• Jobseeker Satisfaction</li> <li>• Business Satisfaction</li> <li>• Resource Room</li> </ul>
Job Search and Other Support		<i>To be determined</i>	<ul style="list-style-type: none"> <li>• Jobseeker Satisfaction</li> <li>• Business Satisfaction</li> <li>• Accessibility</li> </ul>
Education and Training		<i>To be determined</i>	<ul style="list-style-type: none"> <li>• Jobseeker Satisfaction</li> <li>• Business Satisfaction</li> <li>• Eligible Training Provider List <i>(process could be modified to function as a quality standard)</i></li> </ul>

**C. Financing**

This business plan recommends the transfer of spending authority from the State, vested in the Department of Employment and Economic Development, to the 16 Local Workforce Councils. Under the current model, the majority of the funds spent in a given WSA are allocated from federal and state formula funding, such as Workforce Investment Act Title I-B dollars, the State Dislocated Worker program, and the Minnesota Family Investment Program. Meanwhile, DEED has invested directly in WorkForce Center facilities through purchasing computers and print materials for Resource Rooms and paying facilities leases. This complicated mix of both indirect and direct cost subsidy has created a situation in which decisions on physical location and the set of services to be offered must be made between multiple partners, all of whom have varying mixes of financial contribution.



This business plan affirms that Local Workforce Councils are in the best position to make decisions about their local Centers. As the local body charged with managing service delivery, the Local Workforce Council should manage the full financial accounting of those services provided in a given WSA.

The GWDC, DEED and the MWCA will work together to refine the financial model that will allow for maximum transfer of state dollars currently managed by DEED for the Local Workforce Councils' use in center management. While DEED will continue to manage its service delivery staff (including Job Service, Vocational Rehabilitation and State Services for the Blind), DEED should transfer as much financial authority as possible to the Local Workforce Councils to fully vest the management and the success of a given WorkForce Center in the hands of the Local Workforce Council.

Accompanying the transfer of dollars will be clear direction from DEED as to the quality standards associated with a given service and with clear direction as to the degree of flexibility that the Local Workforce Council has. DEED should retain accountability and quality control while recognizing that different Local Workforce Councils can and should adopt diverse techniques and efforts to achieve superior local results. As noted elsewhere, the quality standards will be negotiated during the balance of 2005 and early 2006 prior to the implementation of this plan. Local Workforce Council leaders, DEED leaders, and the GWDC will all play a role in finalizing this proposed financing arrangement.

Federal law requires that every Workforce Service Area (WSA) have one fully-functioning WorkForce Center. The GWDC has recognized the value of additional points of physical and electronic access for service. The financing of this business plan will ensure that federal requirements are met and that Local Workforce Councils have maximum flexibility in developing additional physical and electronic points of service as appropriate for their region.

In this proposed new business model, services will continue to be paid for via cost allocation plans developed by each Local Workforce Council and negotiated with DEED. For some specific program services identified in Table 3, new cost allocation plans will need to be developed. For several common infrastructure expenses, the GWDC proposes a new financing arrangement per Table 4. Details for the financing of these infrastructure/modality elements will be negotiated among state agency, Local Workforce Council and GWDC stakeholders during the coming year. The GWDC recognizes that, in some cases, there may be value in continuing a state-level purchase or lease arrangement as it results in lower costs.



Table 4

	<b>CURRENT PRACTICE</b>	<b>PROPOSED NEW BUSINESS MODEL</b>
Resource Area computers	Owned and maintained by DEED. Paid for by DEED dollars (Wagner-Peyser and/or WIA 10 percent).	DEED funds the Local Workforce Council at a level comparable to either current funding at all sites or an equitable distribution. DEED transfers ownership of computer hardware so that computers are owned locally and meet state standards.
Resource Area software (including Minnesota Career Information System)	Licensed by DEED. Paid for by WIA 10 percent.	DEED transfers ownership to local workforce investment boards. DEED funds the local workforce investment board at a level comparable to DEED's current expenditures. Resource Area Team provides recommendations of "best software"
	<b>CURRENT PRACTICE</b>	<b>PROPOSED NEW BUSINESS MODEL</b>
Resource Area print materials	Distributed by DEED. Paid for by DEED dollars (Wagner-Peyser and WIA 10%). Common core of publications in all Resource Areas	DEED transfers ownership to local workforce investment boards. DEED funds the local workforce investment board at a level comparable to DEED's current expenditures. Resource Area Team provides recommendations of "best publications"
Data lines	Maintained by DEED via MNet. Paid for by local cost-allocation plans across the partners on-site.	DEED funds the local workforce investment board at a level comparable to DEED's current expenditures. Data lines are owned and managed locally and must meet state capacity standards.
Leases	Managed by DEED and Admin's Real Estate Management in cooperation with local partners. Leases increasingly held by a local partner.	DEED funds the local workforce investment board at a level comparable to DEED's current expenditures. Locations must meet state standards for accessibility.
Furniture	Owned and maintained by DEED. Paid for by DEED dollars.	DEED transfers ownership to local workforce investment boards. Furniture must meet state standards for appearance.
NOTE: In limited instances where state agencies in addition to DEED maintain a state-level investment (e.g., leasing of data lines), it may be more practical for Local Workforce Councils to purchase those services from the state.		

## VII. MARKETING

Following the "franchisor/franchisee" model, marketing for the WorkForce Center system will be a shared responsibility between DEED and Local Workforce Councils. Generally, the intention of this business plan is that Local Workforce Councils will establish marketing priorities or plans which will then be used by DEED staff to identify short- and long-term needs. Based on that information, DEED will develop templates, marketing evaluation tools and additional resources for Local Workforce Councils that support common marketing strategies, yet can be customized at the local level. Other funding resources will be identified and solicited to build and sustain additional capacity for this marketing plan.



## VIII. OPERATIONS

### A. Key Institutions and Structure

In the vision established here, the key institutions involved in implementing this business plan include:

**Local Workforce Councils and Local Elected Officials** provide leadership and key decisionmaking for this plan. Principal leadership is expected to come from the Chair, Vice-Chair, and other LWC leaders appointed by Local Elected Officials. To fully implement this plan, Local Workforce Councils will need to make decisions about local service delivery and do so with adequate information about all available service delivery methods and providers as well as funding sources. Consequently, the GWDC affirms previous recommendations that Local Workforce Councils have members and staff support who are able to consider a full range of service delivery options in addition to their historical practice. It is critical that Local Elected Officials provide adequate oversight and financial support to Local Workforce Councils to ensure they are able to take on the "ownership" required of them in this business plan. It is anticipated that the MN Workforce Council Association (MWCA) will play a significant role as the conduit for addressing and negotiating implementation elements of this business plan.

**MN Department of Employment and Economic Development (DEED)** plays a key role in setting quality standards and delivering minimum service components through its staff. Further, DEED will provide common system support including data collection and reporting, information systems, and other infrastructure functions.

**Governor's Workforce Development Council (GWDC)** is charged in federal law with providing oversight to Workforce Investment Act functions and is further charged in state statute with providing counsel to the Governor and State Legislature on Minnesota's workforce system. The GWDC will assist DEED and Local Workforce Councils in affirming quality standards and minimum service components. The GWDC will further ensure that a standing committee of the Council is available to provide oversight to implementation of this business plan.

### B. System service/support

This business plan generally assumes that DEED will house and maintain common system service and support functions, as it does now, that support the operations of Local Workforce Council "franchisees". Many of the elements of this support are referenced in Table 4 above. In franchise models explored by the committee that completed this plan, there is a common "system support" function that generally includes: data management infrastructure, strategic support for systemwide marketing, and maintenance and support of common electronic tools. While many of the details of this function need further clarification, it is assumed that DEED and/or the MN Workforce Council Association will be best positioned to provide these 'centralized' support functions to the WorkForce Center system.



### **C. Facilities**

As articulated above, all decisionmaking regarding facility location and facility management become the responsibility of the Local Workforce Council in this plan. Wherever possible, it is expected that Local Workforce Councils will maximize opportunity by co-locating with other public institutions (e.g., Minnesota State Colleges and Universities) that add value for business customers and jobseeker beneficiaries.

### **D. Implementation milestones and considerations**

The implementation of this business plan will mark progress through the following milestones:

- 1) March 2005: Acknowledgement of this vision and plan by the Minnesota State Legislature upon its delivery by the GWDC.
- 2) April 2005: Incorporation of this vision and planning into Minnesota's WIA Unified Plan to be submitted to the US Departments of Labor and Education outlining expectations for use of federal WIA funding from 2005 through 2010.
- 3) ? 2005: Passage of WIA reauthorization by the US Congress, affirming that federal expectations align with this plan; or, modification of this plan to conform to federal requirements.
- 4) July 2005: Key operational decisions highlighted in this plan are made by local Workforce Council leadership, state agency leaders, and other program partners. A committee of the GWDC will facilitate resolution of any conflicts or issues that may come up through this pre-implementation period including affirmation of "franchisor" and "franchisee" costs and performance expectations.
- 5) October 2005: Federal fiscal/program year begins during which business plan will be implemented. State-to-federal planning will reflect expected changes in negotiated performance levels, funding, and service delivery plans.
- 6) February 2006: GWDC will hear a report from Local Workforce Councils, state agency leadership, and other stakeholders on the status of pre-implementation decisions and planning.
- 7) July 2006: Full implementation of new business model expected to begin

## **IX. CONCLUSION**

The GWDC recognizes that this is a significant shift from the current operation of Minnesota's WorkForce Centers and in the relationship between state agencies and Local Workforce Councils. In that spirit, this plan envisions a July 2006 implementation date, allowing for more than a year of time to negotiate the details of this shift and build support for its successful implementation. Minnesota's political, business, and civic leadership agree that the state's most competitive advantage now and in the future is a well-educated, job-ready, dependable workforce. This business plan, when fully implemented, is expected to give local leaders significant flexibility to create that workforce in response to local business need; while at the same time, building on the strengths of our past investment in a statewide system of WorkForce Centers. The GWDC looks forward to working actively with state and local leaders and stakeholders throughout the workforce development system to refine and successfully implement this vision in the coming years.



## ENDNOTES

<sup>i</sup> Minnesota State Statute 268.665 §XXX.

<sup>ii</sup> American Staffing Association annual economic analysis (May 2004), figure 1. See: <http://www.staffingtoday.net/staffstats/annualanalysis04.htm> for complete report.

<sup>iii</sup> Economic Trends magazine, November 2003

<sup>iv</sup> WIA national summary data from USDOL, Table M. Full information can be found at: [http://www.doleta.gov/Performance/results/wia\\_national\\_performance.cfm](http://www.doleta.gov/Performance/results/wia_national_performance.cfm)

<sup>v</sup> Readers of earlier drafts noted that the WorkForce Center system is the publicly-funded slice of the workforce development arena; and, is in itself, just a sliver of public funding available for education and training, human services, and other related public services.

<sup>vi</sup> For a general look at the decline of federal funding for workforce development services, see [www.workforcealliance.org](http://www.workforcealliance.org). For Minnesota-specific data, see [www.gwdc.org](http://www.gwdc.org).

<sup>vii</sup> To see these data, please check: [www.gwdc.org](http://www.gwdc.org) and/or [www.positivelyminnesota.com](http://www.positivelyminnesota.com).

<sup>viii</sup> Three specific examples illustrate this kind of local initiative:

- Regional scan completed and updated by several stakeholders in the Saint Cloud area including the Stearns-Benton Employment & Training Council, United Way of Central Minnesota, Catholic Charities, and several other partners. This scan was conducted jointly and has been updated and used jointly by all partners so that several organizations in the Saint Cloud area are working from a common foundation.
- Study of skilled labor shortages in West Central Minnesota completed in 2002-03 is one of a series of labor force surveys led by the West Central Initiative and shared widely through the regional Labor Force Development Council.
- Regional scan completed in the Twin Cities metro area under the auspices of the Metro Workforce Board and Twin Cities Economic Development Group that has subsequently been updated and adopted by the Ramsey County Workforce Investment Board for their own efforts to prioritize local training and employment needs.

In addition to these examples, the 2001 Minnesota State Legislature allocated funds for a series of "Labor Force Assessment Grants" which were completed in 2002 and used locally by stakeholders. This was a good example of how local areas might supplement statewide data with specialized local surveys to assess customer and potential customer needs. The implementation of the LFA grants was not uniform nor was funding made available on a regular basis to continue the work. While we have strong data availability and analysis capability, customer and potential customer need is not assessed uniformly and consistently.

*Minnesota*

**Governor's  
Workforce  
Development  
Council**



Cynthia L. Lesher, Chair  
Don Gerdesmeier, Vice-Chair

First National Bank Building  
332 Minnesota Street, Suite E-200  
Saint Paul, MN 55101  
[www.gwdc.org](http://www.gwdc.org)

**OFFICE OF THE LEGISLATIVE AUDITOR**  
STATE OF MINNESOTA

**EVALUATION REPORT**

# Workforce Development Services



**FEBRUARY 2005**

**Report No. 05-06**

PROGRAM EVALUATION DIVISION  
Centennial Building - Suite 140  
658 Cedar Street - St. Paul, MN 55155  
Telephone: 651-296-4708 • Fax: 651-296-4712  
E-mail: [auditor@state.mn.us](mailto:auditor@state.mn.us) • Web Site: <http://www.auditor.leg.state.mn.us>



## Program Evaluation Division

The Minnesota Office of the Legislative Auditor (OLA) was established in 1973, replacing the Public Examiner's Office. OLA's role is to audit and evaluate public programs and ensure accountability for the expenditure of public funds. In 1975, the Legislature created the Program Evaluation Division within the auditor's office. The division's mission, as set forth in law, is to determine the degree to which activities and programs entered into or funded by the state are accomplishing their goals and objectives and utilizing resources efficiently.

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## Evaluation Staff

James Nobles, *Legislative Auditor*

Joel Alter  
Valerie Bombach  
David Chein  
Jody Hauer  
Adrienne Howard  
Daniel Jacobson  
Deborah Junod  
Carrie Meyerhoff  
John Patterson  
Judith Randall  
Jan Sandberg  
Jo Vos  
John Yunker

This document can be made available in alternative formats, such as large print, Braille, or audio tape, by calling 651-296-8976 Voice, or the Minnesota Relay Service at 651-297-5353 or 1-800-627-3529.

e-mail: [auditor@state.mn.us](mailto:auditor@state.mn.us)

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## OFFICE OF THE LEGISLATIVE AUDITOR

State of Minnesota • James Nobles, Legislative Auditor

February 2005

Members  
Legislative Audit Commission

Minnesota state and local governments offer a wide range of assistance to job seekers and employers through workforce development services. However, federal law dictates the structure through which the services are administered, requiring coordination of numerous services—from job banks to postsecondary vocational education—through a “one-stop delivery system.” At your request, the Office of the Legislative Auditor evaluated how well job seekers and employers are being served, and how effectively workforce development services are governed.

Because the governance structure for workforce development services is complex and even confusing, we recommend a clearer division of responsibility between state and local officials. We also think there should be greater coordination with postsecondary vocational education and adult literacy programs. Furthermore, we recommend several improvements in how workforce development services are measured and evaluated.

Our evaluation was conducted by Jody Hauer (project manager), Adrienne Howard, and Jan Sandberg. We received full cooperation from all state and local officials involved with workforce development services in Minnesota. Their assistance and insights were very helpful and appreciated.

Sincerely,

*/s/ James Nobles*

James Nobles  
Legislative Auditor



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# Summary

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## Major Findings:

- Authority to set policy and make spending decisions for workforce development services in Minnesota is unclear and diffuse, weakening accountability and creating difficulties in administering services (p. 26).
- No single agency has full funding authority for workforce development spending, leaving no agency with complete information on, or accountability for, overall spending (p. 32).
- Some local workforce councils find it difficult to coordinate their services with state and local economic development strategies, although federal law requires it (p. 43).
- Most Minnesota employers do not use certain workforce center services to meet their employment needs (p. 74).
- Even though the state's major workforce development programs have met federal standards, overall effectiveness cannot be fully assessed because of inadequate performance data (pp. 50, 59).
- Although federal law requires workforce service areas to relate training services for dislocated workers to occupations in demand, the extent to which this occurred around Minnesota varied (p. 72).

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**The state should set minimum standards for workforce centers and their services, but local workforce councils should have authority to open, close, and locate specific centers.**

## Major Recommendations:

- The Legislature should clarify in law that the Department of Employment and Economic Development (DEED) is responsible for setting minimum statewide standards to define workforce centers and their services, but local workforce councils should have authority for opening, closing, or locating particular centers (p. 30).
- The Legislature should direct each of the state and local entities that administer workforce development services to more fully exchange annual funding information (p. 34).
- The Legislature should require DEED and Minnesota State Colleges and Universities (MnSCU) to improve coordination between workforce development and postsecondary vocational education (p. 41).
- DEED should target its marketing toward employers and industries that will provide the greatest return on its marketing investment, and it should intensify efforts to coordinate business outreach activities with local workforce service areas (p. 82).
- DEED should monitor whether services for resource room users and self-service Job Bank users helped them obtain employment (p. 52).
- Local workforce councils should coordinate their work with state and local economic development strategies, to the extent they are not already doing so. They should ensure that training services relate to occupations in demand, and DEED should evaluate this (pp. 44, 73).



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**State and local officials must administer workforce services within a complex governance structure imposed by federal law.**

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**Because funding authority for workforce development services is fragmented, no agency knows the full amount spent on these services in Minnesota.**

## Report Summary

Minnesota's workforce development services help job seekers find employment and help employers fill open positions. Some services, such as "job banks" of employment opportunities, are available via the Internet. Others, such as career counseling, are delivered at specific sites. Numerous programs provide workforce development services, but the federal Workforce Investment Act of 1998 requires their coordination in a "one-stop delivery system."

Many of Minnesota's workforce development services are provided through the state's 50 workforce centers. A number of additional sites offer limited services. Minnesota is divided into 16 workforce service areas, each with a local workforce council appointed by local elected officials and with a majority of members from the private sector. Federal law charges the councils to ensure unified service delivery and nonduplication of services in their areas. In addition, the councils oversee the delivery of specific services. Staff from the Minnesota Department of Employment and Economic Development (DEED) administer some workforce development services, and the department ensures that local workforce service areas comply with federal requirements.

About 75 percent of the funding for many of the workforce development services comes from the federal government, but this estimate excludes amounts for adult-basic education services, postsecondary vocational education, and programs funded locally. Funding in state fiscal year 2004 declined 13 percent from a year earlier.

## Authority for Governing Workforce Development Services is Unclear and Diffuse

Workforce development services operate under a complex governance structure imposed by federal law in which authority for some important decisions is unclear. For example, laws do not clearly say who has authority to close or relocate a workforce center. Recently, this has created significant problems for both state and local officials as state staff have been removed from certain centers due to budget cuts. In areas where a local workforce council has chosen to keep open a center and staff it primarily with local employees, DEED has lost some control over how services are delivered. In addition, DEED cannot ensure consistency or coordination throughout the statewide network of workforce centers. On the other hand, local areas have been forced to disrupt their service plans when state staff were removed from centers. Local councils spent considerable time deliberating over a workforce center's location, only to have the state overrule their decisions.

Spending authority for workforce development services is fragmented, leaving no one accountable for overall workforce development spending. DEED has funding authority for certain workforce development programs, local workforce councils have authority for others, and other service providers control additional programs. Consequently, DEED does not know the full amount spent on workforce development services in the state. Nor can it determine the state's return from workforce development investments.

The Legislature should clarify in law that DEED is responsible for setting minimum statewide standards to define workforce centers and their services, but local workforce councils have authority for opening, closing, or relocating particular workforce centers. Local workforce councils are in a better position than the state to make these

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**The coordination required by law between workforce development services and economic development strategies, adult literacy programs, and postsecondary vocational education is inadequate.**

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**Local business leaders believe that many employers are unaware of workforce centers or have misperceptions about their services.**

decisions because they have a unique understanding of local needs and are authorized by law to set policy for local workforce services. At the same time, DEED's involvement is necessary to ensure consistency in workforce centers around the state and equitable access to workforce services for residents regardless of where they live. The Legislature should also direct the entities required to provide workforce development services to more fully exchange annual funding and spending information. Budget data on state-run programs disaggregated by workforce area will enable local councils to make informed decisions about workforce center closures. Comprehensive data on statewide funding will allow the state to estimate the costs and benefits of public investments in workforce services.

Multiple entities have direct authority for planning and administering the various workforce development programs, which has contributed to incomplete coordination. For instance, federal law requires postsecondary vocational education as a component of the one-stop delivery system, but MnSCU, not the local workforce council, oversees these services. Although DEED and MnSCU administrators have taken steps to increase coordination, there is still incomplete coordination locally. The Legislature should require DEED and MnSCU to improve coordination of workforce development and postsecondary vocational education, and the Governor's Workforce Development Council, an advisory group required by federal law, should facilitate the effort. Similarly, local workforce councils should improve coordination with adult-basic education organizations.

### **Workforce Development and Economic Development are Not Adequately Coordinated**

Federal law requires local workforce councils to coordinate their areas' workforce investment activities with

state and local economic development strategies. Although some of Minnesota's workforce councils have undertaken such activities, barriers have hampered others. For instance, workforce council chairs said some economic development authorities resist working with the local workforce councils, and the councils have few resources to devote to economic development issues. DEED and the Minnesota Workforce Council Association, a group representing all 16 service areas, should identify what is needed to coordinate workforce development with economic development and intensify efforts to offer information and training resources on coordination.

### **Few Employers Use Certain Workforce Center Services**

The Minnesota Job Bank is perhaps the most popular and visible service among Minnesota's workforce center services. Yet, the 3,480 employers posting jobs in the job bank during the second quarter of 2003 represented only 1 in 14 employers actively hiring at that time. Even fewer employers used other workforce center services.

Business representatives believe that too few employers are aware of workforce center services. They also think that employers have misperceptions of the services that workforce centers offer—for example, believing that the centers serve only the hard-to-employ. At the same time, workforce council chairs said businesses that actually used workforce services typically had favorable impressions.

DEED should target its marketing toward employers and industries that it expects will provide the best return on its marketing investment. The department and local workforce service areas should intensify their efforts to coordinate business outreach activities.

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**The lack of performance measures for certain workforce development services and flaws in other measures prevent assessing overall effectiveness and making comparisons across programs or workforce centers.**

### **Effectiveness of Certain Workforce Development Services Cannot be Fully Assessed**

The state cannot measure how effectively all users of workforce development services are served. One reason is that performance measures are not used for some major workforce development services. For example, although the federal government requires states to report performance measures for persons requiring staff assistance to gain access to the job bank, the measures do not apply to self-service users of the job bank. A second reason that effectiveness cannot be assessed is that data on the number of users—customers visiting workforce centers’ “resource rooms,” for instance—are incomplete or unreliable.

DEED should monitor whether services received by self-service job bank users or people using resource rooms helped them obtain employment. To do this, the department should survey samples of these groups of users.

Some programs have performance measures, but the measures are flawed. Many measures rely on an unemployment database that lacks timely data, preventing the development of current information on performance. Plus, measures designed for a particular program do not allow evaluating a workforce center’s overall performance in providing workforce development services.

### **Minnesota Has Met or Exceeded Many Federal Performance Standards**

The federal government set performance measures for the major workforce development programs, including 17 measures for the federal programs serving adults, youth, and dislocated workers. For program years 2001, 2002, and 2003, the state has achieved its negotiated goals for these programs.

Over that period, actual performance on the programs statewide increased for most of the 17 measures.

In comparison with a group of 12 similar states, Minnesota generally performed well. On many measures, such as those for the adult program, Minnesota’s actual performance ranked among the top three highest in the group. However, for 2 of the 17 measures—one for the dislocated worker program and one on customer satisfaction—Minnesota’s actual performance was near the bottom.

### **Training Services Did Not Consistently Relate to Occupations in Demand**

For some of the workforce development programs that fund training for job seekers, federal law requires that job counselors link a participant’s training to occupations in demand within the area or another area to which the participant is willing to relocate. Of dislocated workers enrolled in training services during program year 2003, the percentage of those with training related to occupations in demand ranged from 47 to 72 percent among the 16 workforce service areas.

Local workforce councils should ensure that training services relate to occupations in demand. Employment counselors who approve training services that are not related to occupations in demand should justify why. DEED should evaluate the extent to which local areas comply with the requirement and instruct its employees who monitor these programs to consider new information the local areas use to identify occupations in demand.

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# Introduction

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Minnesota's workforce development services offer assistance to employers and job seekers. Concerns have arisen about how well these services meet the needs of employers, the unemployed, and workers in need of training. In addition, although federal and state laws regulate how workforce development programs are organized and administered, they leave some unanswered questions about who is in control. In April 2004, the Legislative Audit Commission directed the Office of the Legislative Auditor to evaluate Minnesota's workforce development services. Our evaluation addressed the following questions:

- **What are Minnesota's workforce development services, and who oversees and administers them?**
- **How clear is the authority for setting policies that govern workforce development services?**
- **How effective are Minnesota's workforce development services? How well has Minnesota met federal performance standards for those services that have standards?**
- **How well do workforce service areas comply with certain federal requirements for providing training services?**
- **How much do Minnesota's employers use some of the common services provided through the workforce centers, and what are businesses' perceptions of these services?**

To answer these questions, we interviewed staff from the Department of Employment and Economic Development (DEED) and other state entities. We interviewed the chairs of the local workforce councils in each of Minnesota's 16 workforce service areas, as well as the service area directors and many managers of the programs offered there. In addition, we interviewed other local officials, including some of the county commissioners who appoint workforce council members. We conducted a mail survey to solicit opinions from members of the local workforce councils around the state. With data from DEED, we analyzed federal performance measures, training services provided to certain participants, and numbers of individuals and businesses using certain workforce development services.

In this report, our definition of workforce development services encompassed a broad array of programs involving several state departments in addition to DEED as well as involving local government agencies. For instance, federal law requires offering adult literacy services, which the Minnesota Department of Education

oversees, through the state's workforce investment system. Within certain sections of our report, however, we have focused on only some of the numerous programs.

This study did not evaluate the effectiveness of the many individual programs that offer workforce development services in Minnesota. We did not examine private sector employment agencies or compare Minnesota's workforce development services with those offered by private agencies. In July 2003, the Department of Economic Security and the Department of Trade and Economic Development merged into the Department of Employment and Economic Development. In this evaluation, we did not evaluate the effects of this merger on workforce development services. Nor did we evaluate the number and size of Minnesota's workforce service areas, although this topic has been a recent subject of study by DEED and the Governor's Workforce Development Council.

Chapter 1 of the report provides background information on workforce development services in Minnesota. In Chapter 2, we examine issues related to how well state and local entities govern the delivery of services. Chapter 3 focuses on the effectiveness of certain workforce development services, and how well those services meet the needs of job seekers and employers.

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# Background

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## SUMMARY

*Workforce development services help employers find workers and help job seekers prepare for and obtain employment. The federal Workforce Investment Act of 1998 redefined the scope of workforce development and required many service providers to collaborate through a “one-stop delivery system.” Minnesota has 16 workforce service areas, and each has a workforce council with members appointed by local elected officials. The councils develop local plans for certain workforce development services and set policy for their areas. Other state and local entities also have roles in workforce development. Much of the Governor’s authority for workforce development is currently vested in the Department of Employment and Economic Development. Minnesota spent \$204.5 million of federal and state dollars on certain workforce development services in fiscal year 2004, not including funding for adult-basic education services, postsecondary vocational education, and funding generated locally. This was a 13 percent decrease from the prior year. About 75 percent of the funds came from the federal government.*

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Minnesota delivers a wide range of workforce development services provided through various state and federal programs. This chapter answers the following questions:

- **What are Minnesota’s workforce development services and who uses them? Who is involved with overseeing and administering them?**
- **How much does Minnesota spend on workforce development services? How has this changed in recent years?**
- **How do key indicators of Minnesota’s economy vary around the state?**

To answer these questions, we analyzed data provided by the Minnesota Department of Employment and Economic Development (DEED), and we examined relevant state and federal laws. We interviewed workforce area directors and representatives of major programs in workforce centers.<sup>1</sup> In addition, we reviewed literature on workforce development from around the country.

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<sup>1</sup> DEED has designated the centers as “WorkForce Centers,” but in this report we use the term “workforce centers.”



## WORKFORCE DEVELOPMENT SERVICES

In this section, we define the scope of workforce development services and how people access them. We describe how Minnesota delivers services to job seekers and employers and identify who oversees and administers the workforce development programs.

### Scope

Workforce development services assist both employers and job seekers. Services for employers help them obtain, train, and retain workers. Employers can participate in seminars on employment topics, add jobs to lists published for job seekers, get help recruiting and testing prospective employees, obtain data on economic conditions, and get information about tax credits.

Other services help job seekers identify, prepare for, attain, and maintain employment. Some programs offer services to anyone, while others target specific populations, such as workers who have recently lost their jobs or those who are low income or disabled. Some of the many services for job seekers include

job listings, job search assistance and career counseling, skill assessment, resume writing, individual and group counseling, training in demand occupations, remedial education and English language development, and information on services supporting work, such as child care.



Services for job seekers include workshops on careers.

**Workforce development services include a wide range of programs targeted at both employers and job seekers.**

As used in many sections of this report, the term “workforce development services” includes numerous programs, such as adult literacy and vocational education, operating under the auspices of a variety of state agencies and other entities. Besides DEED, the Minnesota Department of Human Services, the Department of Education, and Minnesota State Colleges and Universities are involved. In addition, local government officials provide other employment and training services.

Most services are not new, but federal legislation in 1998 led to significant changes in workforce development services. That year, Congress enacted the federal Workforce Investment Act (WIA) “to consolidate, coordinate, and improve employment, training, literacy, and vocational rehabilitation programs in

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**The federal Workforce Investment Act provides the framework for Minnesota's workforce development services.**

the United States.”<sup>2</sup> WIA marked a major change from the 1978 Job Training Partnership Act that it replaced. It emphasized economic development, shifted the focus from job seekers alone to job seekers and employers, and expanded the authority of the local boards that oversee the programs. The law also focused on serving all job seekers instead of only those with high needs who required training. Another key provision is:

- **The Workforce Investment Act requires that states provide education, employment, and training programs through a “one-stop delivery system” in which entities responsible for administering separate employment and education programs collaborate to create a seamless system of service delivery.**<sup>3</sup>

The Act requires certain programs to offer services through this system, but allows others to participate voluntarily.<sup>4</sup> As examples of mandatory services, the law requires states to offer services such as a “job bank” and adult education and literacy activities.<sup>5</sup> An example of an optional program is the Food Support Employment and Training Program, which offers job-search help to people receiving food subsidies. The major mandatory and optional programs are described in Table 1.1.

WIA requires that mandatory programs provide “core” services to customers of the one-stop delivery system.<sup>6</sup> Core services include outreach, job searches, and orientation to workforce development services. Federal law requires two additional types of job-seeker services for customers of particular programs.<sup>7</sup> One is intensive services, such as career planning, which require staff assistance. A second is training services, which provide more rigorous skill development. Only certain job seekers qualify for intensive services and even fewer are eligible for training.<sup>8</sup> Table 1.2 describes these services and their eligibility requirements.

Minnesotans of many different ages and backgrounds use workforce development services. Users of dislocated worker programs are representative of Minnesotans at large, but users of most other programs differ in age, race, and education level

<sup>2</sup> *Workforce Investment Act of 1998*, Pub. Law. No. 105-220. This language is from the Act’s full title.

<sup>3</sup> *Workforce Investment Act*, §§112(b)(14); 121; and 134(c).

<sup>4</sup> *Workforce Investment Act*, §121(b).

<sup>5</sup> Title III of WIA amended the Wagner-Peyser Act of 1933, which established a national system of public employment offices known as the Employment Service, now called Job Service. WIA required that the one-stop delivery system offer the services, including a public labor exchange or “job bank” that connects job seekers with employers who have job openings. Programs authorized under a state’s unemployment compensation laws are also required to be available through the one-stop delivery system; Minnesota has centralized call-in centers for access to unemployment benefits.

<sup>6</sup> *Workforce Investment Act*, §121(b)(1)(A)(i).

<sup>7</sup> *Workforce Investment Act*, §134(d)(3)-(4). The programs are for adults and “dislocated workers” who have been laid off due to a plant closing or substantial layoff of a business or became unemployed as a result of natural disasters or general economic conditions in the community.

<sup>8</sup> Minnesota registers individuals who participate in core activities requiring at least two hours of one-on-one staff help and all those receiving intensive services and training. Department of Economic Security and Department of Trade and Economic Development, *Workforce Investment Act Title IB Annual Report Program Year 2001* (St. Paul, revised February 2003), 15; <http://www.deed.state.mn.us/wia/py2001annualreport.pdf>; accessed November 22, 2004.



**Table 1.1: Major Mandatory and Optional Workforce Development Programs, 2004**

Program	Description
<b>Programs Required by the Workforce Investment Act to Offer Services Through a One-Stop System</b>	
WIA Title IB Adults	Provide employment and training assistance to adults to increase their employment, retention, earnings and occupational skills attainment.
WIA Title IB Youth	Provide economically disadvantaged, at-risk youth, with year-round and summer employment and training services.
WIA Title IB Dislocated Worker	Provide employment and retraining services to Minnesota residents who have lost their jobs because of the transfer of jobs overseas or changing economic conditions.
WIA Title II Adult Basic Education	Help adults with low literacy levels to acquire basic education skills and attain literacy, benefit from job training programs, or achieve high school equivalency.
WIA Title III Wagner-Peyser (Job Service)	Provide employment opportunities on a no-fee basis to all job seekers and give employers opportunities to recruit workers.
WIA Title IV Vocational Rehabilitation	Assist persons with disabilities prepare for, obtain, and retain employment.
WIA Title IV State Services for the Blind	Assist visually-impaired Minnesotans prepare for, obtain, and retain employment.
Senior Community Service Employment Program	Provide community service activities for unemployed, low-income persons at least 55 years of age who have poor employment prospects.
Trade Adjustment Assistance and NAFTA Transitional Adjustment Assistance	Assist workers who have lost their jobs due to increased imports or foreign competition to re-enter the workforce via retraining or relocation.
Postsecondary Vocational Education (Carl Perkins Act)	Develop more fully the academic, vocational, and technical skills of postsecondary students.
Disabled Veterans' Outreach Program	Identify eligible disabled veterans and provide them with job search assistance and training opportunities.
Local Veterans' Employment Representatives	Provide employment assistance to veterans and promote their employment.
Department of Housing and Urban Development	Provide employment and training activities through various programs. One program is Youthbuild, which offers construction-based job training and leadership skills to at-risk youth.
Unemployment Insurance	Provide wage replacement for people who lose their jobs through no fault of their own.
Community Services Block Grant Activities	Provide support, including employment and training services, to low-income citizens through a network of nonprofit agencies and tribal governments.
<b>Programs Whose Delivery Through a One-Stop System is Optional Under the Workforce Investment Act</b>	
Food Support Employment and Training Program	Provide services that result in employment and self-sufficiency to adult food-support recipients who do not receive other cash assistance.
Minnesota Family Investment Program—Employment and Training Services	Provide support for families currently on welfare to move from welfare to unsubsidized employment.
<b>Other Major Minnesota Workforce Development Programs</b>	
Minnesota Youth Program	Provide employment and job-related training services year-round to economically disadvantaged and at-risk youth.
Minnesota Dislocated Worker Program	Provide employment and retraining services to Minnesota residents who have lost their jobs because of the transfer of jobs overseas or changing economic conditions.
Minnesota Job Skills Partnership Program	Award grants to educational institutions partnering with businesses to provide training for new jobs or retrain existing employees.

SOURCES: Governor's Workforce Development Council, *Inventory of Publicly-Funded Workforce Development Programs*, January 2003; <http://www.gwdc.org/pubs/gunther.pdf>; accessed January 11, 2005; and *Workforce Investment Act of 1998*, Pub. Law No. 105-220, §121(b).

**Any person is eligible to receive basic services, such as career counseling.**

## Table 1.2: Core, Intensive, and Training Services Available Under the Workforce Investment Act

### Core Services

Eligibility: All job seekers.

Core services include:

- Outreach, intake, orientation, and initial assessment;
- Job search, placement assistance, and career counseling;
- Information on employment statistics, the local area's performance measures, and performance and cost of eligible providers of training services;
- Information on the availability of supportive services in the area, such as child care and transportation;
- Assistance in establishing eligibility for financial aid for training and education programs;
- Information regarding filing claims for unemployment compensation; and
- Follow-up services for a period of 12 months following placement in unsubsidized employment.

### Intensive Services

Eligibility: Person who received a core service and was determined by a service provider to be in need of more intensive services.

Intensive services include:

- Comprehensive and specialized assessments of skill levels and service needs,
- Development of an individual employment plan to identify goals and objectives,
- Group counseling and individual counseling and career planning,
- Case management (for participants seeking training services), and
- Short-term prevocational services such as development of interviewing and job-readiness skills.

### Training Services

Eligibility: Person who was eligible for intensive services, ineligible for other grant assistance, and unable to obtain employment. A service provider determined the person to be in need of training services and have the skills to participate in them. Person selected training related, at a minimum, to employment opportunities and, for most training types, to occupations in demand. For the Adult Program, priority is given to those who are economically disadvantaged.

Training services include:

- Occupational skills training, job readiness training, and on-the-job training;
- Skill upgrading and retraining and entrepreneurial training;
- Adult education and literacy activities provided in combination with other services; and
- Customized training conducted with a commitment by an employer or group of employers to employ an individual upon successful completion of the training.

NOTE: Federal law requires the availability of intensive services and training services for participants in the programs for adults and dislocated workers.

SOURCE: *Workforce Investment Act of 1998*, Pub. Law. No. 105-220, §§121(b)(1)(A)(i) and 134(d)(2)-(4).

when compared to Minnesota as a whole, as shown in Table 1.3 for certain programs.

For example, most programs serve participants who are less educated on average than Minnesotans as a whole. Only participants in the two dislocated worker programs and those registering for Minnesota's Job Bank are as likely to have a college degree as the population at large.

Most workforce development programs have disproportionately high shares of people of color, compared with the general population's percentages of these

groups. For instance, 30 percent of participants using the Minnesota Family Investment Program (MFIP) Employment and Training services in program year 2003 were African-American, compared with 3 percent of African-Americans in Minnesota's general population.

**Table 1.3: Characteristics of Participants in Certain Workforce Development Programs, Program Year 2003**

	Job Bank <sup>a</sup>	Job Service <sup>b</sup>	Minnesota Family Investment Program Employment and Training	WIA Title IV Vocational Rehabilitation <sup>c</sup>	State Dislocated Worker	WIA Title I, Dislocated Worker	WIA Title I, Youth	WIA Title I, Adult	State Population (2000 Census) <sup>d</sup>
<b>Total Participants</b>	202,248	99,275	63,115	21,187	19,224	6,470	4,262	2,839	3,858,996
<b>Gender</b>									
Female	49%	42%	78%	46%	50%	48%	48%	64%	51%
Male	51	58	22	54	50	52	52	36	49
<b>Age</b>									
14 - 21	N/A	N/A	27	36	1	1	100	10	13 <sup>e</sup>
22 - 54	N/A	N/A	71	60	85	87	0	85	61
55 +	N/A	N/A	0	4	14	12	0	5	26
<b>Race or Ethnicity<sup>f</sup></b>									
African-American	7	7	30	10	7	6	20	19	3
Asian or Pacific Islander	3	2	5	2	5	3	5	5	3
Hispanic	3	7	5	2	2	2	5	4	2
Native American	2	1	9	2	1	1	8	3	1
White	78	76	58	83	87	90	70	74	91
<b>Education Attained at Time of Entering Program</b>									
Less than high school	6	11	38	40	5	3	86	10	12
High school graduate	26	33	47	30	36	31	11	47	29
Post high school	44	38	13	24	34	43	3	35	32
College graduate	23	18	2	6	26	23	0	8	27

NOTE: Participants may be enrolled in more than one program.

<sup>a</sup>Includes only registered users of the Job Bank. Information on "gender" and "race or ethnicity" was reported by only about 65 percent of registered Job Bank users.

<sup>b</sup>Information on "gender" and "race or ethnicity" was reported by only about 88 percent of Job Service participants.

<sup>c</sup>Excludes participants in State Services for the Blind, which is a separate program.

<sup>d</sup>State data on education attained are based on individuals 25 years old and older.

<sup>e</sup>State data on younger ages include only ages 15-21.

<sup>f</sup>Some programs allow individuals to indicate more than one race. Individuals listed with multiple ethnicities or who did not report are excluded from the figures.

SOURCE: Office of the Legislative Auditor, analysis of data from the Minnesota Department of Employment and Economic Development.

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**Minnesota has 16 workforce service areas, and each has between one and eight workforce centers.**

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**In addition to 50 workforce centers, Minnesota has “affiliate” sites where certain workforce development services are available.**

## Access to Workforce Services

Depending on the service, Minnesota job seekers and employers can access workforce services from many locations. Some services, such as Minnesota’s Job Bank and other Web-based services, are accessible to anyone with an Internet connection at home, a public library, or a workforce center. Other services, such as assessments of a job seeker’s skills, are typically delivered at specific sites.

Minnesota is divided into 16 workforce service areas, as shown in Figure 1.1. Each service area is governed by a local workforce council appointed by elected officials in that area.<sup>9</sup> One to eight workforce centers are located within each service area. Nearly all of Minnesota’s 50 workforce centers offer access to five main programs: (1) WIA programs for adults, youth, and dislocated workers; (2) Vocational Rehabilitation; (3) State Services for the Blind; (4) MFIP Employment and Training services; and (5) DEED’s Job Service program that provides services such as the Minnesota Job Bank. In addition, all workforce centers have resource areas for delivering the core services, such as job search information, to anyone interested.

Beyond the workforce centers, another 26 agencies, mostly in the Twin Cities metropolitan area, have “affiliate” status.<sup>10</sup> Figure 1.2 illustrates the location of the metropolitan affiliates. These agencies are similar to workforce centers but do not offer all of the same services on site. Workforce centers sponsor affiliate agencies, and each affiliate must be approved by the local workforce council and certified by DEED. Affiliates must also meet certain requirements, such as having a site that is accessible to disabled persons. They must develop a collaborative agreement with their sponsors and describe how the affiliate site and workforce center will work together on items such as shared marketing or joint projects. Affiliates may provide services appropriate for particular cultural groups or may be located in neighborhoods close to their potential customers.

Some service areas also have small offices that provide limited services in less populated areas. For instance, some provide MFIP Employment and Training services in counties without workforce centers. As another example, Lake and Cook counties in Northeast Service Area #3 have no workforce centers, but the Northeast Minnesota Office of Job Training offers federal programs serving adults, youth, and dislocated workers on an occasional basis at offices in Grand Marais, Two Harbors, and Silver Bay.

## Overseeing and Delivering Workforce Services

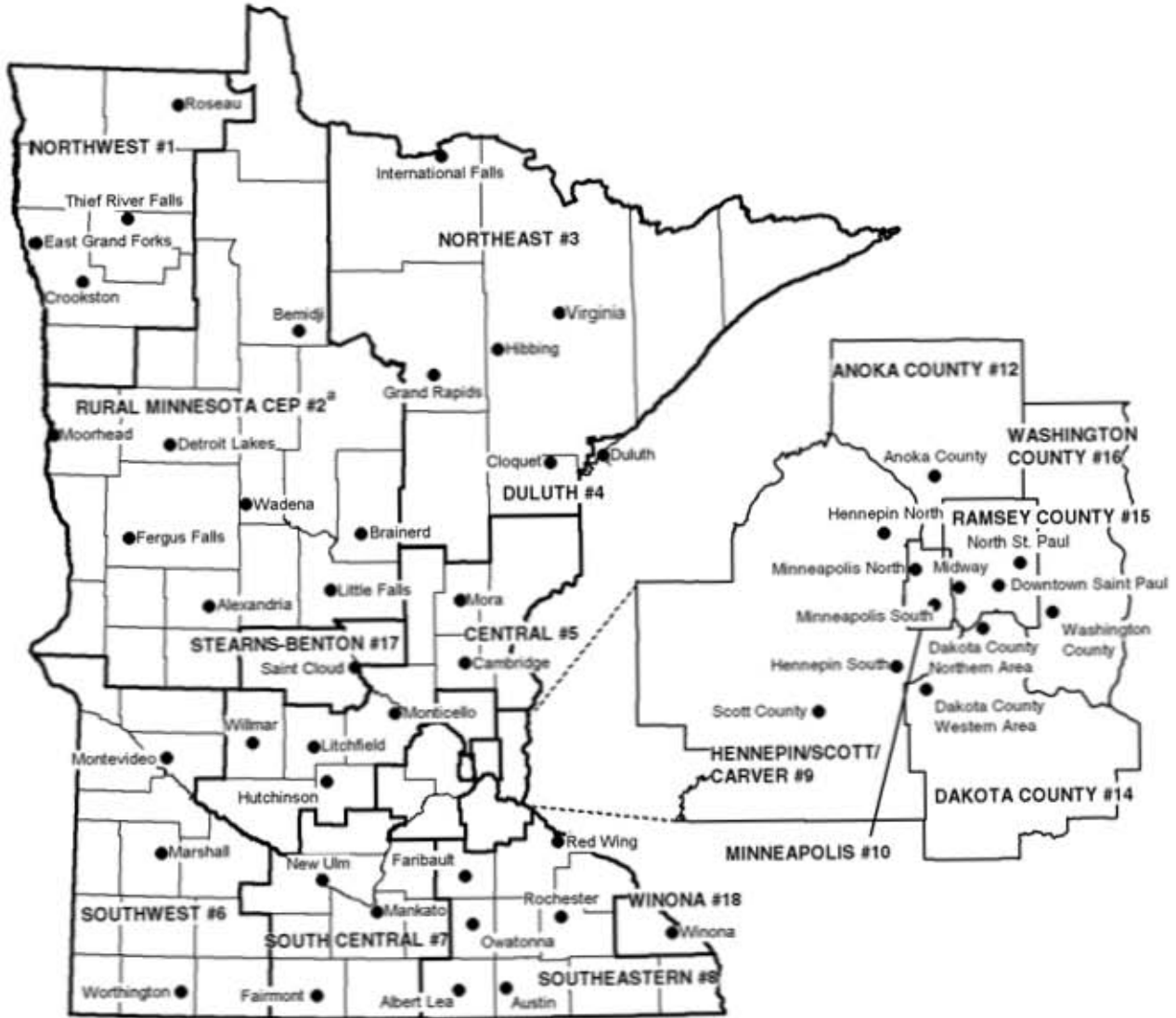
State and local entities oversee and deliver Minnesota’s workforce development services. Some have authority both for oversight and service delivery. For example, the Department of Employment and Economic Development (DEED) monitors local service areas for compliance with program requirements, but it

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<sup>9</sup> WIA refers to the local councils as “local workforce investment boards,” but Minnesota’s statutes use the term “local workforce councils.” *Minn. Stat.* (2004), §116L.666, subd. 2.

<sup>10</sup> Department of Economic Security, *Workforce Investment Act Unified Plan* (St. Paul, April 2000), II.B, II-26. DEED includes a list of current affiliates on its Web site at <http://www.deed.state.mn.us/wfc/affiliateslist.htm>; accessed November 22, 2004.

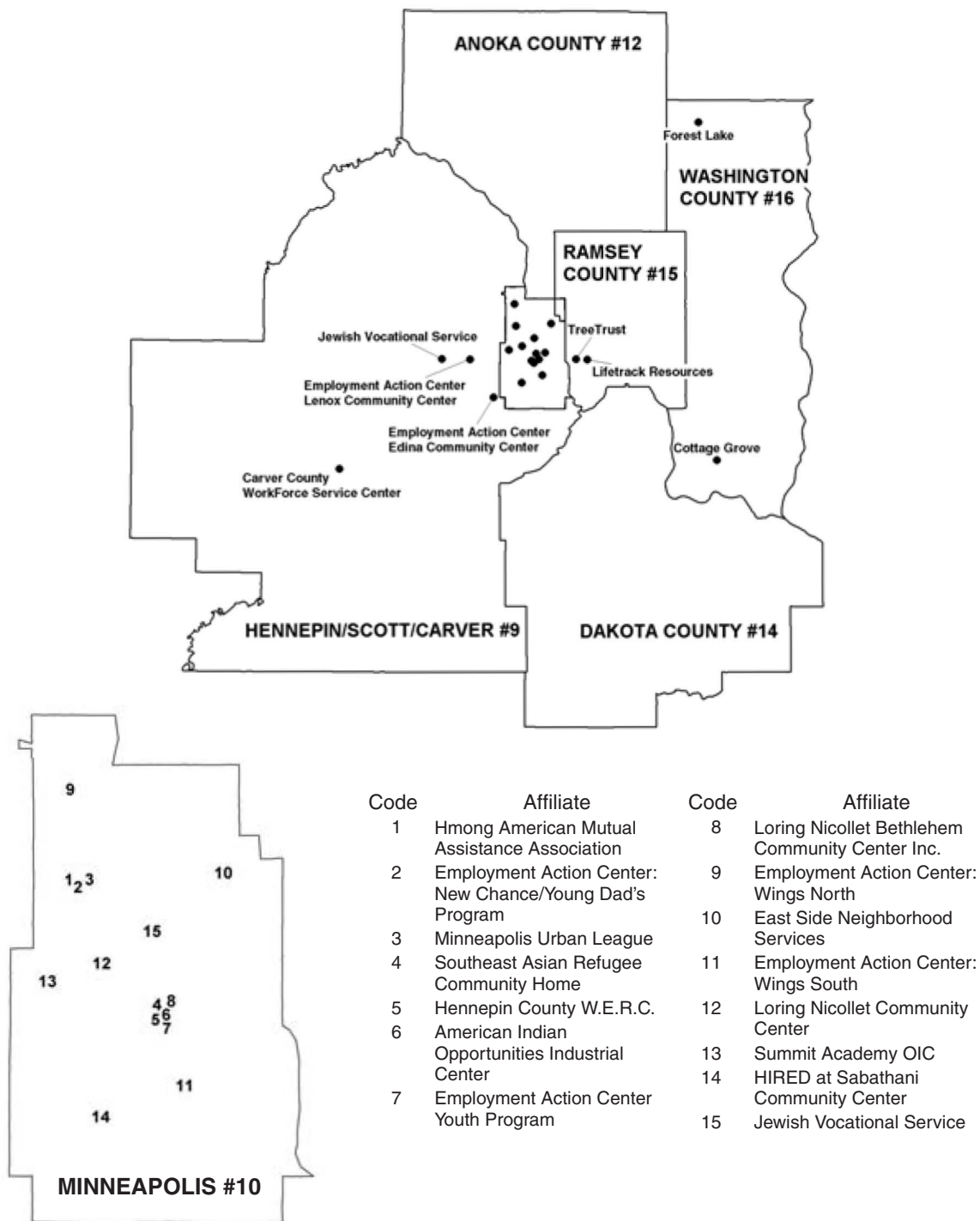
**Figure 1.1: Workforce Service Areas and Workforce Centers in Minnesota, 2004**



<sup>a</sup>CEP is the abbreviation for Concentrated Employment Programs.

SOURCE: Office of the Legislative Auditor analysis of data from the Minnesota Department of Employment and Economic Development, "Workforce Center Locations List"; <http://www.mnworkforcecenter.org/field/wfctable.htm>; accessed November 15, 2004.

**Figure 1.2: Affiliate Sites, Seven-County Metropolitan Region, 2004**



NOTE: Three additional affiliates are located in Greater Minnesota in the cities of Aitkin, Austin, and Morris.

SOURCE: Office of the Legislative Auditor analysis of data from the Minnesota Department of Employment and Economic Development, "Affiliate Sites"; <http://www.deed.state.mn.us/wfc/affiliateslist.htm>; accessed November 15, 2004.



also administers particular programs. Table 1.4 lists the major state and local entities that oversee workforce services.

**Most workforce centers are staffed by both state and local government employees.**

### **Table 1.4 Major State and Local Entities Overseeing Minnesota's Workforce Development Services**

#### State Entities

Governor  
 Minnesota Department of Employment and Economic Development  
 Governor's Workforce Development Council  
 Job Skills Partnership Board  
 Minnesota State Colleges and Universities  
 Minnesota Department of Education  
 Minnesota Department of Human Services

#### Local Entities

Chief Local Elected Officials  
 Local Workforce Councils  
 Workforce Service Area Directors

SOURCE: Office of the Legislative Auditor.

### **Governor and DEED**

Under federal law, the Governor must: (1) designate the geographic boundaries of the local workforce investment areas (in consultation with local elected officials); (2) appoint members to a federally-required state workforce investment board; (3) set criteria for local officials to use when appointing members to local workforce councils; (4) certify that the local councils meet legal requirements; and (5) recertify the local councils every two years based on how well areas meet local performance measures.<sup>11</sup>

In Minnesota, most of the Governor's responsibilities assigned under WIA are executed through DEED although WIA does not require this arrangement.<sup>12</sup> The state is responsible for developing a five-year state plan outlining the state's strategies for workforce development.<sup>13</sup> DEED monitors the workforce service areas for compliance with federal and state requirements. For instance, DEED staff review local service areas' financial management practices, as well as compliance with program requirements in federal law. When deficiencies are found, DEED issues orders for corrective actions. When appropriate, it offers training to ensure future compliance. DEED also allocates federal funding to the local service areas and monitors their spending.

Under an interagency agreement, DEED collaborates with Minnesota's Department of Human Services on the MFIP Employment and Training services

**Federal law requires the state to develop a five-year plan outlining its workforce development strategies.**

<sup>11</sup> *Workforce Investment Act*, §§116(a)(1)(A); 111(a); 117(b)(1); 117(a); and 117(c)(2)(A)-(B). Local workforce investment areas refer to the geographic workforce service areas in which local workforce councils preside and workforce services are provided.

<sup>12</sup> States use various administrative structures to carry out these responsibilities.

<sup>13</sup> *Workforce Investment Act*, §112(a).

and the Food Support Employment and Training programs that counties administer.<sup>14</sup> DEED reviews county work plans for those programs.

In addition to its oversight roles, DEED also administers some of the programs at workforce centers. State staff provide services for the Job Service, Vocational Rehabilitation, and State Services for the Blind programs, among other smaller programs.<sup>15</sup> In May 2004, DEED appointed six “regional administrators” to help manage these state-provided programs across service area boundaries. The administrators are also charged with coordinating activities with local campuses of the Minnesota State Colleges and Universities (MnSCU) system.

### Governor’s Workforce Development Council

Federal law requires governors of each state to establish state workforce investment boards.<sup>16</sup> The state boards are to help develop the state plan that outlines a five-year strategy for workforce development.<sup>17</sup> They also assist the Governor in carrying out other functions described in the act, such as defining the boundaries for the local service areas. The Governor’s Workforce Development Council is Minnesota’s state workforce investment board. The Minnesota Legislature created the council in 1995, under the authority of the federal Job Training Partnership Act.<sup>18</sup> Among its duties, the Governor’s Council is to advise the Governor on coordinating the numerous services related to workforce development.<sup>19</sup> The council’s 31 members include business, education, and labor representatives, as well as members from state agencies and the nonprofit sector, all appointed by the Governor.<sup>20</sup> The council does not operate programs or regularly provide funding to service areas.

Over the past five years, the Legislature has asked the council, working alone or with other state agencies, to report on various workforce development issues. The most recent reports deal with an inventory of workforce development programs, a strategic plan for workforce centers, Minnesota’s federal and state dislocated worker programs, and workforce service area boundaries.<sup>21</sup>

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**The Governor's Workforce Development Council is charged with advising the Governor on the coordination of numerous workforce development services.**

<sup>14</sup> *Minn. Stat.* (2004), §116L.86, subd. 1.

<sup>15</sup> Minnesota’s Job Service program has 29 Job Service Employer Committees (JSECs), which are advisory to Job Service programs in workforce centers. Members are employers who use the Job Bank or other services and give input about these services to program managers.

<sup>16</sup> *Workforce Investment Act*, §111(a).

<sup>17</sup> *Workforce Investment Act*, §111(a), (d)(1). State plans include information about the state board, local service areas, performance requirements, and strategies to coordinate programs.

<sup>18</sup> *Laws of Minnesota* (1995), ch. 131, sec. 1, subd. 1. Minnesota’s State WIA Plan recognized the council as the state board required by the Workforce Investment Act. Department of Economic Security, *Workforce Investment Act Unified Plan* (St. Paul, April 2000), II. E, II-75. In 2004, the Legislature formally changed statutory references from JTPA to WIA and added the language “The governor’s Workforce Development Council serves as Minnesota’s Workforce Investment Board for the purposes of the federal Workforce Investment Act.” *Laws of Minnesota* (2004), ch. 206, sec. 46.

<sup>19</sup> *Minn. Stat.* (2004), §116L.665, subd. 3(a).

<sup>20</sup> Minnesota law specifies the number of members representing each sector. For example, six members must represent organized labor. The Governor must also appoint half of the council’s members using local workforce councils’ recommendations. *Minn. Stat.* (2004), §116L.665, subd. 2.

<sup>21</sup> The Governor’s Council’s reports are available from the Council’s Web site at <http://www.gwdc.org/pubs/index.htm>.



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**Adult literacy programs and certain MnSCU vocational education services are part of the state's strategy for workforce development.**

### **Job Skills Partnership Board**

While not required under federal law, the Minnesota Job Skills Partnership Board oversees certain state grants for workforce development.<sup>22</sup> The largest of those grant programs helps fund business and education collaboratives that develop training projects for people in new jobs or to retrain existing employees. These collaboratives operate outside workforce centers, and local workforce councils do not oversee them. In addition, the board manages the Minnesota Dislocated Worker Program.<sup>23</sup> The state's Dislocated Worker Program provides funds to assist workers laid off due to business closings or other closings that result from the transfer of jobs overseas or changing economic conditions. The board allocates a portion of the program's funds by formula to local service areas, and it awards grants for large projects.<sup>24</sup> The board has 13 members, with seven appointed by the Governor and six designated in state law.<sup>25</sup>

### **Minnesota State Colleges and Universities (MnSCU)**

MnSCU oversees Minnesota's postsecondary technical and vocational education. Under federal law, postsecondary institutions that receive certain federal funds must participate in the one-stop system.<sup>26</sup> Minnesota statutes designate the MnSCU Board of Trustees as the sole state agency to receive these funds.<sup>27</sup> To receive the funds, MnSCU must develop a five-year plan describing how the state will implement provisions of federal law, consult with the Governor and others in planning and coordinating vocational education programs, and coordinate activities with the state workforce investment board.<sup>28</sup> MnSCU also provides a large share of the training to customers of various workforce development programs.

### **Minnesota Department of Education**

Federal law requires providers of adult literacy programs to participate in the one-stop system. In Minnesota, this consists of literacy services to help adults and families obtain basic literacy skills, learn English, or complete requirements

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<sup>22</sup> Other board responsibilities include collecting and disseminating information concerning areas of projected employment need, preparing and publishing studies, organizing conferences, and conducting special studies as described in statute. *Minn. Stat.* (2004), §116L.04. subd. 2.

<sup>23</sup> WIA's and Minnesota's dislocated worker programs are similar, but as shown in Table 1.3, the Minnesota program serves about three times as many job seekers.

<sup>24</sup> "Large" projects typically involve layoffs with more than 50 employees. For these projects, a member of the state's "rapid response" team meets with company management and union leadership to develop a plan to address the needs of employees. Minnesota Department of Employment and Economic Development, "Plant Closings and Mass Layoffs"; <http://www.deed.state.mn.us/dw/PlantClosings.htm>; accessed December 6, 2004.

<sup>25</sup> Other members include the chair of the Governor's Workforce Development Council, the commissioner of DEED, the chancellor of MnSCU, the president of the University of Minnesota, and two members appointed through Minnesota's Senate and House. *Minn. Stat.* (2004), §116L.03 subd. 2.

<sup>26</sup> *Workforce Investment Act*, §121(b)(1)(B)(vii). The Carl D. Perkins Act provides funds for certain vocational and technical education programs. *Carl D. Perkins Vocational and Applied Technology Education Act*, Pub. L. No. 105-332, §2.

<sup>27</sup> *Minn. Stat.* (2004), §136F.79.

<sup>28</sup> *Carl D. Perkins Act*, §121. MnSCU developed the plan with the Minnesota Department of Education.

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**MFIP  
Employment and  
Training services  
represent the  
largest share of  
services provided  
by local staff in  
most workforce  
centers.**

for a high school or GED diploma. Education consortia that include the public schools and nonprofit agencies provide these services. Minnesota's Department of Education oversees the Adult-Basic Education Program required by federal law and helps write a five-year state plan for those services.<sup>29</sup> The department develops guidance for the education consortia that provide services. The department also reviews financial and performance data from the local consortia and may close programs that do not comply with state and federal requirements.

### **Minnesota Department of Human Services**

The Department of Human Services also plays a role in workforce development services. As explained above, the department works with DEED under an interagency agreement to oversee Food Support Employment and Training and the MFIP Employment and Training services. The department allocates funding to counties for these programs and evaluates program performance. In turn, most counties have contracted with local workforce service areas to deliver the services. MFIP Employment and Training services represent the largest share of the services provided by local staff in most workforce centers. In terms of number of customers served, local staff resources, and available dollars (as demonstrated later in this chapter), MFIP Employment and Training has become the primary service provided locally (by staff other than state employees). By using the workforce centers and affiliates, counties can provide employment and training services to people eligible for welfare-related programs without setting up a separate structure to deliver such services.

### **Chief Local Elected Officials**

Federal law authorizes chief local elected officials, who are county commissioners, mayors, or members of local government joint powers boards, to appoint members to the local workforce councils.<sup>30</sup> These local elected officials are the grant recipients for WIA funds going to programs serving adults, youth, and dislocated workers. They also have oversight authority, in partnership with the local workforce councils, for the one-stop delivery system in their service area.<sup>31</sup> Further, federal law requires the Governor to consult with the chief local elected officials regarding the designation of local workforce service areas.<sup>32</sup>

### **Local Workforce Councils and Directors**

As mentioned earlier, a local workforce council governs each of Minnesota's 16 workforce service areas. Federal law assigns a variety of functions to local workforce councils. Councils must plan and oversee the one-stop system in their area. They must also develop a five-year local plan describing how their area's one-stop system will provide workforce development services. Federal law also charges local councils with duties related to the operation of federal programs for adults, youth, and dislocated workers. These duties include providing program oversight, negotiating local performance standards, and identifying providers of

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<sup>29</sup> *Workforce Investment Act*, §224.

<sup>30</sup> *Workforce Investment Act*, §117(c)(1)(A)-(B).

<sup>31</sup> *Workforce Investment Act*, §117(d)(4).

<sup>32</sup> *Workforce Investment Act*, §116(a)(1)(A)(ii).

**Minnesota's  
16 local  
workforce  
councils must  
have a majority  
of members  
from the private  
sector.**

intensive services and training services. For delivering services, workforce councils either contract with nonprofit agencies or the state, or they rely on city or county agencies. Some hire a single agency to deliver services while others contract with a number of organizations to provide services. Workforce councils are responsible for appointing a youth council that oversees workforce development services for youth.<sup>33</sup> In addition, the law requires councils to coordinate workforce investment activities with economic development strategies in the service area.<sup>34</sup>

As required under state statutes, a majority of the members of Minnesota's local workforce councils must represent private business.<sup>35</sup> State law also requires that local councils have members that represent labor, community-based organizations, all educational agencies, and agencies providing vocational rehabilitation, public assistance, economic development, and public employment services.<sup>36</sup> Although federal law includes requirements for workforce council membership, Minnesota's local councils that existed before 1998 were not required to modify their membership to conform to these requirements. WIA permitted states to use "grandfathered" councils if they met certain criteria, such as



Workforce centers have resource areas with literature and computer access to job information.

having been established to serve the local area.<sup>37</sup> Currently, 15 of the 16 local councils are grandfathered. The exception is the Ramsey County Workforce Council, which reorganized following a consolidation of the St. Paul and Ramsey County workforce service areas. Local workforce councils that do not include the members required by WIA must ensure that such people have opportunities for an ongoing role in local workforce investment activities.<sup>38</sup>

<sup>33</sup> *Workforce Investment Act*, §117(h)(1).

<sup>34</sup> *Workforce Investment Act*, §117(d)(7).

<sup>35</sup> *Minn. Stat.* (2004), §116L.666, subd. 3. The statute requires that these members have substantial management or policy responsibility.

<sup>36</sup> *Ibid.*

<sup>37</sup> *Workforce Investment Act*, §117(i)(1). Most of Minnesota's local councils had been private industry councils under the Job Training Partnership Act. Minnesota law required designating the service delivery areas set up in the late 1970s under the Job Training Partnership Act as the local workforce investment areas required by WIA unless local elected officials chose otherwise. *Laws of Minnesota* (1997), ch. 118, sec. 1, subd. 1(2).

<sup>38</sup> 20 *CFR* §661.330(b)(2) (2004).

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**Each workforce service area has a director who may be employed by counties or cities, a collaboration of local governments, nonprofit agencies, or the state.**

Each local workforce service area has a director who in most cases provides administrative support to the local council. The director is often in charge of administering certain services including the federal programs that serve adults, youth, and dislocated workers.<sup>39</sup> In some service areas, the local elected officials or their county or city hire the directors, but in others, elected officials contract with a nonprofit agency that hires the director. In still other areas, the local workforce council itself hires the director. Currently, five directors are employed by counties, four by nonprofits, two by joint powers boards of multiple counties, two by cities, two by the local councils, and one by the state.

Local workforce development personnel have organized to work on common objectives and enhance communication among council representatives and with state staff. The Minnesota Workforce Council Association is a statewide organization with a mission of providing training and technical assistance to workforce council members, service area directors, and local staff. The association's seven-person board of directors includes a mix of local elected officials, workforce council chairs, and service area directors.

## **FUNDING CERTAIN WORKFORCE DEVELOPMENT SERVICES**

Because of data limitations, this section of the report focuses on a narrower set of workforce development services; it excludes services for adult literacy and vocational education. Minnesota spends a significant amount of federal and state funds on certain workforce development services, although the overall amount has declined somewhat in recent years. In state fiscal year 2004, Minnesota spent \$204.5 million of federal and state dollars on these services, not including funding for adult-basic education and postsecondary vocational education or funding generated locally.<sup>40</sup> Local workforce service areas also often supplement their allocations with money raised locally through foundations, other government grants, and other sources.

As Table 1.5 shows:

- **Minnesota's federal and state funds for certain workforce development services declined 13 percent between fiscal years 2003 and 2004.**

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<sup>39</sup> This is not the case in all service areas. For example, in Ramsey County Service Area #15, the local council hired an executive director to support the council's work, and a separate director employed by the county is in charge of administering services.

<sup>40</sup> The total includes amounts for MFIP Employment and Training as well as Food Support Employment and Training, which are allocated by the Department of Human Services. It excludes Unemployment Insurance, locally generated funds, and federal funds that pass directly to service providers without being allocated by DEED (such as federal Youthbuild funds). It does not include expenditures, such as for the Adult-Basic Education Program, that are controlled by the Department of Education or postsecondary vocational education institutions.

This decrease was preceded by a 2 percent decrease from 2002 (unadjusted for inflation). Decreases between 2003 and 2004 reflect significant reductions for several major employment and training programs as well as the elimination of certain programs.<sup>41</sup>

**Table 1.5: Federal and State Funding for Certain Workforce Development Services, FY 2003 and 2004**

Program	Fiscal Year 2003	Fiscal Year 2004	Percentage of FY 2004 Total	Percentage Change 2003-04
MFIP Employment and Training	\$ 44,103,052	\$ 50,807,279	25%	15%
Rehabilitation Services	44,770,371	42,963,946 <sup>a</sup>	21	-4
Minnesota Dislocated Worker	25,841,069	30,902,930	15	20
Wagner-Peyser (Job Service)	12,556,225	12,501,180	6	<-1
WIA Dislocated Worker	11,419,557	10,852,913	5	-5
WIA Youth	11,286,720	8,959,275	4	-21
WIA Adult	9,877,882	8,412,429	4	-15
State Services for the Blind	7,364,601	8,094,932 <sup>a</sup>	4	10
Job Skills Partnership Program	9,250,000	6,785,000	3	-27
Trade Act Assistance	6,468,141	5,173,069	3	-20
Minnesota Youth	4,859,450	4,154,000	2	-15
Veterans' programs	3,414,000	2,856,000 <sup>b</sup>	1	-16
Senior Community Service Employment Program	2,104,544	2,136,664	1	2
Food Support Employment and Training	3,533,763	1,517,398	<1	-57
Youth Intervention	1,682,000	1,257,000	<1	-25
Displaced Homemaker	1,827,000	990,000	<1	-46
Local Intervention Grant for Self Sufficiency and Supported Work	16,426,267	0	0	-100
Other programs	<u>19,015,297</u>	<u>6,131,764</u>	<u>3</u>	<u>-68</u>
TOTAL	\$235,799,939	\$204,495,779	100%	-13%

NOTE: Funding amounts exclude adult-basic education, postsecondary vocational education, unemployment insurance, locally generated funds, and federal funds that pass directly to service providers without being allocated by DEED.

<sup>a</sup>Program is on a federal fiscal year. FY2004 amount is preliminary and subject to change.

<sup>b</sup>Program is on a federal fiscal year.

SOURCES: Department of Employment and Economic Development, "Workforce Partnerships Division Funding History" (St. Paul, August 23, 2004); Department of Employment and Economic Development, "Workforce Services Branch Funding History" (St. Paul, April 17, 2003); Department of Employment and Economic Development, Rehabilitation Services and State Services for the Blind, (November 18, 2004) electronic mail; and Department of Human Services, Social Services and Financial Management divisions, (November 3 and 15, 2004), electronic mail.

**Available funding data on workforce development services in Minnesota do not include dollars for adult literacy services, postsecondary vocational education, or dollars generated locally.**

<sup>41</sup> Both a welfare-to-work program and a federal juvenile justice grant were eliminated.



Among this more narrowly defined set of services in fiscal year 2004, MFIP Employment and Training accounted for the largest share, representing 25 percent of spending. As suggested earlier in this chapter, the program accounts for a large share of the services provided by the local employees in most workforce centers. As the share of federal funding for programs serving adults, youth, and dislocated workers has diminished, MFIP Employment and Training services have become the focus for local staff in many workforce centers. Vocational Rehabilitation accounted for 21 percent of the funds, and the Minnesota Dislocated Worker Program represented 15 percent. The three federal programs for adults, youth, and dislocated workers represented a combined 14 percent. All other programs represented single-digit percentages of total funds.

Much of the money for these particular workforce development services in Minnesota comes from the federal government, with state funds going only to particular programs.

- **Of the \$204.5 million in federal and state funding for fiscal year 2004, 75 percent came from the federal government and 25 percent from the state.**

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**Most of the state dollars for workforce development go to Minnesota's Dislocated Worker Program.**

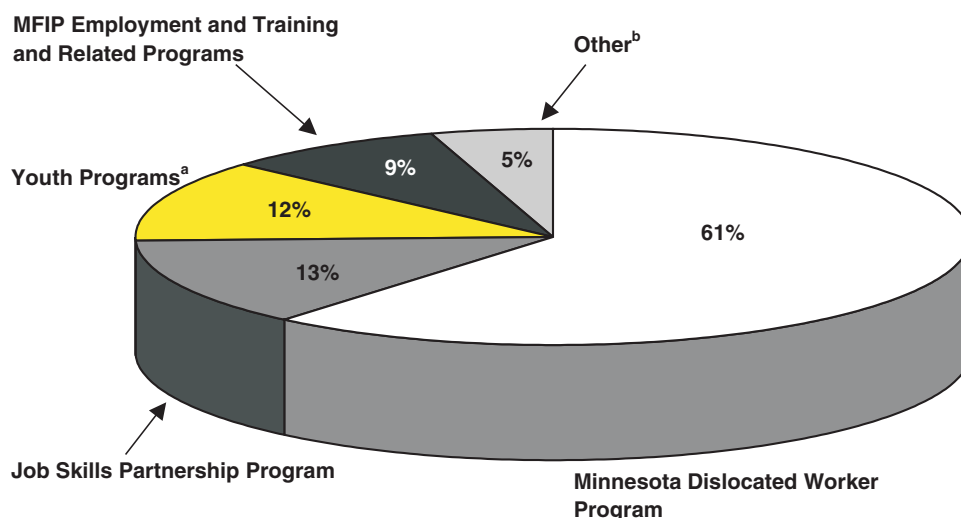
Most of the state dollars go to fund the Minnesota Dislocated Worker Program, with far smaller shares going to the Job Skills Partnership Program and Minnesota Youth Program, among others. Figure 1.3 shows that the Minnesota Dislocated Worker Program accounted for 61 percent of all state-funded program expenditures in fiscal year 2004. Funding for this program comes from the Workforce Development Fund, which receives revenues from a 0.1 percent tax paid by employers on a share of taxable wages.<sup>42</sup> The amount of the fund actually used for dislocated workers varies because the Legislature has used portions of the revenues for other purposes.

Each of the federal programs has its own funding source, formula for distribution among the states, and requirements for allocating funds to local areas. We describe them here in brief for some of the major programs. Looking at the federal programs for adults, youth, and dislocated workers, the federal government distributes to DEED amounts that depend on formulas using factors such as unemployed individuals in areas of substantial unemployment. The actual formula varies for each of the three programs. In turn, the state allocates funds via formulas to workforce service areas. Again, the formulas vary by program, but they rely on factors such as unemployment and economic hardship. Before making allocations to local areas, the state may reserve no more than 15 percent for statewide activities. As part of the amount reserved for statewide activities, the state may spend up to 5 percent for administration costs incurred at the state level.<sup>43</sup> Local areas may spend no more than 10 percent of their allocations for administration purposes. For the federal Dislocated Worker Program in particular, the state may reserve up to 25 percent for statewide activities, including rapid response activities used when mass layoffs occur.

<sup>42</sup> The taxable wage is 60 percent of the state's average annual wage rounded to the nearest \$1,000. For 2005, this is \$23,000. *Minn. Stat.* (2004), §268.035, subd. 24.

<sup>43</sup> 20 *CFR* §667.210(a)(1) (2004). Federal regulations define which activities constitute administration costs.

**Figure 1.3: Proportion of State Funding for Workforce Development Services by Program, FY 2004**



<sup>a</sup>The "Youth Programs" category includes Minnesota Youth Program, Youth Intervention, and Youthbuild.

<sup>b</sup>The "Other" category includes funding for Displaced Homemakers, Occupational Industrialization Centers, Twin Cities RISE, Learn-to-Earn, and Lifetrack Resources.

SOURCES: Minnesota Department of Employment and Economic Development, "Workforce Partnerships Division Funding History" (St. Paul, August 23, 2004); Department of Employment and Economic Development, "Workforce Services Branch Funding History" (St. Paul, April 17, 2003); Department of Employment and Economic Development, Rehabilitation Services and State Services for the Blind, (November 18, 2004) electronic mail; and Minnesota Department of Human Services, Social Services and Financial Management divisions, (November 3 and 15, 2004), electronic mail.

For the state-run programs such as Job Service and Rehabilitation Services, DEED receives federal money and follows formulas to determine how much of the funding will be spent in different parts of the state. For instance, to distribute Job Service money, DEED analyzes the civilian labor force and the number of employers in the counties served by each workforce center. DEED reserves portions of the federal funding for Vocational Rehabilitation and State Services for the Blind to make purchases on behalf of local areas (such as for certain equipment).

## ECONOMIC CONDITIONS IN MINNESOTA

Because economic conditions can impact the provision of workforce development services, we reviewed characteristics that define the state's economy. In

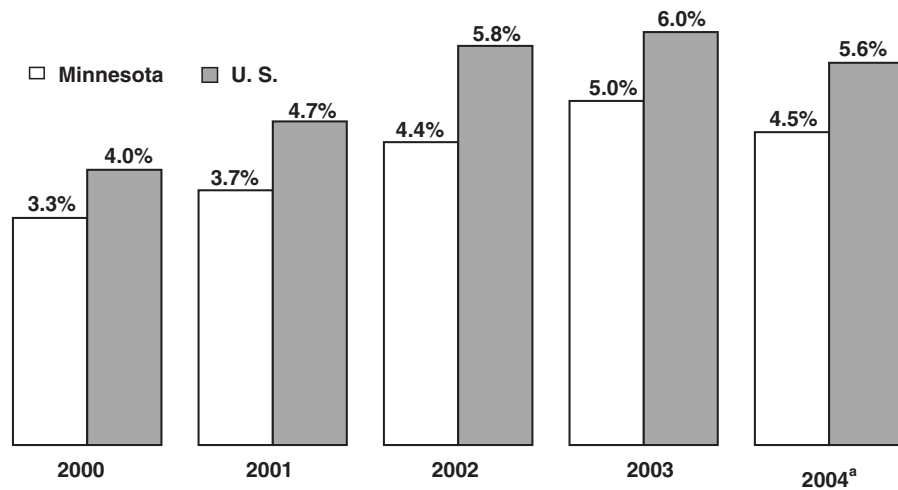
particular, we analyzed unemployment rates and key industries in Minnesota.<sup>44</sup> We also compared how these characteristics varied around the state.

## Unemployment Rates

Unemployed people in Minnesota made up a seasonally adjusted 4.2 percent of the labor force in November 2004, compared to a 5.4 percent national rate.<sup>45</sup> Minnesota's average unemployment rate rose over the last four years and then leveled off in 2004, but it has consistently been lower than the national rate, as shown in Figure 1.4.

**Minnesota's average unemployment rate has been consistently lower than the national rate.**

**Figure 1.4: Average Unemployment Rates, 2000-2004**



<sup>a</sup>Rates for 2004 are an average of December 2003 through November 2004.

SOURCE: Minnesota Department of Employment and Economic Development, "Unemployment Statistics"; <http://www.deed.state.mn.us/lmi/tools/laus/detail.asp?geog=2701000000&adjust=0>; accessed January 12, 2005.

**Workforce service areas in northwest and northeast Minnesota had the highest unemployment rates in the state from 2001 through 2003.**

Comparing workforce service areas around Minnesota, the unadjusted unemployment rate for November 2004 ranged from a low of 2.9 percent in Winona County Service Area #10 to a high of 5.3 percent in Northeast Minnesota Service Area #3. Average unemployment rates climbed in each of the workforce service areas between 2001 and 2003. Some local areas, however, had consistently higher unemployment than other areas during that time span. For example, four service areas in northern and central Minnesota had the highest unemployment in 2001, and they retained the highest unemployment rates in 2003, as Table 1.6 shows. At the other end of the spectrum, three service areas in

<sup>44</sup> Unemployment rates indicate the proportion of the labor force that is unemployed. Only persons available and actively looking for work are considered part of the labor force. The unemployed include people actively looking for work during the last 4 weeks; those waiting to be called back to a job from which they were laid off; or persons waiting to report to a new wage or salaried job. Key industries are those with the greatest number of employees from the North American Industrial Classification System of industries.

<sup>45</sup> Unemployment rates do not reflect everyone out of work because they exclude certain people, such as those who have discontinued their job search.



**Table 1.6: Average Unemployment Rates by Workforce Service Area, 2001-2003**

	2001	2001 Rank	2002	2002 Rank	2003	2003 Rank
Statewide	3.7%		4.4%		5.0%	
Northwest #1	5.1	2	6.0	1	6.9	1
Rural Minnesota CEP #2	4.9	3	5.0	4	5.6	4
Northeast #3	6.4	1	5.7	2	6.7	2
Duluth #4	4.0	7	4.2	9	4.7	9
Central Minnesota #5	4.7	4	5.6	3	6.3	3
Southwest #6	4.1	5	3.8	13	4.4	13
South Central #7	3.6	9	4.1	10	4.7	10
Southeastern #8	3.3	13	4.1	11	4.7	11
Hennepin/Scott/Carver #9	3.0	14	3.9	12	4.3	14
Minneapolis #10	3.8	8	4.9	5	5.5	5
Anoka #12	3.4	11	4.4	7	5.0	6
Dakota #14	2.8	15	3.7	15	4.2	15
Ramsey #15	3.3	12	4.2	8	4.9	8
Washington #16	2.7	16	3.6	16	4.1	16
Stearns/Benton #17	4.0	6	4.5	6	5.0	7
Winona #18	3.5	10	3.7	14	4.6	12

NOTE: The shaded areas consistently had the highest unemployment rates over the three years.

SOURCE: Department of Employment and Economic Development, "Unemployment Statistics"; <http://www.deed.state.mn.us/lmi/tools/laus/display.asp?geog=2703>; accessed November 30, 2004.

the Twin Cities metropolitan area had among the lowest unemployment rates all three years.

## Key Industries

Identifying key industries in the state pinpoints the largest sources of employment. DEED reports employment and wage data for 20 industry sectors.<sup>46</sup> Statewide in 2003, the top three sectors were manufacturing, health care and social assistance, and retail trade. Together, they accounted for more than a third of employees in the state that year. The health care sector is one of the few in Minnesota that added jobs in 2001 through 2003, when job growth in many other industries declined.<sup>47</sup>

Looking within the state, the top three industries were relatively consistent across regions. When we ranked industries within each of the state's 13 economic development regions, the top three industries statewide—manufacturing, health care and social assistance, and retail trade—were also among the three largest

**Manufacturing, health care, and retail trade are Minnesota's top three sources of employment.**

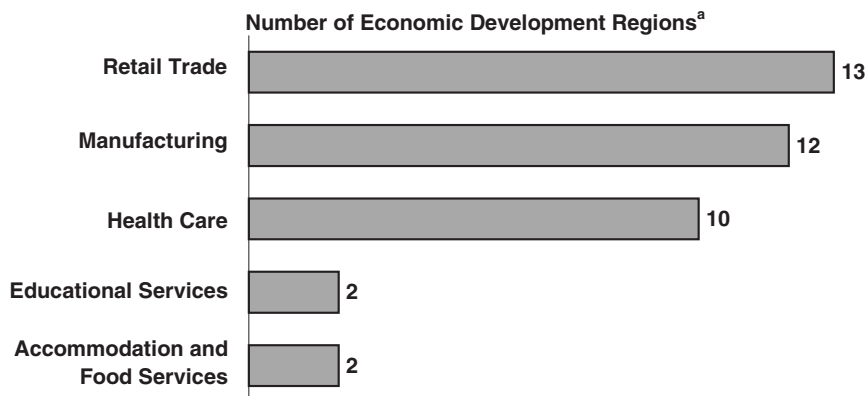
<sup>46</sup> Industry sectors are based on the North American Industrial Classification System and are grouped into goods-producing and service-providing sectors. In Minnesota, the database covers 97 percent of employment; it excludes the self-employed, railroad workers, family farm workers, full-time students working for their school, elected government officials, insurance and real estate salespeople, and others who work only on a commission basis.

<sup>47</sup> Oriane Casale, "Healthcare Jobs in Minnesota: Ducking the Jobless Recovery," *Minnesota Economic Trends* (January 2004); <http://www.deed.state.mn.us/lmi/publications/trends/0104/health.htm>; accessed November 30, 2004.

industries in 10 of the 13 economic development regions, as shown in Figure 1.5.<sup>48</sup> At least two of the state’s top three industries were among the top three industries in every economic development region.

Certain industry sectors were strong in some areas of the state but provided less employment elsewhere. For example, health care was one of the top three industries for 10 of the 13 economic development regions but ranked 15th (out of 20 industries) in northwest Minnesota.

**Figure 1.5: Top Three Industries in Minnesota's Economic Development Regions, 2003**



NOTE: Industry size is based on the average number of employees for 2003.

<sup>a</sup>An economic development region is included in the count for an industry when that industry was one of the top three in the region. Minnesota has 13 economic development regions.

SOURCE: Office of the Legislative Auditor, analysis of data from the Minnesota Department of Employment and Economic Development, Quarterly Census of Employment and Wages (QCEW) Data Tool; <http://www.deed.state.mn.us/lmi/tools/qcew.htm>; accessed November 30, 2004.

<sup>48</sup> Minnesota’s 13 economic development regions contain adjoining counties that share economic conditions. The regions correspond with some, but not all, workforce service-area boundaries. Several workforce service areas include one or more economic development regions, and several economic development regions combine one or more service areas.



# Governance of Workforce Development Services

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## SUMMARY

*Authority to set policy and make spending decisions for workforce development services is unclear and diffuse, which has weakened accountability and led to difficulties in administering services. For instance, laws and regulations are not clear on who has authority to decide whether a workforce center should remain open. We believe the Legislature should clarify in law that the Department of Employment and Economic Development (DEED) is responsible for setting minimum statewide standards to define workforce centers, including the services they must offer, but that local workforce councils have authority for siting, opening, and closing workforce centers. No single agency has full funding authority for workforce development spending, leaving no agency with complete information on, or accountability for, overall spending. We recommend that the Legislature direct each of the state and local entities required to provide workforce development services to more fully exchange annual funding and spending information. Furthermore, the Legislature should require DEED and the Minnesota State Colleges and Universities system to improve local coordination between workforce service areas and postsecondary vocational education institutions. Local workforce councils should work with adult-basic education organizations to improve coordination, and DEED should facilitate this by developing guidance jointly with the Department of Education and the Governor’s Workforce Development Council. Local workforce councils should coordinate their work with state and local economic development strategies, to the extent they are not already doing so, and DEED and local service areas should help determine what is needed to do this.*

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Federal and state laws determine much of the governance structure for workforce development services but leave some issues in flux. In this chapter, the term “workforce development service” is used broadly to include all of the numerous programs required by federal law to participate through the “one-stop delivery system.” This chapter addresses the following questions:

- **How clear is the authority for oversight and setting policies for workforce development services?**
- **How clear is the control over spending on workforce development services?**

- **How well are local workforce councils meeting statutory obligations regarding their functions?**

In analyzing these questions, we researched federal laws and state statutes. We interviewed personnel in the Department of Employment and Economic Development and the chair and staff of the Governor’s Workforce Development Council. In each of the 16 workforce service areas, we interviewed local workforce council chairs, workforce service area directors, and many managers of local workforce development programs. We spoke with representatives of Minnesota’s State Colleges and Universities and the Minnesota Department of Education. We surveyed 343 members of local workforce councils and received 282 completed surveys for a response rate of 82 percent. We interviewed county commissioners in four counties located in different parts of the state. In addition, we reviewed in detail the revenues and expenditures for two service areas and surveyed community-based service providers in one area for information on their administration and program costs.

## POLICYMAKING AND SPENDING AUTHORITY

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**Federal law creates a complex and even confusing governance structure for workforce development services.**

As described in Chapter 1, the Workforce Investment Act (WIA) requires numerous workforce development services to be delivered in a one-stop delivery system. Because multiple agencies and levels of government are involved in workforce development services, we looked at how clearly the law assigns authority for the services. We found that:

- **Authority under federal law to set policy and make spending decisions for workforce development services is unclear and diffuse, which has led to difficulties in administering services.**

The structure for overseeing and delivering workforce development services is dictated to a large extent by federal law. Yet, the structure in Minnesota has problems because federal law assigns authority for certain functions to more than one entity, and for other functions, the law does not specify who should have responsibility. Despite the federal law’s flaws, for the purposes of this report, we acknowledge the law’s primacy, and our discussion assumes the law’s requirements are a given that we cannot unilaterally alter.

Federal law ascribes to local workforce councils oversight of the “one-stop delivery system in the local area.”<sup>1</sup> It charges workforce councils with setting policies for the local area’s workforce development services.<sup>2</sup> Further, the law requires local workforce councils to prepare five-year plans and describe in them how the local council will ensure that service providers meet the employment needs of local employers and job seekers.<sup>3</sup> State statutes reinforce this by specifying that local councils are responsible for policy guidance and oversight of

<sup>1</sup> *Workforce Investment Act of 1998*, Pub. Law. No. 105-220, §121(a)(3).

<sup>2</sup> *Workforce Investment Act*, §117(a).

<sup>3</sup> *Workforce Investment Act*, §118(b)(2)(A).

**Local workforce councils are required to ensure unified service delivery and nonduplication of services within their areas.**

workforce center activities in partnership with local governments and DEED.<sup>4</sup> They further charge local workforce councils with ensuring unified service delivery within their workforce service areas and nonduplication of services.<sup>5</sup>

At the same time, federal law requires the state to assure that its workforce development activities are coordinated and avoid duplication.<sup>6</sup> DEED along with the Governor's Workforce Development Council must develop a five-year plan with a strategy for the state's workforce development services, even though other state entities are responsible for some of those services, as is described more fully later in this chapter.



Workforce centers offer numerous services.

Despite the statutory responsibilities at the state and local levels, laws are unclear about authority for certain decisions, and multiple entities have direct authority for planning, administering, and monitoring the services.<sup>7</sup> Unclear authority has created inefficiencies for those delivering services. Diffuse authority weakens accountability and raises questions about coordination among the multiple entities required to deliver workforce development services.

## Inefficiencies in Administering Services

Unclear authority has created difficulties in administering workforce development services. For example, we found that:

- **Laws and regulations are not clear on who has authority to decide whether a workforce center should remain open, weakening accountability and creating some inefficiencies in administering services.**

<sup>4</sup> *Minn. Stat.* (2004), §116L.666, subd. 4.

<sup>5</sup> *Minn. Stat.* (2004), §116L.666, subd. 4(6).

<sup>6</sup> *Workforce Investment Act*, §112(b)(8)(A). Federal law says the state must assure coordination of all the programs required to be part of the state's workforce investment activities. Table 1.1 in Chapter 1 lists these programs.

<sup>7</sup> Service providers required to participate in the one-stop system are to abide both by WIA provisions and by the requirements of the federal law that authorizes their program. *Workforce Investment Act*, §121(b)(1)(A)(ii).

In the past, the state has held de facto control over workforce centers for three reasons. First, federal law assigns to the state responsibility for coordinating the workforce development system statewide, as noted above. Second, the state administered the Job Service Program, which has been integral to many workforce centers because its employees usually staffed the centers' resource rooms.<sup>8</sup> Job Service staff formed the "backbone" of services available to those people and businesses that wanted information or access to the Job Bank and similar services.<sup>9</sup> Third, the state typically held the leases for the buildings in which the centers were housed, thereby controlling whether a site stayed open and in what location.

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**Budget reductions have forced the state to remove state staff from some workforce centers.**

Recent budget reductions, however, have created problems for both the state and local workforce service areas. Consecutive years of federal budget reductions for state-run programs have forced DEED to remove Job Service and other state staff from certain workforce centers. Although Job Service staff remain in 42 of the 50 workforce centers (as of January 2005), DEED staff anticipate additional reductions in the future. The state still holds the majority of building leases, but DEED representatives indicated that the department no longer expects to renew leases as they expire.

From DEED's perspective, unclear authority over workforce centers weakens accountability. In workforce centers staffed primarily by local employees, the state loses some control over how services are delivered, even though it continues to monitor programs and spending. Specifically, the state cannot hold accountable those staff who are employed by local governments or nonprofit agencies. Should customers experience problems at a center operated largely by local staff, the department worries that it would have little ability to enforce changes. In addition, the department's ability to ensure consistency throughout the state's network of workforce centers is weakened. Meeting its statewide obligation to coordinate and avoid duplication among the various programs provided through workforce centers, as required by law, becomes more difficult.<sup>10</sup>

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**Local workforce service areas have had to respond by reducing services, letting workforce centers close, or assuming responsibility for centers.**

At the local level, unclear authority over the closing of workforce centers has created inefficiencies. Instead of focusing on providing services, local service providers faced with center closures have diverted time and resources to preserving the centers. Local directors from three service areas told us that when they and their local workforce councils learned of reductions to state staff in their centers, they were put into a position of either letting a center close, reducing its services, or assuming responsibility for maintaining it. As a result, directors in these areas spent time with workforce councils and local elected officials deliberating whether and how to keep open the centers, while dropping existing plans for staffing and services. In addition, some job counselors had to reduce their caseloads to assume additional intake and assessment duties when resources for those duties were used for resource rooms that were formerly staffed by state personnel.

<sup>8</sup> WIA does not provide funds specifically for the resource rooms.

<sup>9</sup> Department of Economic Security, *Workforce Investment Act Unified Plan* (St. Paul, April 2000), II.F. 95 and 97.

<sup>10</sup> *Workforce Investment Act*, §112(b)(8)(A).



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**Local workforce council chairs voiced frustrations because they cannot hold state employees accountable.**

We also found that:

- **Unclear authority has led to inefficient use of time for local workforce councils and employees of state-run programs.**

Chairs of many local workforce councils described to us their frustrations over unclear authority. In their view, this has prevented councils from spending their time productively. Most felt the councils were not sufficiently involved in setting policies and direction for workforce development services. Several chairs said employees of the state-run services felt little if any accountability to the councils or their direction. If a local workforce council became dissatisfied with the availability or quality of services provided by state employees, it had no clear authority to make changes. One workforce council chair described how the council's efforts to relocate a center were stymied for over two-and-a-half years due to struggles between state and local officials. In another case, a council chair said that a workforce center had two receptionists on duty—one a state employee and the other a local employee—because of unresolved issues over who was in charge.

At the same time, managers from several of the state-run workforce programs told us that the workforce councils did not represent them and their services. These staff said they make reports to the councils, but council members ask few questions and show little genuine interest. They do not feel they have a genuine role in local decisionmaking, even though local decisions affect their operations. Furthermore, some state officials who were dissatisfied with what they perceived as inadequate performance of certain workforce councils felt they could do little to make substantial changes.

The state's WIA Unified Plan defines workforce centers according to certain programs that are required to provide services there.<sup>11</sup> In practice, however, several of Minnesota's workforce centers do not fit this definition because they no longer have state staff providing certain programs. Thus, we concluded that:

- **The issue of defining the services a workforce center must offer remains unresolved.**

Previous attempts to clarify questions about authority have failed to produce definitive results. For example, in a March 2004 report, DEED articulated a clear division of responsibilities over center-closure decisions, but the department had not officially adopted the report as of the end of 2004.<sup>12</sup> In another example, the Governor's Workforce Development Council began a process in 2002 to "credential" workforce centers. Had it continued, the process would have resulted in state-set criteria that all workforce centers would have been required to meet. Although four workforce service areas tested a credentialing template during 2002 and early 2003, the credentialing process was put on hold. Because those most

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<sup>11</sup> Department of Economic Security, *Workforce Investment Act Unified Plan* (St. Paul, April 2000), II.B. 29-30 and Attachment B.

<sup>12</sup> Department of Employment and Economic Development, *The Minnesota WorkForce Center System: Sustainable, Vital and Relevant* (St. Paul, March 2004), 5. This report came to be known as the "Gang of 24 Report" because the members involved with developing the report included 17 DEED employees and 7 local officials.



directly affected seem unable to resolve key concerns about authority, we think the Legislature must become involved.<sup>13</sup>

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### RECOMMENDATION

*The Legislature should clarify in law that DEED is responsible for setting minimum statewide standards to define workforce centers, including the services they must offer, but local workforce councils have authority for siting, opening, and closing workforce centers.*

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**The Department of Employment and Economic Development (DEED) should set minimum standards for workforce centers to ensure consistency and equity around Minnesota.**

We acknowledge that this change would resolve only one area where authority for setting policy is unclear. Federal regulations do not automatically allow the state to specify clear control over certain aspects of workforce centers, despite interest in this on the parts of both state and local officials. For example, federal regulations require state employees to provide services funded through Job Service.<sup>14</sup> Local workforce service areas cannot hire or set the terms of employment for state employees who deliver services locally, just as the state cannot do this for local employees. We believe that the law change we recommend on workforce center closures and siting will help, but it will not fully solve the lack of accountability resulting when one level of government employs the staff who work at a center, while a different level of government sets policy. Nonetheless, changing state law as we suggest would resolve the impasse over one authority issue that has generated ongoing problems.

We believe that DEED's involvement in setting minimum standards for defining workforce centers is required to assure consistency and equity around Minnesota. Without statewide parameters to guide workforce center closures, how service areas define what constitutes a workforce center could easily vary. This could create situations where citizens in one service area do not have access to the minimum level of services available to citizens elsewhere.

DEED should specify standards that workforce centers would be required to meet. At a minimum, the standards should specify the services that workforce centers are to provide.<sup>15</sup> Sites lacking any of the required services could operate under other state-set standards, but they would no longer be called workforce centers. The standards should include those that the state believes all workforce centers should meet.<sup>16</sup> This could include standards such as ensuring that all staff have the necessary technological skills or being open for business a minimum number of hours per week. Statewide standards should also define other delivery options,

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<sup>13</sup> A clarification would involve modifying state statutes at *Minn. Stat.* (2004), §116L.666, subd. 4, which lays out the purpose and duties of local workforce councils.

<sup>14</sup> 20 *CFR* §652.215 (2004).

<sup>15</sup> This includes defining the services that could be delivered through referrals to agencies not located on site at the center (such as adult-basic education instruction).

<sup>16</sup> Some preliminary standards have already been developed in earlier projects. For instance, work by the Governor's Workforce Development Council to credential workforce centers produced standards (such as having a current inventory of all workforce services in the community) intended to help workforce centers provide a high quality of service to their customers.

**Local workforce councils should have authority to maintain centers, close them, or convert them to other service delivery options.**

such as affiliates, for sites that cannot meet workforce center standards. Working within these parameters, local workforce councils would have the flexibility to maintain centers, close them, or convert them to other service delivery options.



Local workforce councils should have clear authority for workforce center siting and closure decisions.

We believe local workforce councils and their staff should make siting and closure decisions for workforce centers in their area. Federal and state laws established the local councils to set policy for workforce development services in their areas.<sup>17</sup> The councils should set the strategic direction for a workforce service area and determine how the workforce centers fit into that direction. In addition, they have information on the local labor force and understand local job seeker needs. With their private sector representation, they are close to local employers and are attuned to these firms' employment needs. To make informed decisions on workforce centers, the workforce councils need additional information about resources budgeted by the state for their areas, which is addressed later in this chapter.

We considered but rejected other options for assigning authority over center closures, openings, and relocations. The Legislature could vest authority for siting and closure decisions with DEED. This could be justifiable because of DEED's oversight role and because department employees deliver many of the workforce development services. But we believe that local workforce area councils and staff are in a better position than DEED to fully understand local needs and make decisions in the best interests of the businesses and job seekers that will be affected. Alternatively, the Legislature could give unilateral authority for siting, opening, and closure decisions to local councils without permitting DEED to establish parameters. We do not support this option because it could lead to unacceptable inequities in the levels of service available around the state. Furthermore, local workforce councils could not have unfettered authority because they do not control state employees who continue to provide services locally. Additional problems could arise if local service areas made changes that conflicted with labor agreements covering state employees.

<sup>17</sup> *Workforce Investment Act*, §117(a); and *Minn. Stat.* (2004), §116L.666, subd. 4.

## Accountability for Workforce Development Spending

WIA's enactment helped bring certain service providers together under one roof, but individual programs have retained their own funding sources and allocation formulas. We looked at the funding and spending arrangements for workforce development services and found that:

- **No single agency has full funding authority for workforce development spending, leaving no agency with complete information on, or accountability for, overall spending.**

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**Local workforce councils make spending decisions for some programs, but various state entities have spending authority for other programs delivered locally.**

Federal law gives to local elected officials responsibility for grants awarded to fund the federal workforce programs for adults, youth, and dislocated workers, and it authorizes local workforce councils to develop budgets for these programs.<sup>18</sup> In addition, Minnesota's local workforce councils typically manage spending for part of Minnesota's Dislocated Worker Program.

However, local councils have little control over the funds for many workforce development programs. DEED manages spending on Job Service, Vocational Rehabilitation, and State Services for the Blind, among other smaller programs. Counties receive the allocations for MFIP Employment and Training and control spending on it through contracts with workforce centers and other agencies that actually deliver the services.<sup>19</sup> The Job Skills Partnership Board manages the portion of Minnesota's Dislocated Worker Program reserved for "rapid responses" to mass layoffs; the board also controls the grants awarded through the Job Skills Partnership Program. For a number of individual programs, such as the federal Youthbuild Program, the federal government allocates funds directly to individual grant recipients who then control how the dollars are spent. In addition, spending decisions for adult-basic education and postsecondary vocational education, which federal law requires as part of the one-stop delivery system, are made by the state agencies that deliver those services. No single agency is in charge of these different programs as a whole, and accountability problems arise because of the inability to know how public dollars are spent for the services in their entirety.

Spending information is not available for workforce development services as a whole. Because laws divide spending authority among multiple agencies,

- **DEED does not know the full amount spent on workforce development services in the state.**

DEED does not maintain complete funding or spending information on all the federally required workforce development services because, as described above, other entities have some of the funding authority. In addition, local workforce service areas often receive grants or other funding beyond the federal money DEED allocates to them for adults, youth, and dislocated workers. Local service areas control these additional funds, and the department's accounting system does

<sup>18</sup> *Workforce Investment Act*, §117(d)(3)(A) and (d)(3)(B)(i)(I).

<sup>19</sup> In at least one workforce service area, the county has assigned to the workforce council all spending authority for MFIP Employment and Training services.

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**Previous estimates of funding for workforce development services have been incomplete.**

not record them. The Governor's Workforce Development Council has in the past reported estimates of the local resources available by workforce service area.<sup>20</sup> The estimates have limited use, however, because they are not done annually, do not include adult-basic education services or vocational education services, and do not consistently provide budgeted dollars and actual expenditures within each area. Further, the local data come from multiple local accounting systems, and the comparability of the data cannot be assured from service area to service area.

Because DEED does not control funding or spending for all programs, it does not have the data to estimate what the state spends in total on workforce development services. Lack of comprehensive data prevents the department from calculating what the state's return is from its workforce investments. In addition, because no one tracks the full amount allocated for workforce development services in their entirety, the state has little ability to make informed judgments on whether to adjust certain programs' budgets in favor of others. In 2000 and 2003, the Governor's Workforce Development Council released inventories of Minnesota's employment and training programs, which included expenditure and outcome data for many but not all services.<sup>21</sup>

Beyond the problems with incomplete statewide funding and spending information,

- **For the workforce development programs DEED manages, data do not allow analyzing funding by each workforce service area.**

DEED's funding data for its programs are available by some but not all workforce service areas. For instance, the department organizes data on Job Service funding according to its management structure for Job Service. Because one Job Service manager is in charge of the St. Cloud, Monticello, and Cambridge workforce centers, the funding data are arrayed by those three centers, even though they cross the boundary lines of two workforce service areas. Consequently, when service area directors requested state budget information in 2004, DEED provided the information for Job Service, but its accounting structure prohibited the department from separating the amount for Stearns-Benton Service Area #17, which houses the St. Cloud Workforce Center, from the amount for Central Minnesota Service Area #5, which contains the Monticello and Cambridge centers.

State and local agencies have not routinely shared their budget information with each other, even when it has implications for the other's services. For the state, this means the department makes budget decisions not knowing whether local resources may be available to supplement services that will otherwise be cut. For the service areas, this means setting local budgets without being aware of how changes planned by the state might affect their area. If local workforce councils are to make informed decisions about workforce centers' closures, as

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<sup>20</sup> Governor's Workforce Development Council, *Minnesota Workforce Center Strategic Plan* (St. Paul, January 2003), Appendix A; and Governor's Workforce Development Council, *Findings and Recommendations on Minnesota's Workforce Service Areas* (St. Paul, February 2004), 85-87.

<sup>21</sup> Governor's Workforce Development Council, *Inventory of Publicly-Funded Workforce Development Programs* (St. Paul, January 2003). Most notably, the inventory did not have information on publicly funded higher education, such as MnSCU, in part because of the difficulty in distinguishing funding for education purposes from that for workforce development.

recommended earlier in this chapter, they need additional financial information specific to their service area about programs the state provides.

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### RECOMMENDATION

*The Legislature should direct each of the state and local entities required to provide workforce development services to more fully exchange annual funding and spending information.*

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**Although Minnesota cannot change the structure imposed by federal law, it can make changes to allow more informed budget decisions.**

Short of rewriting the federal Workforce Investment Act to realign budgeting authority, certain actions could offer the opportunity to improve accountability and make informed budget decisions. A legislative requirement may provide a greater degree of certainty that all relevant programs will produce the necessary data. DEED, in conjunction with the Governor's Workforce Development Council, should estimate total annual spending by collecting compatible data from the various service providers, including MnSCU, adult-basic education programs, and the local workforce service areas. Collecting the pertinent data from the different agencies may present problems. However, even in cases where it is difficult to determine precisely how much is attributable to workforce development per se, we believe that an imperfect estimate is better than none at all. Working together with the others involved, DEED and the Governor's Council should examine what would be needed to produce an estimate of overall spending.

The department should also exchange comparable budget information with local service areas. At the state level, this would involve changing the structure of DEED's accounting database to calculate funding for state-run programs by each workforce service area. As part of DEED's annual review of its accounting structure, the department should make changes to existing accounts to permit this to occur.<sup>22</sup> At the local level, collecting comparable budget data may require additional resources because the service areas do not all use the same accounting systems. DEED, the Governor's Council, and the Minnesota Workforce Council Association should work together to determine the feasibility of this exchange.

### Local Workforce Service Area Spending

DEED does not track funds that local workforce service areas may raise locally, such as revenues from foundations or federal grants, as mentioned above. Nor does DEED track the expenditure of funds when a workforce service area contracts with other service providers to deliver services. To understand the scope of the budgeted services in individual workforce service areas, we used two service areas as test cases, looking at detailed information on their expenditures for the most recently completed fiscal year. Southwest Minnesota Service Area #6 offers federal programs for adults, youth, and dislocated workers through the Southwest Minnesota Private Industry Council, Inc., a nonprofit corporation. In contrast, Minneapolis Service Area #10 relies heavily on contracts with numerous nonprofit and governmental vendors to deliver services. These service areas provided us with data showing spending on their area's services (with the

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<sup>22</sup> Any changes to the accounting structure must also accommodate the department's need to provide data for meeting federal reporting requirements.



**For certain federal programs, local workforce service areas may not spend more than 10 percent of their allocations on administration costs.**

exception of the state-run programs). Table 2.1 summarizes spending by program from July 1, 2003 through June 30, 2004 for the two service areas.

Because federal law restricts local workforce service areas from spending more than 10 percent of their allocation for administration purposes, we looked at the division between administration and program costs in these two service areas.<sup>23</sup> State officials have raised questions about whether service areas that depended heavily on vendors spent more than others on administration.<sup>24</sup> From our analysis we concluded that:

- **Differences in administration expenses for two sample workforce service areas were small, and they represent an incomplete measure for comparison.**

We analyzed administration costs in two ways. First, we followed the federal government's regulations that define which items and services are administrative and which are program-related. These regulations specify that all costs of vendors, such as those with whom Minneapolis contracts, are to be considered

**Table 2.1: Spending by Program in Two Workforce Service Areas, FY 2004**

Program	Minneapolis #10		Southwest Minnesota #6	
	Amount	Percentage of Total	Amount	Percentage of Total
Federal WIA programs	\$2,299,997	35%	\$ 871,402	20%
State Dislocated Worker and Minnesota Youth Program	2,299,951	35	618,760	15
Other program grants	1,289,239 <sup>a</sup>	19	1,744,432 <sup>b</sup>	41
MFIP Employment and Training and other welfare-to-work programs	761,242	11	1,030,449	24
Total	\$6,650,429	100%	\$4,265,043	100%

NOTE: Percentages may not sum to 100% due to rounding.

<sup>a</sup>Includes \$978,000 in Community Development Block Grant funds; \$143,000 in a U.S. Housing and Urban Development grant; \$81,244 in a federal "H1B" grant targeted to health care employment and training; and \$44,000 in a U.S. Department of Justice grant.

<sup>b</sup>Includes \$1.4 million in a federal "H1B" grant; \$192,179 in a U.S. Department of Labor incentive grant; \$36,867 in U.S. Department of Justice grants; and \$33,211 in a Southwest Minnesota Foundation grant.

SOURCES: Office of the Legislative Auditor, analysis of Southwest Minnesota Private Industry Council, Inc., *PY 03 Budget Projection Information* (Marshall, MN: Southwest Minnesota PIC, September 30, 2004); Juanita Lauritsen, "Legislative Audit Report" (December 27, 2004), electronic mail; and Minneapolis Employment and Training Program, *Report on Expenditures for Minneapolis Employment and Training Program* (Minneapolis: Minneapolis Employment and Training Program, November 29, 2004).

<sup>23</sup> *Workforce Investment Act*, §128(b)(4)(A). The limitation applies to federal programs for adults, youth, and dislocated workers. Similarly, *Minnesota Statutes* (2004), §116L.17 subd. 5(1) limits recipients of state dislocated worker expenditures to 10 percent for administration expenses.

<sup>24</sup> Governor's Workforce Development Council, *Findings and Recommendations on Minnesota's Workforce Service Areas* (St. Paul, February 2004), 25-26.

“program” costs.<sup>25</sup> Results from this method show fairly comparable percentages of expenditures for administration expenses when comparing the Minneapolis Service Area #10 with Southwest Service Area #6, as Table 2.2 illustrates.

For the second method of analysis, we set aside the legal definition of administration costs and instead included costs incurred by vendors. We asked 15 vendors in Minneapolis to distinguish between program and administration costs for the grants awarded by the city. Most were able to do so even though federal law does not require them to make this distinction.<sup>26</sup> After adding the vendors’ derived administration costs to the city’s administration costs, we estimated that about 14.2 percent of fiscal year 2004 expenditures for federal programs serving adults, youth, and dislocated workers in Minneapolis Service Area #10 would be administration costs compared with the 11.9 percent for Southwest Service Area #6. In reality, redefining administration costs in this way would require a change to federal law. Should the law change, Minneapolis (as the grant recipient) could accommodate the change by modifying its contracts with vendors.<sup>27</sup>

**Table 2.2: Administration Expenses as a Proportion of Expenditures, FY 2004**

	Minneapolis Employment and Training Program	Southwest Minnesota Private Industry Council, Inc.
Expenditures <sup>a</sup>	\$2,191,849	\$835,451
Administration expenses	\$ 208,531	\$ 99,630 <sup>b</sup>
Administration as percentage of expenditures	9.5%	11.9% <sup>b</sup>
Administration costs plus vendor costs as percentage of expenditures <sup>c</sup>	14.2%	11.9%

<sup>a</sup>Expenditures are for federal programs serving adults, youth, and dislocated workers, excluding federal incentive awards.

<sup>b</sup>Includes amounts carried over from the prior program year. The 10 percent limit on administration expenses applies to the total allocation over the two-year period and, therefore, may be exceeded in a single year.

<sup>c</sup>Federal law does not limit the proportion of administration expenses incurred by vendors, such as those contracting with Minneapolis’ Employment and Training Program. Southwest Minnesota Private Industry Council, Inc. does not contract with vendors to deliver services.

SOURCES: Office of the Legislative Auditor, analysis of Southwest Minnesota Private Industry Council, Inc. *PY 03 Budget Projection Information* (Marshall, MN: Southwest Minnesota PIC, September 30, 2004); Juanita Lauritsen, "Legislative Audit Report" (December 27, 2004), electronic mail; Minneapolis Employment and Training Program, *Report on Expenditures for Minneapolis Employment and Training Program* (Minneapolis: Minneapolis Employment and Training Program, November 29, 2004); and Office of Legislative Auditor, *Survey of Minneapolis Employment and Training Program Vendors*, September 2004.

<sup>25</sup> 20 CFR §667.220(c)(4) (2004). The only exception is for amounts awarded solely for performing administrative functions, such as payroll or audit functions.

<sup>26</sup> Several of the vendors indicated that, due to high demand for services in fiscal year 2004, they supplemented the grants awarded by Minneapolis with revenues from other sources to pay for administration costs.

<sup>27</sup> Prior to the 1998 enactment of WIA, the Job Training Partnership Act had complex requirements related to administration costs, including those of vendors. U.S. Department of Labor, Employment and Training Administration, *One-Stop Comprehensive Financial Management Technical Assistance Guide* (Washington, D.C.: U.S. Department of Labor, July 2002), II-5-1 to II-5-6.

Whether the 2.3 percentage point difference is meaningful is difficult to say, especially because the definition of administration costs in our second method was artificial. When comparing costs across workforce service areas, administration expenditures may vary depending on the severity of customers' needs and the economic conditions of the local areas. In addition, administration costs by themselves (however they are defined), are insufficient to judge the cost-effectiveness of a workforce service area. More critical is information on the outcomes experienced by customers using the services. As is described in Chapter 3, both Minneapolis Service Area #10 and Southwest Minnesota Service Area #6 achieved incentive awards in each of the last three program years for the federal workforce programs serving adults, youth, and dislocated workers.

## Incomplete Coordination

Federal law gives policymaking authority to local workforce councils for the one-stop system in their areas, but it also gives similar authority to other agencies that deliver services. For instance, federal law requires the Job Service Program as a part of the one-stop system, but DEED operates and oversees it, and federal regulations require that state employees deliver those services.<sup>28</sup> Similarly, federal law requires the delivery of both adult-basic education services and postsecondary vocational education services through workforce centers.<sup>29</sup> Yet, primary authority for setting policies and overseeing services rests with other state entities, not local workforce councils. We found that:

- **Multiple entities have authority to set policies for workforce development services, which has contributed to incomplete coordination.**

Policies set by multiple authorities have sometimes conflicted, and service providers in several service areas described how they had to adhere to certain policies and defer others. As an example, one county employee working with MFIP Employment and Training said his role is to carry out the direction of the county board, even when it conflicts with the direction set by the workforce council, which wanted to focus resources more heavily on businesses. In another instance, service providers described conflicts that arose because county staff and local workforce council members both wanted to control how dollars were spent on MFIP Employment and Training.

In some cases, incomplete coordination has led to missed opportunities to save dollars. For example, service providers from different programs in a workforce center have purchased equipment, such as photocopiers, when a more coordinated arrangement would have resulted in equipment being shared by multiple programs. Also, it was common for each of several programs housed in one center to have its own employees responsible for intake and assessment instead of coordinating those responsibilities among programs.

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**Because of incomplete coordination, state and local officials have missed opportunities to save money.**

<sup>28</sup> 20 *CFR* §652.215 (2004).

<sup>29</sup> Services may be provided through referrals; they need not be physically located in the centers.



Diffuse authority also resulted in incomplete coordination even when service providers were working cooperatively at the local level. For instance, in a service area where the local workforce council had agreed on the need for improved marketing of workforce center services, service providers from several programs worked together to develop a joint marketing plan. After the plan was completed however, certain service providers had to pull out because their superiors redirected resources elsewhere, and the plan requested by the local council was not implemented.

In the sections below, we discuss insufficient coordination of two specific programs, adult-basic education services and postsecondary vocational education services. We focus on these programs because each is a large program affecting many people, federal law requires the delivery of these two services as part of the one-stop delivery system, and full coordination with other workforce development services is lacking.

### Adult-Basic Education Programs

**Minnesota's Department of Education, rather than local workforce councils, oversees adult literacy services, even though federal law requires offering the services through the "one-stop delivery system."**

Adult education and literacy programs are among the services federal law requires through the one-stop delivery system, but Minnesota's Department of Education, not the local workforce council, is authorized to set policies for and monitor adult-basic education.<sup>30</sup> The groups of public schools and nonprofit agencies around the state that administer adult-basic education services and provide the instruction do not report to local workforce councils. Adult-basic education administrators we spoke with said they may interact with local workforce councils, but they do not take direction from the councils. Although each of Minnesota's workforce service areas has at least one adult-basic education provider in it,

- **Diffuse authority has produced incomplete coordination between some local workforce councils and adult-basic education organizations.**

Access to adult-basic education through workforce centers is not consistent statewide. Some workforce center service providers in outstate Minnesota said that use of adult-basic education varied by county because not every county had adult-basic education instructors. Plus, only six or seven of the 50 workforce centers provide adult-basic education services on site. Although federal law does not require providing such services on site at workforce centers, many service providers at centers with on-site services said they help ensure that customers receive the adult-basic education services they need. Even in the centers that offer adult-basic education services on site, these services may not be available year round, despite the need, according to certain program managers. Other workforce center service providers expressed a desire to have adult-basic education services on site, but limited space or the cost of paying rent in the center precluded this.

Many workforce center service providers told us that they have arrangements to refer customers to nearby adult-basic education providers when such services are not available on site. However, referral arrangements have not been uniformly effective. Service providers described customers who did not receive the adult-basic education services they needed even when they were referred to

<sup>30</sup> *Workforce Investment Act*, §§121(b)(1); 203(4); 221(1); and 223(5).

instructors. Some workforce center service providers said they rarely referred any customers and were unaware of any relationship with local providers of adult-basic education.

As of June 2004, 5 of the 16 local workforce councils had no representative of a local school district or education district, and it was unclear for at least two other councils how familiar the local education representative was with adult-basic



Adult literacy services are available on site in a few workforce centers.

education services. Minnesota statutes require local workforce council membership to include representatives of educational agencies that “are representative of all” educational agencies in the local area.<sup>31</sup> Although other education representatives, such as those from postsecondary institutions, may help the local councils meet this requirement, we question whether councils that lack representation from a local school district or education district can achieve the same level of coordination with adult literacy activities as other councils.

**RECOMMENDATION**

*Local workforce councils should work with adult-basic education organizations to improve coordination, and DEED should facilitate this by developing guidance jointly with the Department of Education and the Governor’s Workforce Development Council.*

**Insufficient coordination prevents local workforce councils from ensuring that employment needs are met.**

Local workforce council coordination with adult-basic education organizations is important to fulfill the councils’ role of ensuring that service providers meet the employment needs of local employers and participants. For example, councils should devote time to learning about the adult-basic education services in the area and understanding how certain customers need to prepare for employment before finding a job. Also, workforce services staff should hold periodic meetings with adult-basic education staff. Although joint staff meetings are fairly common among the major service providers in workforce centers, meetings including adult-basic education staff are less frequent or do not occur.<sup>32</sup>

<sup>31</sup> Minn. Stat. (2004), §116L.666, subd. 3, (4)(i).

<sup>32</sup> The major service providers are typically state staff managing Job Service, Vocational Rehabilitation, and State Services for the Blind plus local staff managing the federal programs for adult, youth, and dislocated workers as well as MFIP Employment and Training and related programs.

Policy makers at the state level should facilitate additional local cooperation by providing guidance on specific activities, such as referral procedures, memoranda of understanding, and representation on workforce councils. Guidance on referral procedures should help ensure that local staff determine whether customers actually receive the adult-basic education services they need. Guidance on the memorandum of understanding required by federal law between an adult-basic education organization and a local workforce council should specify the contents of the memoranda.<sup>33</sup> Although Minnesota's Department of Education developed a memorandum template, it does not know whether the memoranda in place contain all the necessary provisions or even how many adult-basic education organizations around the state have signed one. In addition, the state should provide guidance regarding representation of adult-basic education on the local workforce councils to generate exchanges of information and other cooperative activities. In our view, the Governor's Council should be involved because of its role in assuring coordination among workforce development programs.<sup>34</sup>

### Postsecondary Vocational Education

Postsecondary vocational education services are also among the services federal law requires through the one-stop delivery system, but the Minnesota State Colleges and Universities system (MnSCU), rather than the workforce councils, oversees these services in Minnesota. As described in Chapter 1, state statutes give the MnSCU Board of Trustees sole authority to receive and disburse federal vocational education funds and require the board to develop a state plan for vocational technical education.<sup>35</sup>

Administrators of MnSCU and DEED have taken steps to increase coordination at the management levels of each agency. For instance, MnSCU's System Director for Customized Training is a member of the Job Skills Partnership Board and that board's executive committee, and he serves as an official liaison to DEED. The associate vice chancellor sits on the Governor's Workforce Development Council on behalf of MnSCU's chancellor, and MnSCU administrators take part in monthly meetings with a team of DEED directors. MnSCU established a key contact person for MnSCU institutions in the Twin Cities metropolitan area and planned to have similar positions filled for each of the state's six planning regions in late 2004, similar to the six regional administrators DEED instituted in June 2004 to coordinate programs in workforce service areas. Some workforce service areas have a high degree of coordination with nearby MnSCU institutions—for example, with MnSCU instructors teaching computer courses in the centers' computer labs or college presidents represented on local workforce councils. Despite these efforts,

- **Diffuse authority has produced incomplete coordination between some local workforce service areas and individual postsecondary campuses.**

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**Coordination is lacking between some workforce service areas and nearby postsecondary institutions.**

<sup>33</sup> WIA requires the memoranda to describe methods of referral and how services will be provided and funded. *Workforce Investment Act*, §121(c)(2).

<sup>34</sup> *Workforce Investment Act*, §111(d)(2)(A).

<sup>35</sup> *Minn. Stat.* (2004), §136F.79.

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**Additional coordination could help identify needs for certain training programs.**

MnSCU schools that receive federal funds must demonstrate that they are collaborating with workforce centers, but workforce center personnel in several service areas identified instances of insufficient coordination.<sup>36</sup> In a number of service areas, workforce center business-service representatives make calls on employers separately from contacts MnSCU employees make. Some workforce service area directors told us that although service providers refer customers to MnSCU for classes, there is little coordination with MnSCU on more strategic needs, such as determining the long-term implications of employment projections or how MnSCU can respond to locally identified needs for certain skill sets. For instance, one director described how the service area lacked sufficient nursing training to meet the demand and how better coordination with MnSCU might help anticipate that kind of demand in the future. In addition, one technical college representative explained that lack of coordination resulted in some customers falling between the cracks when they received referrals to MnSCU schools but failed to register or show up for class.

We also learned about lost opportunities due to insufficient coordination. Although a small business with specific training needs may not generate enough customers on its own for MnSCU training, service area directors said that additional coordination could have brought together several small businesses with similar training needs and supplied enough employees to justify the training. One director said that both the workforce center and a nearby MnSCU campus employed their own job placement staff, but the two could share such staff. Many workforce service area personnel also said that additional coordination could attune MnSCU schools to local needs, such as serving job seekers who were recently laid off.

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**RECOMMENDATION**

*The Legislature should require DEED and MnSCU to improve local coordination between workforce development and postsecondary vocational education institutions around the state.*

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**The Governor's Workforce Development Council is well suited to facilitate improved coordination.**

We believe that DEED and MnSCU should review coordination between workforce development and postsecondary vocational education around the state, determine whether examples of effective coordination in some areas can be replicated elsewhere, and report back with recommendations on improvements. Given that membership of the Governor's Workforce Development Council includes the commissioner of DEED and the chancellor of MnSCU's Board of Trustees, the council is in a good position to facilitate this review. A legislative requirement is needed because the Governor's control over MnSCU is less direct than gubernatorial authority for state departments such as DEED.<sup>37</sup> Both DEED

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<sup>36</sup> Examples of collaboration include representation on the local workforce council and entering into a memorandum of understanding with the council on operations (such as methods for referrals). U.S. Department of Education, Office of Vocational and Adult Education, *Program Memorandum – 99-11, Responsibilities and Opportunities Created by Title I of the Workforce Investment Act of 1998* (Washington, D.C.: U.S. Department of Education, May 24, 1999), 2.

<sup>37</sup> The 15 members of MnSCU's Board of Trustees are appointed by the Governor, with the advice and consent of the Senate, to six-year terms. Commissioners of state departments are appointed similarly but serve at the pleasure of the Governor, and their terms end with the term of the Governor.

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**Examples of cooperation between workforce service areas and postsecondary schools in some parts of the state could serve as models elsewhere.**

and MnSCU should be involved in the review because each needs to commit to improved cohesion between workforce development and education services for such a study to yield results.

We learned about examples of cooperation between workforce service areas and MnSCU institutions, which provide models for other parts of the state. The examples involve everything from jointly developing grant proposals, to sharing staff positions, to locating workforce centers on MnSCU campuses.<sup>38</sup> Other examples are providing career exploration workshops on campus, forming consortia of area MnSCU presidents to meet with workforce council chairs and directors, and convening regular meetings between the customized training directors of a college and the nearby workforce center program managers.

Besides identifying successful examples of coordination between MnSCU and workforce service areas, the review should determine whether certain impediments prevent that coordination from being replicated in other areas. Local factors, such as distance between a workforce center and the nearest MnSCU campus, should be identified to understand the feasibility of pursuing additional coordination. While such a report cannot by itself guarantee that additional coordination will occur, documenting successful coordination and determining its feasibility for use elsewhere might allow local and state leaders to make informed decisions about potential next steps.

## **LOCAL WORKFORCE COUNCILS’ ECONOMIC DEVELOPMENT FUNCTION**

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**Federal law requires local workforce councils to coordinate with state and local economic development strategies.**

Federal law requires local workforce councils to coordinate the local area’s workforce investment activities with economic development strategies.<sup>39</sup> Further, state statutes require that workforce council membership include representatives of economic development agencies.<sup>40</sup>

Although federal law does not specify which economic development efforts require coordination with workforce councils, authority for economic development in Minnesota exists both at the state and local levels of government. State law reinforces the need to unify workforce development and economic development. When the Legislature established the JOBZ economic development program in 2003, it required that applicants for the program include in their plans evidence that local workforce councils support the project.<sup>41</sup> Plus, one of the anticipated changes from merging the departments of Economic Security and Trade and Economic Development in 2003 was to integrate approaches to

<sup>38</sup> A 2001 report to the Legislature on the potential for co-locating workforce centers on MnSCU campuses identified three near-term opportunities for co-location and 22 candidates for further study of co-location in the longer-term future. Many of the co-location possibilities depended on the availability of capital funding to construct or renovate campus buildings to accommodate workforce centers. The Minnesota Department of Economic Security and the Minnesota State Colleges and Universities System, *Potential Co-location of Workforce Centers on MnSCU Campuses* (St. Paul, January 2001), 2-5.

<sup>39</sup> *Workforce Investment Act*, §117(d)(7).

<sup>40</sup> *Minn. Stat.* (2004), §116L.666, subd. 3(4)(iv).

<sup>41</sup> *Laws of Minnesota* (1Sp2003), ch. 21, art. 1, sec. 16 (b)(2).



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**Some local councils' coordination with economic development strategies is greater than others.**

economic development and workforce training.<sup>42</sup> At the local level, Minnesota counties and cities have authority for various economic development activities, such as granting property tax abatements to encourage a business to expand at a location.<sup>43</sup> From talking to local workforce council chairs, workforce service area directors, and others, we found that:

- **Some local workforce councils find it difficult to coordinate their activities with state and local economic development strategies, although federal law requires this coordination.**

A few workforce councils are actively coordinating with local economic development strategies in their areas. For example, in Dakota County one workforce council member is also a member of the county's economic development organization; the two work collaboratively to identify new businesses in the area and refer appropriate job seekers to them. All 16 of Minnesota's workforce councils have at least one member that represents economic development. We learned about some service areas' efforts to integrate with economic development, such as working with developers on workforce issues and holding economic development summits to review regionwide issues. Beyond that, the Minnesota Workforce Council Association recently committed to developing protocols for linking economic development with workforce development. Despite these efforts, however, several factors stand in the way of coordinating workforce development with economic development strategies consistently around the state, as described below.

## **Barriers to Coordination with Economic Development Strategies**

Only 4 of the 16 local workforce council chairs told us that their councils were actively involved in integrating their work with economic development efforts in the area. Half of the other chairs said they had some involvement, and many of these acknowledged that they expect to increase this role in the future. The other six chairs said their council had little if any involvement in economic development within their areas. Further, only half of the 16 service area directors indicated that the work of the workforce councils in their areas was heavily integrated with economic development strategies, although nearly all indicated the involvement will increase.

Council chairs cited practical difficulties they face when trying to integrate the councils' work with economic development strategies, particularly in rural parts of the state. First, council chairs told us that some economic development officials believe they have sufficient expertise and resist working with local workforce councils. Although federal law requires local workforce councils to coordinate their work with economic development strategies, it does not include a reciprocal requirement for economic development authorities. Neither state nor local economic development authorities are obliged by law to coordinate their activities with workforce development strategies.

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**Federal law does not include a reciprocal mandate requiring economic development authorities to cooperate with local workforce councils.**

<sup>42</sup> Matt Kramer and Harry Mares, "Governor's Recommendation, Trade and Economic Development Department," *2004-05 Biennial Budget* (St. Paul, February 18, 2003), 83-84.

<sup>43</sup> *Minn. Stat.* (2004), §§469.1813-469.1815.

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**Most local workforce service areas contain numerous economic development authorities.**

Second, many local councils represent multiple counties, and each county's involvement in economic development differs. Some counties have active economic development authorities, while others have none. Within some counties, certain cities also have their own economic development initiatives. Working with numerous local officials and such varied levels of interest makes it difficult for the council to develop a unified economic development message. Third, local chairs said that councils have few resources for handling economic development issues and no funding dedicated for the effort or hiring staff.

Beyond that, a few council chairs described how some of their council members were uncomfortable with a role in economic development. Some members feel unprepared for what they view as a new function. Others want to support economic development efforts already in place instead of creating new ones. Certain county commissioners with whom we spoke also expressed reservations about involving the workforce councils with economic development strategies. Some were reluctant about having government at any level trying to steer economic development, and some simply did not see this as part of their workforce council's role.

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**RECOMMENDATION**

*Local workforce councils should coordinate their work with state and local economic development strategies, to the extent they are not already doing so. To facilitate this, DEED and local workforce service areas should identify what is needed to coordinate workforce development with economic development and intensify efforts to provide information and training resources on coordination.*

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Integration with economic development will require local workforce councils to dedicate time and resources to the topic. Workforce councils will have to deal with barriers to this integration, particularly in outstate Minnesota where the service areas typically comprise several counties and numerous economic development efforts instead of a unified one. Among the workforce councils already embracing economic development issues, the activities range from basic to quite complex, and they offer examples of how to improve coordination. At one end of the spectrum, workforce councils should devote meeting time to presentations by local economic development specialists. More complex activities include identifying short lists of strategic industries and attracting companies and retraining workers within these industries. Another example is designing strategies that require developers who receive incentives from local governments to guarantee a certain number of jobs for targeted populations.

Where coordination is incomplete, DEED and local workforce service areas should identify what is needed to facilitate the coordination between workforce councils and economic development agencies. Some efforts are already underway. In 2004, DEED began working with representatives of local service areas on integrating economic development with other workforce council duties. For instance, DEED and the Minnesota Workforce Council Association produced

a package of training to provide workforce council members with an overview of economic development.<sup>44</sup> DEED and the association are also jointly developing a template for regional economic profiles in hope of developing a common set of economic development data and ways to analyze implications of economic development trends in each region.

DEED is also starting to integrate its own economic development staff with its workforce center staff. In the fall of 2004, DEED's economic development staff met with workforce center staff whose jobs include making contacts with businesses. DEED's intent was to identify steps that these staff persons who have worked separately in the past could now take together. DEED has also worked with two local service areas on pilot projects, one focusing on the health care industry and the other on the finance industry. Specialists in these industries were hired to coordinate the pilot projects and demonstrate how to target industries and meet those employers' needs.

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**Before seeking changes to state law, the department and local workforce service areas should determine what changes could improve coordination with economic development strategies.**

In addition to these efforts, DEED and the local workforce service areas should examine the existing coordination between local workforce councils and economic development authorities. Short of requesting changes to state statutes to force coordination, we believe the department should first determine what else is needed to improve coordination in those service areas where it is incomplete. In some cases, this may involve changes in activities on the part of economic development authorities. If so, DEED should determine whether the changes require modifications to state law.

In other cases, identifying a need for additional coordination may mean changes for local workforce councils. DEED should provide an ongoing set of resources for local workforce council members on the subject of economic development. Resources should include additional training for current council members, as well as institutionalizing the economic development overview described above for use by new members as they come into their positions. DEED should distribute information on best practices of workforce councils that have successfully integrated their work with economic development. It should ensure that the work of its economic development staff is more systematically integrated with that of its workforce center staff. It should also identify ways to involve its economic development staffs' expertise with the work of local workforce councils.

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<sup>44</sup> The first of the training sessions began in the late fall of 2004, and others have been developed for each of six planning regions in the state.





# Performance of Certain Workforce Development Services

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## SUMMARY

*The effectiveness of certain major workforce development programs for Minnesota's job seekers cannot be fully assessed, based on available information. For some services, such as Minnesota's Job Bank and those used by customers of workforce center resource rooms, the Department of Employment and Economic Development (DEED) does not have a mechanism for evaluating effectiveness. We recommend that DEED evaluate whether these services assisted users in finding or changing employment. Even though federal performance measures are in place to evaluate other programs, flaws in these measures limit their usefulness. Despite these measures' limitations, Minnesota has achieved federal performance goals for each of these programs in recent years. Workforce service areas vary in the extent to which they comply with a requirement to relate training services received by dislocated workers to occupations in demand. To improve compliance, we recommend that local workforce councils take steps, such as creating lists of occupations in demand, to ensure counselors comply with this requirement. We also found that relatively few Minnesota employers use Minnesota's Job Bank or other workforce center services. Employers using the Job Bank rate it highly, but there is little evidence on employers' success in hiring workers as a result of using the Job Bank. We recommend that DEED determine how many employers filled jobs with employees using the Job Bank. Furthermore, DEED should target its marketing toward particular industries to maximize its return on marketing dollars. We also recommend that DEED and the local workforce service areas intensify efforts to coordinate their business contacts.*

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As Chapter 1 discussed, a variety of state and federal programs provide workforce development services to job seekers and employers. Policymakers need information about the effectiveness of workforce development services to compare the value of different programs and to compare the quality of service delivery across states and workforce service areas. This chapter addresses the following questions:

- Are there adequate measures to gauge the overall performance of Minnesota's workforce development services?

- **How well has Minnesota met federal performance standards for certain workforce development services?**
- **How well do workforce service areas comply with certain requirements related to providing training services?**
- **How much do Minnesota employers use some of the common services provided through workforce centers, and what are businesses' perceptions of these services?**

To address these questions, we reviewed current federal and state efforts to measure the performance of many of the programs providing workforce development services. Where performance goals have been established, we examined Minnesota's success in meeting those goals. We interviewed Department of Employment and Economic Development (DEED) employees and local service area staff regarding the availability of data on users of certain workforce development services. We obtained data from DEED on the occupational fields in which dislocated worker participants received training to examine compliance with certain federal requirements for training services.<sup>1</sup> We examined DEED data and interviewed department and local staff regarding services for employers. Finally, we talked with a number of business representatives in different parts of the state about businesses' use of workforce center services.

## **EFFECTIVENESS OF CERTAIN WORKFORCE DEVELOPMENT SERVICES FOR JOB SEEKERS**

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**For some workforce development programs, the state negotiates performance goals with the federal government.**

Laws creating the various workforce development programs establish requirements for assessing program effectiveness. For some programs, the performance measures are dictated in law, while for others, the law delegates authority for designing performance measures to the agency overseeing the program. Performance measures for federal programs are developed at the federal level (either in law or by a federal agency). However, in some cases, the law requires a federal agency to negotiate state-specific goals for federal performance measures.

In this section, we examine the effectiveness of certain of the state's major workforce development programs. Our review includes only a subset of the numerous programs required by federal law to participate in the "one-stop system." We limited our review to workforce development programs identified as "core" programs in the state's five-year workforce development plan, as shown in Table 3.1. Although not one of these, Minnesota's Dislocated Worker Program is included in our review because its administration and services are similar to those

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<sup>1</sup> We limited our analysis to dislocated worker participants because participants of these programs account for the majority of people receiving subsidized training services.

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### Table 3.1: Minnesota's "Core" Workforce Development Programs

Federal programs serving adults, youth, and dislocated workers  
 Minnesota Dislocated Worker<sup>a</sup>  
 Job Service (staff-assisted users)  
 Minnesota's Job Bank (a program within Job Service)  
 Vocational Rehabilitation  
 State Services for the Blind

NOTE: The state's five-year workforce development plan identifies the "core" programs in the state's one-stop system.

<sup>a</sup>The Minnesota Dislocated Worker Program is not a core program, but is included here because its administration and services are similar to the federal Dislocated Worker Program, which is one of the core programs.

SOURCE: Minnesota Department of Economic Security, *Workforce Investment Act Unified Plan* (St. Paul, April 2000), II.B.27.

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of the federal Dislocated Worker Program, which is considered a core program. Because we focused on core programs, our analysis excludes the state's performance on other workforce development programs, such as the Adult-Basic Education Program, the Vocational and Technical Education Program, and the MFIP Employment and Training Program.

The methods designed to monitor the impact of these workforce development services vary by program. Some programs have both specific measures of program outcomes, such as the percentage of participants leaving a program who find a job, and annual goals for those measures. Failure to meet the goals results in sanctions, such as a reduction in program funding. In some cases, programs also provide financial incentives for states exceeding annual performance goals. Other programs have performance measures, but they require states or local service areas to only report information on specific program outcomes, rather than to achieve performance goals.

Some programs lack both performance measures and goals, but still report some information regarding program usage. While not a measure of impact, tracking the number of individuals using a service provides some information about the overall influence of a program. Finally, some programs simply monitor providers' compliance with the program's requirements on eligibility or the types of services offered.

In our evaluation, we identified problems with the ways used to assess program effectiveness. For programs with performance measures, we also examined the extent to which the state or local workforce service areas have met established goals. Finally, we analyzed compliance with a requirement related to effectiveness of the dislocated worker programs—that training funded under the programs be related to occupations in demand.

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**Many workforce development programs have performance measures, but others have none.**

## Problems With Assessing Services' Effectiveness

The adequacy of efforts to monitor the effectiveness of services provided to job seekers varies significantly among the core workforce development programs, as shown in Table 3.2. Based on our review, we found that:

- **The effectiveness of certain major workforce development programs cannot be fully assessed due to the absence of performance measures for some programs and the inadequacy of performance measures for other programs.**

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**For some services, the total number of customers is unknown.**

Participants receiving some types of services are not tracked; consequently, the full extent of the use of these services is unknown. Some programs lack both performance measures and goals. In addition, the performance measures for some programs have limited usefulness.

### Lack of Performance Measures

The impacts of many of the core workforce development programs cannot be evaluated based on the data currently available. As shown in Table 3.2, the

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**Table 3.2: Types of Evaluation for the "Core" Workforce Development Programs**

<u>Program or Participant Group</u>	<u>Funding Source</u>	<u>Count of Users</u>	<u>Performance Measures<sup>a</sup></u>	<u>Performance Goals<sup>b</sup></u>
Federal programs serving adults, youth, and dislocated workers	Federal	Yes	Yes	Yes
Resource room users not enrolled in a program	Federal <sup>c</sup>	Incomplete and inaccurate	No	No
Minnesota Dislocated Worker	State	Yes	No	No
Job Service and Veterans (staff-assisted services)	Federal	Yes	Yes	Yes <sup>d</sup>
Minnesota's Job Bank (a program within Job Service)	Federal	Incomplete	No	No
Vocational Rehabilitation	Federal	Yes	Yes	Yes
State Services for the Blind	Federal	Yes	Yes	Yes

<sup>a</sup>Performance measures provide data on participants' outcomes, such as the number of participants finding a job when they leave the program.

<sup>b</sup>Performance goals are levels that states or local service areas must meet. For example, a program may require that 60 percent of a state's participants find a job when they leave the program.

<sup>c</sup>Local workforce service areas have flexibility in how they choose to fund services for resource room users. Typically, they use Job Service funds or WIA program funds for this purpose, but areas may also use funds from other sources.

<sup>d</sup>States will be subject to performance standards for the Job Service Program for the first time in program year 2004 (July 1, 2004 through June 30, 2005).

SOURCE: Office of the Legislative Auditor.

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**Self-service users of the Job Bank are not subject to federal performance measures.**

following lack performance measures: Minnesota's Job Bank, services provided by Job Service staff, services provided in workforce center resource rooms, and the state Dislocated Worker Program.

The impact of Minnesota's Job Bank on job seekers cannot currently be determined because self-service users of the Job Bank are not subject to federal performance measures. States use Job Service program funds to create state job banks and to provide for staff who assist job seekers with job searches. As described in Chapter 1, job seekers can use Minnesota's Job Bank through any computer with Internet access, whether it is located in a workforce center or their own home. The U.S. Department of Labor has established performance measures for the Job Service program, but they apply only to job seekers receiving Job Service staff assistance, not self-service users of state job banks.

The federal department requires states to report three job-seeker performance measures for those receiving assistance from Job Service staff: job placement rate, retention rate, and job seeker satisfaction.<sup>2</sup> States use data from unemployment records to determine whether an individual receiving Job Service assistance changed jobs or obtained employment in a specified period. Prior to July 1, 2004, federal policy required only that states report performance on these measures, rather than requiring states to meet performance goals. Starting in 2005, states will be required to meet performance goals that they negotiate with the department.<sup>3</sup>

**Federal performance measures do not apply to services used in workforce center resource rooms.**

The impact of services provided in workforce center resource rooms is also unknown due to the absence of performance measures. Individuals can access a variety of services in resource rooms such as: Minnesota's Job Bank and other job search websites; information regarding specific workforce



Accurate data are unavailable on the number of people using resource rooms.

development programs and training programs; word processing software for resume development; and phones, copy machines, and fax machines. Federal laws require that local areas provide these types of services. The law specifies

<sup>2</sup> Placement rate measures the percentage of participants who found new or different employment one or two quarters following enrollment. Retention rate measures the percentage of those with new or different employment who still earned wages from any employer two quarters after they found new or different employment. Job seeker satisfaction measures Job Service participants' overall satisfaction with services received. 66 *Fed. Reg.* 29,648 (2001).

<sup>3</sup> States will be required to meet performance goals for job placement rates and retention rates, but not job seeker satisfaction. Minnesota has negotiated a performance goal of 60 percent for the job placement rate measure and a goal of 75 percent for the retention rate measure.

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**The counts of resource room users are incomplete and unreliable.**

performance measures for services to participants in the federal programs for adults, youth, and dislocated workers, but it exempts services that are self-service or informational in nature—those provided to individuals using resource rooms in workforce centers.<sup>4</sup>

In addition, even data on the number of individuals using resource room services are unavailable. Federal regulations require counting the number of participants enrolled in the adult, dislocated worker, and youth programs, but local service areas are not required to enroll individuals receiving only services that are self-service or informational in nature.<sup>5</sup> Although federal law does not require counting resource room users, many, but not all, workforce centers in the state attempt to count them. However, the counts provided by centers are incomplete and unreliable. The methods often fail to identify the number of visits by a specific individual, meaning that the counts reflect the total number of visits to a center rather than the total number of individuals visiting. In addition, centers vary widely in their approach to counting visits, using methods such as staff making head counts, sign-in sheets, and motion detectors. Motion detectors count staff entering the building, in addition to users, adding to the inaccuracy of counts. Consequently, counts across workforce centers are not comparable.

DEED has not developed performance measures for the state Dislocated Worker Program, which means it cannot evaluate the performance of the program or the program's providers. Previous state law required the Job Skills Partnership Board, in consultation with the local workforce councils, to develop performance measures and goals for this program.<sup>6</sup> However, DEED (which staffs the board) delayed the development of state measures for many reasons, including the pending development of additional measures for federal programs and limited staff and resources. The 2004 Legislature amended state law to require DEED and the Job Skills Partnership Board to jointly establish performance measures for local service areas and other eligible providers of state dislocated worker services. DEED and the board must consult with the local service areas in setting minimum performance goals for these measures.<sup>7</sup> In the fall of 2004, DEED and the board began the process of developing performance measures for the state Dislocated Worker Program.

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**RECOMMENDATION**

*The Department of Employment and Economic Development should continue its efforts to count individuals visiting workforce center resource rooms and to measure the impact of services provided there. In addition, the department should monitor whether Minnesota's Job Bank assisted self-service users in obtaining or changing employment.*

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DEED recently initiated a plan for a client-tracking system that would provide a more accurate and consistent count of the number of resource room users in workforce centers. The plan would require users to provide a social security

<sup>4</sup> *Workforce Investment Act*, §136(b)(2)(A)(i).

<sup>5</sup> 20 *CFR* §663.105 (2004).

<sup>6</sup> *Laws of Minnesota* (1Sp2001), ch. 4, art. 2, sec. 7, subd. 6.

<sup>7</sup> *Laws of Minnesota* (2004), ch. 257, sec. 8.



number and sign in each time they visit a center, either by using an electronic swipe card or entering a user name and password. The department plans to conduct a pilot study in the spring of 2005 to determine which of these two sign-in methods is more effective. DEED also plans to evaluate two options for measuring the impact of resource room services: (1) matching visitors' social security numbers with employment data in its unemployment database to determine whether individuals have changed employment status or changed employers and (2) surveying resource room visitors as part of DEED's job seeker customer-satisfaction survey.

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**A survey is needed to determine whether resource room users found employment due to the services they received.**

Performance measures for most other workforce development programs determine program impacts primarily by relying on participants' employment and wage data from the state unemployment database.<sup>8</sup> However, these data alone may be insufficient to determine the effectiveness of resource room services. Centers provide a broad range of services in resource rooms, and customers visit these rooms for a variety of reasons. In addition, participants enrolled in specific programs receive more individualized and intensive one-on-one services from counselors than resource room users. For example, enrolled participants receive services such as job search assistance, career counseling, and training, while resource room visitors use services such as Minnesota's Job Bank, other Internet job search tools, and newspapers. For these reasons, the connection between a change in employment (as measured by the unemployment database) and a service received is more tenuous for resource room customers than for participants enrolled in specific workforce development programs. While DEED's proposed methods for determining program impacts may be useful, DEED should supplement them with a follow-up survey of a sample of resource room visitors to determine the relationship between the specific services received and change in employment.

DEED should also evaluate various means of measuring outcomes for self-service users of Minnesota's Job Bank. DEED could consider using unemployment and wage data from its unemployment database to determine whether a Job Bank user changed employment. As with the resource room users, the connection between a change in employment indicated in the unemployment database and use of the Job Bank is tenuous without additional followup. If DEED uses these data, it should supplement the information by surveying a sample of Job Bank users to determine whether they found a new job through the Job Bank or some other means. In addition, DEED should add self-service Job Bank users to the list of workforce center customers the department surveys to assess their general satisfaction with services.<sup>9</sup>

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<sup>8</sup> To facilitate the state unemployment insurance system, employers must provide DEED with data on their employees' hours worked and wages. DEED collects this information in an unemployment database.

<sup>9</sup> DEED's evaluation of the use of Minnesota's Job Bank will be limited to only a portion of Job Bank users. As permitted by federal policy, Minnesota has chosen to require self-service job bank users to "register," meaning they must provide certain contact information such as their social security number to access Minnesota's Job Bank. However, DEED's count of Job Bank users is not complete because users can preview portions of the Job Bank without registering. U.S. Department of Labor, Employment and Training Administration, *Data Preparation Handbook* (Washington, D.C.: U.S. Department of Labor, April 2002), 8.



### Limited Value of Performance Measures

As shown in Table 3.2, performance measures are in place for some of the core workforce development programs. However, we found that:

- **Current performance measures are of limited value for determining the performance of either a specific program or the performance of workforce centers as a whole.**

Table 3.3 and Table 3.4 list the federally required performance measures used to evaluate states' effectiveness in serving participants enrolled in federal programs for adults, youth, and dislocated workers; Vocational Rehabilitation; and State Services for the Blind. In general, these measures focus on the rates at which program participants obtain and retain employment and experience changes in earnings.

The U.S. General Accounting Office has reported extensively on problems with the federal performance measures for programs serving adults, youth, and dislocated workers.<sup>10</sup> As described earlier in this chapter, the measures exclude individuals using workforce center resource rooms. In addition, a lag in data means the performance measures fail to provide current information on how well states and local service areas are performing. The measures rely primarily on data from the unemployment database to determine whether a participant found a job, retained a job, and experienced an increase in earnings. Several months elapse between the time an individual changes employment status and the time the information is recorded in the unemployment database. Because of this time lag, the individuals included in a state's performance measures for a specific year received services in a much earlier period, usually about one-and-a-half years earlier. In addition, the nature of the performance measures creates an incentive for local areas to engage in "creaming" customers, meaning they would enroll only individuals that are easiest to serve, and thus, most likely to raise areas' performance results.<sup>11</sup>

An inherent problem in determining the effectiveness of workforce development services for job seekers is separating the effects of the services from those of the economy. The status of the economy affects a participant's ability to find a job, as much as a participant's skills and abilities or the workforce development services provided. During periods of great growth in jobs, the high demand for employees makes a job seeker's task easier, while the converse is true during economic downturns. Consequently, changes in actual performance over time may reflect changes in the economy rather than changes in the quality of service delivery.

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**Federal performance measures for certain workforce development programs have flaws.**

<sup>10</sup> General Accounting Office, *Workforce Investment Act: States and Local Areas Have Developed Strategies to Assess Performance, but Labor Could Do More to Help* (Washington, D.C.: General Accounting Office, June 2004); and General Accounting Office, *Workforce Investment Act: Improvements Needed in Performance Measures to Provide a More Accurate Picture of WIA's Effectiveness* (Washington, D.C.: General Accounting Office, February 2002).

<sup>11</sup> Others have cited concerns about "creaming." For example, see Social Policy Research Associates, *The Workforce Investment Act After Five Years: Results from the National Evaluation of the Implementation of WIA* (Social Policy Research Associates: Oakland, CA, June 2004).

**Table 3.3: Federal Performance Measures for Programs Serving Adults, Youth, and Dislocated Workers**

<u>Program and Performance Measure</u>	<u>Brief Description</u>
<u>Adult</u>	
Entered employment rate	Participants unemployed at the time they registered for the program who are employed by the end of the first quarter after leaving the program
Six-month employment retention rate	Participants employed in the first quarter after leaving the program who remain employed in the third quarter after leaving
Average six-month earnings change	Average change in earnings for participants employed in the first quarter after leaving the program, comparing earnings after leaving with earnings prior to entering the program
Entered employment and credential rate	Participants who received training services, are employed in the first quarter after leaving the program, and received a credential by the end of the third quarter after leaving <sup>a</sup>
<u>Dislocated Worker</u>	
Entered employment rate	Participants leaving the program who became employed by the end of the first quarter after leaving
Six-month employment retention rate	Participants employed in the first quarter after leaving the program who remain employed in the third quarter after leaving
Six-month earnings replacement rate	Earnings for participants employed in the first quarter after leaving the program as a percentage of earnings prior to job layoff
Entered employment and credential rate	Participants who received training services, are employed in the first quarter after leaving the program, and received a credential by the end of the third quarter after leaving <sup>a</sup>
<u>Youth</u>	
<u>Older youth (19-21)</u>	
Entered employment rate	Participants who are not employed at registration, and who are not enrolled in postsecondary education or training in the first quarter after leaving the program, but are employed by the end of the first quarter after leaving
Six-month employment retention rate	Participants who are employed in the first quarter after leaving the program and remain employed in the third quarter, but are not enrolled in postsecondary education or training in the third quarter
Average six-month earnings change	Average change in earnings for participants who are employed in the first quarter after leaving the program (but who are not enrolled in postsecondary education or training in the third quarter after leaving), comparing earnings after leaving with earnings prior to entering the program
Entered employment, education, training, and credential rate	Participants who are in employment, postsecondary education, or training in the first quarter after leaving the program and who have received a credential by the end of the third quarter after leaving <sup>a</sup>
<u>Younger youth (14-18)</u>	
Skill attainment rate	Goals attained by participants (whether or not they are enrolled in school) who needed skill development in the areas of basic skills, work readiness skills, and occupational skills
Diploma attainment rate	Participants who register without a diploma but leave the program during a quarter having attained a secondary school diploma or its equivalent
Retention rate	Participants leaving the program during a quarter who are in any of the following activities in the third quarter after leaving: postsecondary education, training, employment, military service, or qualified apprenticeships
<u>All Programs</u>	
Participant customer satisfaction	Weighted average result of three survey questions on overall program satisfaction
Employer customer satisfaction	Weighted average result of three survey questions on overall program satisfaction

<sup>a</sup>Minnesota Department of Employment and Economic Development defines a credential as a degree or certificate, including a high school diploma, GED, postsecondary degree or certificate, and licensure or industry-recognized certificate.

SOURCE: *Workforce Investment Act*, §136; U.S. Department of Labor, Employment and Training Administration, *Training and Employment Guidance Letter No. 7-99: Core and Customer Satisfaction Performance Measures for the Workforce Investment System* (Washington, D.C.: U.S. Department of Labor, March 3, 2000); and Minnesota Department of Employment and Economic Development, *WIA Title IB and Related Activities Manual Policy Manual* (St. Paul, February 15, 2001).

**Table 3.4: Federal Performance Measures for Vocational Rehabilitation and State Services for the Blind**

	Definition of Measure
Indicator 1.1	Number of participants in the current year who left the program and became employed compared with those for the previous year.
Indicator 1.2	Percentage of participants leaving the program who became employed.
Indicator 1.3	Percentage of individuals leaving the program with employment who are in "competitive employment," self-employment, or "business enterprise program (BEP) employment" with earnings at least equal to the minimum wage. <sup>a</sup>
Indicator 1.4	Percentage of participants leaving the program employed in "competitive employment," self-employment, or "BEP employment" who are individuals with significant disabilities. <sup>a</sup>
Indicator 1.5	Ratio of the average hourly earnings of individuals leaving the program employed in "competitive employment," self-employment, or "BEP employment" with earnings at least equal to the minimum wage to the average hourly earnings of all employed individuals in the state. <sup>a</sup>
Indicator 1.6	For individuals leaving the program employed in "competitive employment," self-employment, or "BEP employment" with earnings at least equal to the minimum wage, the difference between the percentage who reported their own income as their primary source of income when they left the program and the percentage who reported this when they applied for the program. <sup>a</sup>
Indicator 2.1	Ratio of the "service rate" for individuals with disabilities from minority backgrounds to the service rate for all nonminority individuals with disabilities. <sup>b</sup>

<sup>a</sup>Competitive employment is defined as employment in the labor market in an integrated setting that pays at least the minimum wage. BEP employment refers to employment where a client operates a vending facility, or other small business, that is managed by the state agency providing rehabilitation services.

<sup>b</sup>Service rate is defined as the percentage of individuals leaving the program who received services from a counselor under an individualized plan of employment.

SOURCES: 34 *CFR* §361.5 (b)(11) (2004); and §§361.80-361.86 (2004).

To determine whether a state has met performance goals for a specific year, the federal government accounts for economic differences across states. Federal law requires the Department of Labor to negotiate with states performance goals that consider differences in economic conditions, participant characteristics, and the types of services provided.<sup>12</sup> Although the Department of Labor has negotiated performance goals with each state, the General Accounting Office has raised concerns that the department does not adequately account for differences among states in economic conditions and participant demographics.<sup>13</sup> In contrast with the state-negotiated performance goals for the federal programs serving adults,

<sup>12</sup> *Workforce Investment Act*, §136(b)(3)(A)(iv).

<sup>13</sup> General Accounting Office, *Workforce Investment Act: States and Local Areas Have Developed Strategies to Assess Performance, but Labor Could Do More to Help* (Washington, D.C.: General Accounting Office, June 2004), 32; and General Accounting Office, *Workforce Investment Act: Improvements Needed in Performance Measures to Provide a More Accurate Picture of WIA's Effectiveness* (Washington, D.C.: General Accounting Office, February 2002), 14.

**Workforce development programs use different measures of performance.**

**Methods for calculating performance measures vary greatly across programs, preventing comparisons of overall performance.**

youth, and dislocated workers, the Vocational Rehabilitation and State Services for the Blind programs use nationwide performance goals; consequently, they fail to account for states' economic differences.<sup>14</sup>

Beyond flaws in the performance measures for specific programs, differences in program-specific performance measures prevent comparisons of the quality of services provided by different workforce centers or by different programs. Federal law created workforce centers where individuals can access the vast array of workforce development programs at one location. Without equivalent

measures for all programs, however, the overall quality of services provided by individual workforce centers or local service areas cannot be evaluated. In addition, we cannot compare the performance of the core programs, such as the federal programs for adults, youth, and dislocated workers, with Vocational Rehabilitation or other programs. Even where federal performance measures for programs appear similar, the methods for



In workforce centers, individuals have access to an array of services at one location.

calculating measures vary significantly. For example, the federal programs for adults, youth, and dislocated workers define “placement” as entry into employment by the end of the first quarter after leaving the program, regardless of how long the employment is retained.<sup>15</sup> Vocational Rehabilitation, in contrast, treats a participant as having entered employment only if the employment is retained for 90 days.<sup>16</sup> In addition, the former programs rely primarily on the unemployment database to determine whether a participant obtains employment, whereas Vocational Rehabilitation relies solely on reports from participants or their counselors.

In 2001, the U.S. Office of Management and Budget began work to develop a set of common performance measures for the major federal job and training programs. These measures would apply not only to the federal programs listed in Table 3.2, but also to other large workforce development programs, such as the Adult-Basic Education Program, the Vocational and Technical Education Program, and the MFIP Employment and Training Program. The four measures proposed for adult programs are similar to those currently used for the federal

<sup>14</sup> *Workforce Investment Act*, Title IV, §106(a); and 34 *CFR* §361.86 (2004).

<sup>15</sup> U.S. Department of Labor, Employment and Training Administration, *Training and Employment Guidance Letter No. 7-99: Core and Customer Satisfaction Performance Measures for the Workforce Investment System* (Washington, D.C.: U.S. Department of Labor, March 3, 2000), 12, 16, and 18.

<sup>16</sup> 34 *CFR* §361.56(b) (2004).

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**To gauge customer satisfaction, the Department of Employment and Economic Development surveys a sample of job seekers who have registered for programs.**

program for adults, except a measure of program efficiency replaces the credential rate measure.<sup>17</sup> While the measures appear to be a step toward evaluating workforce centers as a whole, they have yet to be implemented. According to DEED staff, when or if these measures will be implemented is unclear.

In the meantime, DEED has taken steps to develop methods of evaluating the effectiveness of local workforce service areas in providing services to job seekers. The department is currently evaluating whether it can apply the proposed federal common performance measures across the various programs. In addition, since late 2002, DEED has conducted a survey of job seekers from across the various workforce development programs.<sup>18</sup> DEED uses the survey to evaluate customer satisfaction across the state as a whole, among the 16 workforce service areas, and across different programs.

DEED's survey is a significant step toward evaluating performance for workforce development services as a whole, rather than by program. However, some aspects of the process DEED uses to conduct the survey limit the validity of its results.<sup>19</sup> For example, the response rate for the survey is somewhat low. The statewide response rate for the survey is 62 percent, with rates varying from 52 to 69 percent across the workforce service areas.<sup>20</sup> One of the reasons for the low response rate is that many customers in the sample had invalid phone numbers.<sup>21</sup> The low response rate raises questions about whether those responding to the survey represent the total population of job seekers.

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**The validity of the survey's results is somewhat limited.**

Furthermore, DEED's methods for attributing job seekers to a specific workforce service area limit the survey's use in comparing the performance of workforce service areas. The staff-assisted Job Service customers are assigned to a service area based on the zip code of their home address, rather than on the location where they actually received services. In the Twin Cities metropolitan area, it is quite possible that Job Service customers visit a workforce center other than the one nearest their home. To the extent that this happens, survey results misrepresent satisfaction levels for those service areas.

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<sup>17</sup> U.S. Department of Labor, Employment and Training Administration, *Training and Employment Guidance Letter No. 15-03: Common Measures Policy* (Washington, D.C.: U.S. Department of Labor, December 10, 2003), 6-8.

<sup>18</sup> DEED surveys a sample of participants enrolled in at least one of the following programs: federal programs for adults, youth, and dislocated workers; Minnesota Dislocated Workers; Food Support Employment and Training; Job Service and Veterans; MFIP Employment and Training; State Services for the Blind; Vocational Rehabilitation; and Minnesota Youth.

<sup>19</sup> DEED contracts with the Center for Survey Research and Analysis at the University of Connecticut to conduct the survey. However, DEED provides the center with contact information for the survey sample. Validity refers to assurances that results from the sample can be generalized to the full population of users.

<sup>20</sup> These are the response rates for the survey covering the 12-month period through June 30, 2004. By comparison, the U.S. Department of Labor requires states to have a response rate of 70 percent for the surveys used to evaluate participants' and employers' satisfaction with the federal programs for adults, youth, and dislocated workers. U.S. Department of Labor, Employment and Training Administration, *Training and Employment Guidance Letter No 6-00 Change 1: Changes to Guidance on Capturing Customer Satisfaction Results for Participants and Employers Receiving Services Under Title I of the Workforce Investment Act* (Washington, D.C.: U.S. Department of Labor, October 31, 2001).

<sup>21</sup> Only 77 percent of the original sample had valid phone numbers.



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### RECOMMENDATION

*DEED should improve the validity of its job-seeker satisfaction survey, particularly in using the survey to compare results across workforce service areas.*

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**The department should evaluate whether low response rates created bias in the survey results.**

DEED should evaluate whether low response rates for the survey creates biased survey results. The department could approach this by aggressively seeking nonrespondents and comparing their responses to previous survey results. If DEED finds evidence of bias, it should consider options for increasing the survey's response rate. One option is to increase the chances that customers can be reached by improving the accuracy of contact information provided by customers. Although this approach could be costly, a higher response rate, such as the 70 percent the U.S. Department of Labor requires for the measures of certain federal programs, is necessary to produce meaningful survey results.

To improve the accuracy of workforce service area comparisons, DEED should alter its method of identifying which service area provided services to Job Service customers. The data system used to register Job Service customers contains information on the location where a customer first received staff-assisted services and on the location of each staff person who provided services to the customer. Using these data would more accurately attribute Job Service customers to the service area in which they received services.

## Performance Goals for Certain Workforce Development Services

We examined the extent to which federal programs serving Minnesota's adults, youth, and dislocated workers, as well as the Vocational Rehabilitation Program and the State Services for the Blind Program, have met federal program performance goals. We found that:

- **Despite performance measurement flaws, Minnesota has met federal performance goals for certain of its major workforce development programs.**

For program years 2001 through 2003, the state has achieved its goals for the federal programs serving adults, youth, and dislocated workers.<sup>22</sup> As described in Table 3.3, federal law prescribes 17 performance measures for these programs. The U.S. Department of Labor negotiates with each state to establish state-specific performance goals. For these program measures, a state must achieve a result that is at least 80 percent of the state negotiated goal to have met

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<sup>22</sup> Program year 2001 was July 1, 2001 through June 30, 2002.

**In the last three years, Minnesota has met its goals for each of 17 measures that gauge performance for federal programs serving adults, youth, and dislocated workers.**

the performance goal. If a state fails to achieve 80 percent of the negotiated goal for any of the 17 measures, the state fails for that year.<sup>23</sup> The U.S. Department of Labor must provide technical assistance, upon request of the state, if a state fails in any one year. The federal department may choose to reduce a state's grant under the program if a state fails for two or more consecutive years.<sup>24</sup>

As shown in Table 3.5, Minnesota achieved at least 80 percent of its state goal for each of the 17 measures in program years 2001 through 2003, meaning it met goals for all three years.<sup>25</sup> Federal law required the Department of Labor to renegotiate levels for state performance during program year 2003. As shown in Table 3.5, Minnesota negotiated lower state goals for many of the measures in program year 2003. DEED officials negotiated lower goals because, at the time of renegotiation, Minnesota's economy was slowing.<sup>26</sup> The state's actual performance improved or remained the same for many measures in program year 2003, meaning that the state's performance as a percentage of many of its state goals rose considerably during this year.

Table 3.6 shows that actual performance on most of these federal measures increased between program years 2001 and 2003. The state's performance declined on only 3 of the 17 measures, and only the earnings replacement rate measure for dislocated workers declined substantially. As discussed above, trends in performance over time must be viewed cautiously because many factors other than the quality of service, such as economic conditions and participant demographics, can affect outcomes.

Federal law encourages state performance not only through sanctions for poor performance, but also by offering financial incentive grants for good performance. To qualify for these grants, states must exceed performance goals for three federal programs: WIA programs serving adults, youth, and dislocated workers; the Adult Education and Family Literacy program (Adult Basic Education); and the Vocational and Technical Education program.<sup>27</sup> The federal laws funding the latter two programs establish federal performance measures for the programs and require the U.S. Department of Education to negotiate with states to set state performance goals.<sup>28</sup>

<sup>23</sup> U.S. Department of Labor, Employment and Training Administration, *Training and Employment Guidance Letter No. 8-99: Negotiating Performance Goals; and Incentives and Sanctions Process under Title I of the Workforce Investment Act (WIA)* (Washington, D.C.: U.S. Department of Labor, March 3, 2000), 9.

<sup>24</sup> *Workforce Investment Act*, §136(g)(1).

<sup>25</sup> States were first subject to performance measures for federal programs serving adults, youth, and dislocated workers in program year 2000 (July 1, 2000 through June 30, 2001). Because this was the first year of reporting, states experienced difficulties in reporting data and in defining calculation methods for some of the measures, particularly the credential rate measure. As a result, data for this year are not included in our analysis.

<sup>26</sup> DEED officials also felt that the state was not given an opportunity to truly negotiate the original state goals and that the federal department set the state's goals too high.

<sup>27</sup> *Workforce Investment Act*, §503(a).

<sup>28</sup> *Workforce Investment Act*, §212(b); and *Carl D. Perkins Vocational and Applied Technology Education Amendments of 1998*, Pub. L. No. 105-332, §113(b). The federal performance measures for vocational and technical education apply only to activities funded by the Perkins program.

**Table 3.5: Minnesota's Performance on Federal Measures, Program Years 2001-03**

Programs and Performance Measures	Program Year 2001			Program Year 2002			Program Year 2003		
	State Goal	Actual Outcome	Percentage of State Goal	State Goal	Actual Outcome	Percentage of State Goal	State Goal	Actual Outcome	Percentage of State Goal
<u>Adult Program</u>									
Entered employment rate	75%	75%	100%	78%	84%	108%	71%	88%	124%
Six-month employment retention rate	78%	80%	102%	80%	88%	109%	76%	90%	118%
Average six-month earnings change	\$3,600	\$3,488	97%	\$3,700	\$4,649	126%	\$3,000	\$4,826	161%
Entered employment and credential rate <sup>a</sup>	45%	57%	127%	50%	71%	143%	54%	76%	140%
<u>Dislocated Worker Program</u>									
Entered employment rate	82%	82%	100%	83%	85%	102%	75%	87%	116%
Six-month employment retention rate	85%	90%	106%	86%	92%	107%	85%	93%	110%
Six-month earnings replacement rate	88%	94%	107%	92%	82%	89%	84%	82%	98%
Entered employment and credential rate <sup>a</sup>	45%	52%	115%	50%	65%	130%	50%	69%	139%
<u>Youth Program</u>									
Older youth									
Entered employment rate	62%	75%	121%	65%	73%	112%	65%	72%	111%
Six-month employment retention rate	74%	71%	96%	72%	83%	115%	73%	84%	115%
Average six-month earnings change	\$3,000	\$2,487	83%	\$3,000	\$4,063	135%	\$3,000	\$4,151	138%
Entered employment, education, training, and credential rate	40%	39%	99%	45%	50%	111%	46%	49%	105%
Younger youth									
Skill attainment rate	69%	86%	125%	71%	91%	129%	78%	92%	118%
Diploma attainment rate	40%	55%	137%	51%	77%	151%	53%	78%	147%
Retention rate	52%	69%	133%	55%	74%	135%	58%	77%	133%
<u>Customer Satisfaction<sup>b</sup></u>									
Participants	66	75	113%	68	75	110%	60	76	126%
Employers	68	77	114%	70	78	111%	60	76	127%

NOTES: The performance measures apply to the federal programs serving adults, youth, and dislocated workers. Program year 2001 was from July 1, 2001 through June 30, 2002. The U.S. Department of Labor changed the reporting period in PY 2003. As a result, the final quarter of data in PY 2002 is included in both the PY 2002 and PY 2003 data.

<sup>a</sup>The Minnesota Department of Employment and Economic Development defines a "credential" as a degree or certificate, including a high school diploma, GED, postsecondary degree or certificate, and licensure or industry-recognized certificate.

<sup>b</sup>The outcome for the customer satisfaction measures is the score from 0-100 on the American Customer Satisfaction Index. This index aggregates responses to three questions addressing different aspects of a customer's experience.

SOURCES: Minnesota Department of Employment and Economic Development, *PY 2001 Minnesota Workforce Investment Act Annual Report* (December revised submission); Department of Employment and Economic Development, *PY 2002 Minnesota Workforce Investment Act Annual Report* (December revised submission); and Department of Employment and Economic Development, *PY 2003 Minnesota Workforce Investment Act Annual Report* (September submission).



**Table 3.6: Minnesota's Change in Actual Performance on Federal Performance Measures, Program Years 2001-03**

Programs and Performance Measures	Program Year 2001 Actual Outcome	Program Year 2002 Actual Outcome	Program Year 2003 Actual Outcome	Difference From Program Years 2001-2003 <sup>a</sup>
<u>Adult Program</u>				
Entered employment rate	75%	84%	88%	13
Six-month employment retention rate	80%	88%	90%	10
Average six-month earnings change	\$3,488	\$4,649	\$4,826	\$1,338
Entered employment and credential rate <sup>b</sup>	57%	71%	76%	18
<u>Dislocated Worker Program</u>				
Entered employment rate	82%	85%	87%	5
Six-month employment retention rate	90%	92%	93%	3
Six-month earnings replacement rate	94%	82%	82%	-12
Entered employment and credential rate <sup>b</sup>	52%	65%	69%	18
<u>Youth Program</u>				
Older youth				
Entered employment rate	75%	73%	72%	-3
Six-month employment retention rate	71%	83%	84%	13
Average six-month earnings change	\$2,487	\$4,063	\$4,151	\$1,664
Entered employment, education, training, and credential rate	39%	50%	49%	9
Younger youth				
Skill attainment rate	86%	91%	92%	6
Diploma attainment rate	55%	77%	78%	23
Retention rate	69%	74%	77%	8
<u>Customer Satisfaction<sup>c</sup></u>				
Participants	75	75	76	1
Employers	77	78	76	-1

NOTES: The performance measures apply to federal programs serving adults, youth, and dislocated workers. Program year 2001 was from July 1, 2001 through June 30, 2002. The U.S. Department of Labor changed the reporting period in PY 2003. As a result, the final quarter of data in PY 2002 is included in both the PY 2002 and PY 2003 data.

<sup>a</sup>Difference is reported in percentage points except 1) where indicated by a dollar sign (\$) and 2) for customer satisfaction measures, where the difference is between index scores on the American Customer Satisfaction Index.

<sup>b</sup>The Minnesota Department of Employment and Economic Development defines a credential as a degree or certificate, including a high school diploma, GED, postsecondary degree or certificate, and licensure or industry-recognized certificate.

<sup>c</sup>The outcome for the customer satisfaction measures is the score from 0-100 on the American Customer Satisfaction Index. This index aggregates responses to three questions addressing different aspects of a customer's experience.

SOURCES: Minnesota Department of Employment and Economic Development, *PY 2001 Minnesota Workforce Investment Act Annual Report* (December revised submission); Department of Employment and Economic Development, *PY 2002 Minnesota Workforce Investment Act Annual Report* (December revised submission); and Department of Employment and Economic Development, *PY 2003 Minnesota Workforce Investment Act Annual Report* (September submission).

**Between 2001 and 2003, Minnesota's performance improved on most measures for federal programs serving adults, youth, and dislocated workers.**

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**Minnesota's performance qualified for a federal incentive grant in program year 2002.**

Minnesota qualified for a federal incentive grant for the first time in program year 2002. The state received \$750,000, which it is using to fund literacy education for workers currently employed. Minnesota was not eligible in program year 2001 because it did not exceed goals for the Adult-Basic Education Program. At this time, preliminary data indicate that the state will again be eligible for the grant in program year 2003.

For the most part, local workforce service areas, like the state as a whole, have performed well on the performance measures. Federal law requires that states evaluate the performance of local workforce service areas using the federal performance measures.<sup>29</sup> DEED's policy treats local areas as having failed the measures (subjecting the areas to sanctions) only if they fail at least 6 out of the 15 performance measures.<sup>30</sup> The only local area to have failed in the last three programs years was Winona #18 in program year 2002. However, DEED staff informed us that, in the process of providing technical assistance to the area, they learned that staff data-entry errors rather than actual poor participant outcomes were the cause of the area's low performance.

While local areas have generally performed well, performance varies across areas.<sup>31</sup> As shown in Table 3.7, three service areas (Northeast #3, Southwest #6, and Anoka #12) have not failed any of the 15 measures between program years 2001-03. However, four other areas (Northwest #1, Hennepin-Scott-Carver #9, Dakota #14, and Winona #18) failed six or more measures during this same period. Local areas also differ in their success in earning federal incentive grants from the state. States must use a portion of their federal funds to provide incentive grants for good performance by local areas.<sup>32</sup> Table 3.8 shows the number of years between program years 2001-03 that areas received awards for each of the three programs. Six areas (Rural Minnesota CEP #2, Northeast #3, Southwest #6, South Central #7, Minneapolis #10, and Anoka #12) received awards for each of the three programs in all three years; however, three areas (Northwest #1, Southeastern #8, and Dakota #14) failed to receive awards in the same program in more than one of the three years.

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**Local service areas have generally performed well, but performance varies across the state.**

<sup>29</sup> DEED applies the statewide goals for the adult and dislocated worker programs to all local areas. However, the goals for the youth program vary by service area. DEED does not apply the two customer-satisfaction measures in determining whether local areas have met the goals; therefore, local areas are subject to a total of 15 rather than 17 measures.

<sup>30</sup> States must impose corrective actions on local areas that fail the performance measures. Federal law requires states to provide technical assistance for failure in the first year, and to take one of the following actions in the second consecutive year of failure: (1) appoint a new local workforce council, (2) prohibit the use of service providers performing poorly, or (3) take other actions as the state deems appropriate. Failure is defined as an outcome less than 80 percent of the performance goal. *Workforce Investment Act*, §136(h); and Department of Employment and Economic Development, *WIA Title IB and Related Activities Policy Manual* (St. Paul, June 30, 2001), Sec. 8.8.

<sup>31</sup> Comparisons across areas should be viewed cautiously due to economic and demographic differences and the very small number of participants that may be enrolled in programs in some areas.

<sup>32</sup> DEED calculates incentive awards separately for each of the three federal programs serving adults, youth, and dislocated workers. An area receives an incentive award for a program if it achieves an average of 100 percent of all the measures applicable to that program and if it passes a minimum number of individual measures for the program (3 out of 4 for adult and dislocated worker programs and 5 out of 7 for youth programs). Department of Employment and Economic Development, *WIA Title IB and Related Activities Policy Manual* (St. Paul, June 30, 2001), Sec. 8.2.

**Table 3.7: Local Workforce Service Areas' Failure of Federal Performance Measures, Program Years 2001-03**

	Number of Performance Measures Failed			
	Program	Program	Program	Total
	Year 2001	Year 2002	Year 2003	
Northwest #1	4	2	0	6
Rural Minnesota CEP <sup>a</sup> #2	1	0	0	1
Northeast #3	0	0	0	0
Duluth #4	2	2	0	4
Central #5	0	1	0	1
Southwest #6	0	0	0	0
South Central #7	0	1	1	2
Southeastern #8	1	3	0	4
Hennepin-Scott-Carver #9	4	1	1	6
Minneapolis #10	3	0	1	4
Anoka #12	0	0	0	0
Dakota #14	2	5	3	10
Ramsey #15	2	0	0	2
Washington #16	0	3	1	4
Stearns-Benton #17	2	0	0	2
Winona #18	2	11 <sup>b</sup>	0	13
Total number of measures applicable to local areas	15	15	15	

NOTES: The performance measures apply to the federal programs for adults, youth, and dislocated workers. Program year 2001 was from July 1, 2001 through June 30, 2002.

<sup>a</sup>CEP stands for concentrated employment programs.

<sup>b</sup>In providing technical assistance to Winona, DEED staff learned that Winona's failure was the result of data entry errors rather than poor participant outcomes.

SOURCES: Office of the Legislative Auditor analysis of data from Minnesota Department of Employment and Economic Development, *PY 2001 Minnesota Workforce Investment Act Annual Report* (February 2003 update); Department of Employment and Economic Development, *PY 2002 Minnesota Workforce Investment Act Annual Report* (February 2004 update); and Department of Employment and Economic Development, *PY 2003 Minnesota Workforce Investment Act Annual Report* (September 2004 submission).

Over time, local areas have declined in their performance on some of the federal measures. For each performance measure, Table 3.9 shows the number of service areas that declined in actual performance between program years 2001 and 2003. Mirroring the large statewide decline, 12 of the 16 service areas experienced declines in the six-month earnings changes of dislocated workers. A significant number of service areas also declined in performance on additional measures. At least seven areas declined in performance on the measure of six-month earnings changes for the adult program and on a majority of the youth program measures.

As with the federal programs serving adults, youth, and dislocated workers, Minnesota has achieved federal performance goals for both the Vocational Rehabilitation and State Services for the Blind programs. As shown earlier, Table 3.4 defines the performance measures developed by the U.S. Department of Education to evaluate states' effectiveness in administering these programs. The

**Table 3.8: Local Workforce Service Areas' Receipt of Federal Incentive Awards, Program Years 2001-03**

	Years Eligible for Incentive Award (Over Three Years)		
	Adult	Dislocated Worker	Youth
Northwest #1	1	1	3
Rural CEP <sup>a</sup> #2	3	3	3
Northeast #3	3	3	3
Duluth #4	2	2	3
Central #5	2	3	3
Southwest #6	3	3	3
South Central #7	3	3	3
Southeastern #8	2	0	3
Hennepin-Scott-Carver #9	2	3	2
Minneapolis #10	3	3	3
Anoka #12	3	3	3
Dakota #14	1	2	1
Ramsey #15	2	2	3
Washington #16	3	2	3
Stearns-Benton #17	2	3	3
Winona #18	2	2	2

**Most local service areas have been eligible for incentive awards in each of the last three years.**

NOTES: The incentive awards are for meeting goals in federal programs serving adults, youth, and dislocated workers. Program year 2001 was from July 1, 2001 through June 30, 2002.

<sup>a</sup>CEP stands for concentrated employment programs.

SOURCES: Office of the Legislative Auditor analysis of data from Minnesota Department of Employment and Economic Development, *PY 2001 Minnesota Workforce Investment Act Annual Report* (February 2003 update); Department of Employment and Economic Development, *PY 2002 Minnesota Workforce Investment Act Annual Report* (February 2004 update); and Department of Employment and Economic Development, *PY 2003 Minnesota Workforce Investment Act Annual Report* (September 2004 submission).

program subjects states to national performance goals rather than to individually negotiated state goals, as already noted. Although the same performance measures apply to both the Vocational Rehabilitation and State Services for the Blind programs, federal performance goals vary by program.<sup>33</sup> To comply with federal performance requirements, states must meet performance goals for four of the six Category 1 indicators (Indicators 1.1-1.6). In addition, states must meet goals for two of the three primary indicators (Indicators 1.3-1.5) and meet the goal for Indicator 2.1.<sup>34</sup>

As shown in Table 3.10 and Table 3.11, Minnesota has passed a sufficient number of performance indicators to meet federal goals for federal fiscal years 2002-04; however, the state has failed individual indicators for both the Vocational Rehabilitation and State Services for the Blind programs. The state has had difficulty in meeting Indicators 1.1 and 1.2, the two indicators related to placing participants in employment. Although the slowing of the economy during this

<sup>33</sup> 34 CFR §361.86 (2004).

<sup>34</sup> *Ibid.* Minnesota is not required to meet Indicator 2.1 for the State Services for the Blind Program because states are exempt from this measure if fewer than 100 minority participants leave the program in a year.

**Table 3.9: Local Workforce Service Areas Declining in Actual Performance on Federal Performance Measures, Program Years 2001-03**

	Number Declining (of 16 Service Areas)
<u>Adult Program Measures</u>	
Entered employment rate	1
Six-month employment retention rate	1
Average six-month earnings change	7
Entered employment and credential rate <sup>a</sup>	2
<u>Dislocated Worker Program Measures</u>	
Entered employment rate	3
Six-month employment retention rate	4
Six-month earnings replacement rate	12
Entered employment and credential rate <sup>a</sup>	3
<u>Youth Program Measures</u>	
Older Youth	
Entered employment rate	7
Six-month employment retention rate	5
Average six-month earnings change	7
Entered employment, education, training, and credential rate	7
Younger youth	
Retention rate	11
Diploma attainment rate	10
Skill attainment rate	3

NOTES: The performance measures apply to federal programs serving adults, youth, and dislocated workers. Program year 2001 was from July 1, 2001 through June 30, 2002.

<sup>a</sup>Minnesota Department of Employment and Economic Development defines a credential as a degree or certificate, including a high school diploma, GED, postsecondary degree or certificate, and licensure or industry-recognized certificate.

SOURCES: Office of the Legislative Auditor analysis of data from Minnesota Department of Employment and Economic Development, *PY 2001 Minnesota Workforce Investment Act Annual Report* (February 2003 update); and Department of Employment and Economic Development, *PY 2003 Minnesota Workforce Investment Act Annual Report* (September 2004 submission).

**For the last three federal fiscal years, Minnesota has met goals for the Vocational Rehabilitation Program and State Services for the Blind Program.**

**Table 3.10: Minnesota's Performance on Federal Measures for the Vocational Rehabilitation Program, FFY 2002-04**

	<u>Goal</u>	<u>FFY 2002 Actual Outcome</u>	<u>FFY 2003 Actual Outcome</u>	<u>FFY 2004 Actual Outcome</u>
Indicator 1.1	Must equal or exceed previous year	-707	-225	-525
Indicator 1.2	55.8%	60.7%	54.5%	56.7%
Indicator 1.3	72.6	94.4	95.0	94.6
Indicator 1.4	62.4	100.0	100.0	100.0
Indicator 1.5	0.52 (ratio)	0.53	0.54	0.54
Indicator 1.6	53.0	52.8	54.2	57.2
Indicator 2.1	0.80 (ratio)	0.83	0.819	0.803

NOTES: FFY = federal fiscal year. Federal fiscal year 2002 was from October 1, 2001 through September 30, 2002. Shading indicates outcomes that met or exceeded the goal. Table 3.4 defines the performance indicators. Indicators 1.3, 1.4, and 1.5 are defined as primary indicators. To comply with federal standards, states must pass: four of the first six indicators, two of the three primary indicators, and Indicator 2.1.

SOURCE: Minnesota Department of Employment and Economic Development, unpublished data.

**Table 3.11: Minnesota's Performance on Federal Measures for the State Services for the Blind Program, FFY 2002-04**

	Goal	FFY 2002 Actual Outcome	FFY 2003 Actual Outcome	FFY 2004 Actual Outcome
Indicator 1.1	Must equal or exceed previous year	-13	13	-5
Indicator 1.2	68.9%	51.6%	46.3%	40.9%
Indicator 1.3	35.4	81.8	96.8	94.1
Indicator 1.4	89.0	97.5	98.0	93.6
Indicator 1.5	0.59 (ratio)	0.66	0.68	0.65
Indicator 1.6	30.4	31.3	30.7	31.4
Indicator 2.1 <sup>a</sup>	0.80 (ratio)	N/A	N/A	N/A

NOTES: FFY = federal fiscal year. Federal fiscal year 2002 was from October 1, 2001 through September 30, 2002. Shading indicates outcomes that met or exceeded the goal. Table 3.4 defines the performance indicators. Indicators 1.3, 1.4, and 1.5 are defined as primary indicators. To comply with federal standards, states must pass: four of the first six indicators, two of the three primary indicators, and Indicator 2.1.

<sup>a</sup>The state is not subject to Indicator 2.1 because it has fewer than the minimum number of minority clients exiting the program.

SOURCES: Minnesota Department of Employment and Economic Development, *State Services for the Blind: 2003 Annual Report* (St. Paul, 2003), 5-6; and Department of Employment and Economic Development, unpublished data.

period may have affected performance, DEED staff felt program requirements primarily drove the outcomes. The Vocational Rehabilitation program requires states to establish a priority list for enrolling applicants in the event of limited resources. Due to increasing operating costs, the state has restricted enrollment to those with the most significant disabilities. Declines in performance on measures related to employment may reflect that counselors are working with a harder-to-serve population.<sup>35</sup>

**Minnesota generally performed well on federal programs serving adults, youth, and dislocated workers when compared with a select group of states.**

### Comparing Minnesota's Performance With Similar States

To provide a better sense of Minnesota's performance on the federal programs serving adults, youth, and dislocated workers, we compared Minnesota's performance with that of a select group of other states for program year 2003, the most recent year for which data were available. For comparison, we chose two states bordering Minnesota geographically and states with similar unemployment rates.<sup>36</sup> The states included in the comparison group were: Iowa, Wisconsin, Florida, Georgia, Idaho, Indiana, Kansas, Maine, Montana, Nevada, and Rhode Island, and Vermont. Based on our review, we found that:

<sup>35</sup> During this period, the department also changed its policy regarding case closure, requiring earlier closure of inactive cases. Because counselors do not know outcomes for these inactive cases, counselors must treat these participants as leaving the program without becoming employed. The lower percentage of participants leaving with employment may reflect the fact that participants who have ceased working with a counselor are now being treated as leaving the program, rather than remaining as active participants.

<sup>36</sup> We defined states with similar unemployment rates as those with rates within 0.4 percentage points of Minnesota's rate of 5.0 percent in calendar year 2003.



- **In comparison with similar states, Minnesota's performance on federal programs serving adults, youth, and dislocated workers was relatively high on most measures but low on a few.**

Table 3.12 compares actual performance outcomes for Minnesota and the group of comparison states. Minnesota has performed near the top of the group for all of the adult program and the younger youth program measures and for some of the dislocated worker and older youth program measures. However, on two of the measures, earnings replacement rate for dislocated workers and participants' satisfaction with services, Minnesota ranked 11<sup>th</sup> among the group of 13 states.

As discussed above, Minnesota's ability to meet the federal performance standards for these programs depends not only on its actual performance, but also

**Table 3.12: Comparison of Minnesota's Performance on Federal Measures With Select Other States, Program Year 2003**

<u>Program and Performance Measure</u>	<u>Minnesota's Actual Outcome</u>	<u>Group's Median Actual Outcome</u>	<u>Minnesota's Rank Among Group (N=13)</u>
<u>Adult Program</u>			
Entered employment rate	87.7%	81.2%	3
Six-month employment retention rate	89.9%	84.7%	2
Average six-month earnings change	\$4,826	\$3,363	1
Entered employment and credential rate	75.6%	64.5%	1
<u>Dislocated Worker Program</u>			
Entered employment rate	87.1%	86.3%	5
Six-month employment retention rate	93.1%	91.8%	5
Six-month earnings replacement rate	82.4%	89.4%	11
Entered employment and credential rate	69.4%	65.6%	4
<u>Youth Program</u>			
<u>Older youth</u>			
Entered employment rate	72.3%	72.3%	7
Six-month employment retention rate	84.2%	83.3%	4
Average six-month earnings change	\$4,151	\$3,330	1
Entered employment, education, training, and credential rate	48.5%	52.4%	9
<u>Younger youth</u>			
Skill attainment rate	91.9%	87.2%	3
Diploma attainment rate	78.1%	57.4%	2
Retention rate	77.1%	65.9%	2
<u>Customer Satisfaction<sup>a</sup></u>			
Participants	75.6	77.0	11
Employers	76.1	76.1	7

NOTES: The performance measures apply to federal programs serving adults, youth, and dislocated workers. We included in the comparison group two states geographically adjacent to Minnesota and states with 2003 unemployment rates within 0.4 percentage points of Minnesota's rate of 5.0 percent. The comparison states were: Iowa, Wisconsin, Florida, Georgia, Idaho, Indiana, Kansas, Maine, Montana, Nevada, Rhode Island, and Vermont. Shading indicates that Minnesota's outcome exceeded the median for the comparison group.

<sup>a</sup>The outcome for the customer satisfaction measures is the score from 0-100 on the American Customer Satisfaction Index. This index aggregates responses to three questions addressing different aspects of a customer's experience.

SOURCES: Office of Legislative Auditor analysis of U.S. Department of Labor, Employment and Training Administration, *PY03 State By State Performance Summaries*; <http://www.doleta.gov/Performance/results/Reports.cfm?#wiastann>; accessed December 5, 2004; and U.S. Department of Labor, Bureau of Labor Statistics, *State and Regional Unemployment, 2003 Annual Averages* (Washington, D.C.: U.S. Department of Labor, February 27, 2004).



on the performance goals it negotiates with the U.S. Department of Labor. We compared Minnesota's negotiated performance goals with those for the states in the comparison group. For 13 of the 17 measures, Minnesota has negotiated performance goals below the median for the comparison group.

## Relating Training Services to Occupations in Demand

**For most types of training services available to customers of federal programs for adults and dislocated workers, federal law requires the training to be related to occupations in demand.**

As discussed in Chapter 1, many workforce development programs fund training as one of the services available to help job seekers attain employment. Both the federal programs for adults and dislocated workers and the Minnesota Dislocated Worker Program require that participants' training relate to occupations expected to have job openings. For most types of training, the services for federal program participants, however, must "be directly linked to occupations that are in demand in the local area, or in another area to which [a participant]. . . is willing to relocate."<sup>37</sup> This standard emphasizes that training should result both in job placement for the participant and in filling types of jobs for which employers have the greatest need. Federal law establishes a lower standard for a few less common types of training, requiring only that training be related to "employment opportunities in the area involved or in another area to which [participants] . . . are willing to relocate."<sup>38</sup> Setting a standard similar to the less restrictive one for the federal programs, the Minnesota Dislocated Worker Program requires that "[t]raining shall only be provided for occupations or industries with reasonable expectations of job availability based on the service provider's thorough assessment of local labor market information where the individual currently resides or is willing to relocate."<sup>39</sup>

We evaluated the extent to which employment counselors that approve training for federal and Minnesota dislocated worker participants complied with the requirement to relate training to occupations in demand. The state program does not require this higher standard; however, we applied the same standard to state and federal participants because local areas generally follow similar procedures for both programs. Our analysis included both local workforce service areas and several providers that offer the state Dislocated Worker Program but are independent of the local areas. While other workforce development programs (such as the federal program for adults) fund training, we limited our analysis to the federal and state dislocated worker programs because they provide the majority of training. To evaluate this issue, we compared the occupational fields associated with training for participants enrolled in program year 2003 with labor market information showing occupations in demand in the workforce service area.

<sup>37</sup> *Workforce Investment Act*, §134(d)(4)(G)(iii).

<sup>38</sup> *Ibid.*, §134(d)(4)(A)(iii). The Department of Labor interprets the federal statute as requiring that training financed through an "individual training account" must meet the higher standard of being related to an occupation in demand. An individual training account is required for occupational and academic training, the most common types of training. Only the few types of training exempted from the individual training account requirement, such as on-the-job training and customized training, are subject to the lower standard of being related solely to employment opportunities. 65 *Fed. Reg.* 49,327 (2000).

<sup>39</sup> *Minn. Stat.* (2004), §116L.17, subd. 4(4). The statute was amended by the 2004 Legislature. Prior to this time, the statute required that training services be "directly related to appropriate employment opportunities in the local labor market." *Laws of Minnesota* (1Sp2001), ch. 4, art. 2, sec. 7, subd. 4(2).

Specifically, we compared the occupational code describing a participant's training (as entered by the employment counselor) with occupational codes describing occupations in demand in the workforce service area.<sup>40</sup>

We used three different definitions to identify workforce service areas' occupations in demand, and we determined that training was related to an occupation in demand if it satisfied any of the three. We based the first measure on DEED's definition of an occupation with a workforce shortage—where the vacancy rate exceeds the unemployment rate by 3 percent.<sup>41</sup> The second measure, less restrictive than DEED's definition, relied on the same data but defined an occupation in demand as one where the job vacancy rate equals or exceeds the unemployment rate by any amount. Table 3.13 shows, on a statewide basis, examples of occupations meeting the first or second definition. The final measure, rather than focusing on current demand, identifies occupations expected to be in demand in the future. This measure defines an occupation as in demand if it is one of the 50 occupations projected to have the highest growth in the next ten years.<sup>42</sup> (For more details about our analysis, see our methodology section at [www.auditor.leg.state.mn.us/ped/2005/pe0506.htm](http://www.auditor.leg.state.mn.us/ped/2005/pe0506.htm).)

Because our analysis defines occupations in demand based solely on available labor market information, it has some potential limitations. Most labor market information identifying occupations in demand is not available at the workforce service area level but, rather, for broader areas such as the state's six planning regions. We applied the data at the planning region level to the appropriate service area; however, it is possible that occupations in demand within a planning region as a whole differ from those in demand for a specific workforce service area. The labor market information is also limited in its timeliness. In addition, both the state and federal programs permit training to be related to an occupation in demand in an area to which a participant is willing to relocate. Our analysis does not account for participants relocating to another area.

Our analysis may understate the percentage of participants receiving training related to occupations in demand if employment counselors use information in addition to labor market data to identify these occupations. All service areas reported in annual updates to their five-year plans that they rely on labor market information such as that used in our analysis; however, some areas indicated that they use additional sources of information. All local areas require participants seeking training to complete an employment services plan in which they document their research regarding the likelihood that a training program will lead

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**All local service areas use the state's labor market information to relate training to occupations in demand, but some also use additional sources of information.**

<sup>40</sup> Both the data entered by employment counselors and the labor market data use the Standard Occupational Classification code to identify different types of occupations. For this analysis, we looked only at what WIA defines as training—that which leads to some type of degree or certification rather than short-term training such as basic computer classes. We included program participants enrolled in occupational, academic, customized, or on-the-job training, but most of the training was occupational training. Customized training is defined as training tailored to meet the specific needs of an employer with a commitment from the employer to hire the participant upon completion of the training. On-the-job training provides training in an actual work setting.

<sup>41</sup> For DEED's definition of occupations with workforce shortages, see Department of Employment and Economic Development, *Market Conditions Faced by Twin Cities Workers, 2<sup>nd</sup> Quarter 2004* (St. Paul, September 7, 2004).

<sup>42</sup> We used DEED's ten-year employment projections to identify these occupations. See Department of Employment and Economic Development, *Employment Outlook to 2010 – Northeast Minnesota* (St. Paul, April 2004).

**Table 3.13: Examples of Occupations in Demand Statewide, 2003**

**Examples of occupations in demand during 2003 included nursing and library occupations.**

	Occupational Title
Occupations meeting DEED's definition of a workforce shortage (where the job vacancy rate exceeds the unemployment rate by 3 percent or more)	Nursing, Psychiatric, and Home Health Aides Entertainment Attendants and Related Workers Other Food Preparation and Serving Related Workers Health Technologists and Technicians Personal Appearance Workers Other Healthcare Support Occupations Health Diagnosing and Treating Practitioners Other Personal Care and Service Workers Social Scientists and Related Workers Food and Beverage Serving Workers
Top 20 of 38 occupations in which the job vacancy rate equals or exceeds the unemployment rate	Grounds Maintenance Workers Occupational and Physical Therapist Assistants and Aides Religious Workers Mathematical Scientists Retail Sales Workers Animal Care and Service Workers Supervisors of Farming, Fishing, and Forestry Workers Entertainers and Performers, Sports & Related Workers Counselors, Social Workers, and Other Community and Social Service Specialists Other Teachers and Instructors Service Sales Representatives Life Scientists Supervisors of Food Preparation and Serving Workers Legal Support Workers Other Healthcare Practitioners and Technical Occupations Media and Communication Equipment Workers Cooks and Food Preparation Workers Other Protective Service Workers Other Education, Training, and Library Occupations Production Worker Supervisors

NOTE: Occupational titles provided describe three-digit occupational classifications in the Standard Occupational Classification system.

SOURCE: Minnesota Department of Employment and Economic Development, unpublished data.

to employment. Participants' research typically relies on labor market information, but could also use other sources such as phone calls to employers in the area and other career resources. Counselors in some areas also consult additional resources such as training program placement rates or information gathered by workforce center staff who contact local employers. Through such resources, counselors and participants may have had more accurate information regarding which occupations were in demand locally than is available by using labor market information alone. However, our broad definition of occupations in demand based on the labor market data mitigates the likelihood of understating the percentage of participants receiving training for occupations in demand.

From our analysis of the training programs in which dislocated workers were enrolled, we found that:

- **Workforce service areas varied in the extent to which they complied with a requirement to relate training to occupations in demand for dislocated workers enrolled in training during program year 2003.**

As shown in Table 3.14, the percentage of federal or Minnesota Dislocated Worker participants receiving training who enrolled in programs related to an occupation in demand ranged from a high of 72 percent in the Southeastern Service Area #8 to a low of 47 percent in the Hennepin-Scott-Carver Service Area #9. Statewide, 56 percent of participants received training related to an occupation in demand, with similar results for the federal and state programs.<sup>43</sup> Examples of training programs that counselors approved but did not relate to occupations in demand included those for secretaries and administrative assistants (such as executive secretaries and medical secretaries) and vehicle mechanics (such as aircraft mechanics and automotive mechanics).

**Of dislocated workers starting training in program year 2003, similar percentages of participants in the federal and state programs received training related to occupations in demand.**

**Table 3.14: Proportion of Dislocated Worker Customers Receiving Training Related to Occupations in Demand, Program Year 2003**

	Number of Dislocated Worker Customers Receiving Training <sup>a</sup>	Percentage Enrolled in Training Services Related to Occupations in Demand
Southeastern #8	498	72%
Anoka #12	93	67
Ramsey #15	158	67
Dakota #14	59	66
Southwest #6	70	64
Other providers of state dislocated worker services <sup>b</sup>	633	62
Minneapolis #10	131	59
Duluth #4	36	56
Rural Minnesota CEP #2 <sup>c</sup>	426	55
South Central #7	164	54
Washington #16	70	54
Stearns-Benton #17	203	54
Northwest #1	67	51
Winona #18	65	51
Central #5	182	49
Northeast #3	173	48
Hennepin-Scott-Carver #9	1,118	47
Statewide	4,146	56

<sup>a</sup>We included only participants who began training during program year 2003.

<sup>b</sup>These are state Dislocated Worker Program service providers who are not associated with a particular workforce service area. They include Quality Career Services, Employment Action Center, Minnesota Teamsters Service Bureau, HIRED, Jewish Vocational Service, and St. Paul Labor Studies.

<sup>c</sup>CEP stands for concentrated employment programs.

SOURCE: Office of the Legislative Auditor.

<sup>43</sup> For the state program, 56 percent of participants receiving training were in training related to occupations in demand, compared with 57 percent of participants in the federal program.

The variation across areas in the percentage of participants enrolled in training related to occupations in demand suggests counselors may emphasize factors other than job availability in approving participants' training. The federal program requires that participants "have been determined. . . to be in need of training services and to have the skills and qualifications to successfully participate in the selected program of training services." Counselors may have approved training unrelated to occupations in demand because they more closely fit a participant's abilities or interests.<sup>44</sup> Although federal law requires counselors to consider a participant's abilities, it does not excuse counselors from placing participants in training related to occupations in demand. Rather, counselors must meet both of these requirements.

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### RECOMMENDATION

*Local workforce councils should ensure that training services relate to occupations in demand, and DEED should evaluate the extent to which local areas comply with this requirement.*

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While local councils may explore various approaches to compliance, one method they may use is to develop a list of local occupations in demand. From information in annual updates to the local five-year plans and our interviews with workforce service area directors, we learned of one council (in the Southeastern Service Area #8) that has formally developed a list of occupations it considers to be in demand.<sup>45</sup>

Local councils could develop a list of occupations in demand in a variety of ways. They may choose to rely solely on DEED's labor market information in identifying occupations in demand. Because these data are limited in their timeliness and geographic specificity, councils may also wish to consider information on demand occupations obtained from other sources, such as council members, employment counselors, or staff from other workforce development programs. Councils could also consider additional factors related to occupations in demand, such as the occupation's median wage rate. Councils may need to amend the list as economic conditions affect the number and type of occupations in demand over time.

In addition, councils should encourage counselors to follow the list or justify not doing so. While we limited our analysis to dislocated workers, the federal prescription for relating training to occupations in demand applies equally to the federal program serving adults. Councils should consider whether their policy on training for dislocated workers should extend to the federal program serving adults. Councils may also consider whether to permit training for occupations not identified on the list. For example, the Southeastern Workforce Council

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**One method for relating training to occupations in demand is to create a list of such occupations and modify it as economic conditions change.**

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<sup>44</sup> Another factor that may influence choice of a training program is the wage rate of likely jobs. Participants who are employed are eligible for services to obtain jobs that allow for self-sufficiency, meaning jobs at a particular income level. *Workforce Investment Act*, §134(d)(3)(A)(ii) and (d)(4)(A)(i); and 20 *CFR* §663.230 (2004).

<sup>45</sup> Stearns-Benton Service Area #17 has developed a list of targeted occupations and industries the area would like to promote and requires counselors to seek a waiver to approve training in a nontargeted field. Counselors consider labor market data in conjunction with this list when approving training.

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**One local service area targets training services based on its local list of occupations in demand.**

established a list of 50 targeted jobs, and it paid higher proportions of costs for training related to those jobs than for training related to other jobs.

DEED should determine how well local areas relate training to occupations in demand. DEED currently requires local workforce service areas to describe in annual updates to their local plans how they will ensure that training meets the needs of the local labor market. But it does not analyze the extent to which participants' training services relate to occupations in demand, with the exception of a small number of cases reviewed by its monitors. Using both the labor market information and any additional local data, DEED should calculate the extent to which training services relate to occupations in demand. DEED should evaluate compliance with the requirement for participants in the federal program for adults, in addition to the dislocated worker programs. Regarding the service providers who are independent of the local areas, DEED should ensure that they relate training to occupations in demand through means such as creating a list of these occupations for the providers. DEED should then evaluate their compliance.

In addition, when DEED staff monitor local areas for compliance with dislocated worker requirements, they should take into account new methods local areas introduce to identify occupations in demand. In DEED's current monitoring process, staff review case files to evaluate whether training received by participants in dislocated worker programs relates to occupations in demand.<sup>46</sup> The monitors make this judgment by relying primarily on labor market data and other local information in individuals' case files. To avoid underestimating local area compliance with training requirements, DEED monitors should also use any information newly generated by local service areas regarding their occupations in demand.

## **EMPLOYER USE OF CERTAIN WORKFORCE DEVELOPMENT SERVICES**

The Workforce Investment Act acknowledged the importance of employers in workforce development and required states to assess employer satisfaction with certain services they received. In the remainder of this chapter, we focus primarily on a subset of workforce development services, which includes only those services offered directly through workforce centers and for which statewide data are available. The data include services that are offered around the state, such as job banks and employer seminars, but exclude other services not captured by DEED's data, such as interactions between employers and local staff. State staff have made many but certainly not all of the contacts with employers, and therefore, the data available to us somewhat underrepresent employers' use of services. We found that:

- **Most Minnesota employers do not use certain workforce center services to meet their employment needs.**

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<sup>46</sup> While DEED staff also monitor whether local providers comply with federal requirements for the program serving adults, they do not evaluate for this program whether participants' training relates to occupations in demand.



Besides analyzing employers' use of the job banks and other services, we also reviewed results from the department's most recent employer survey, and businesses' perceptions of services provided through workforce centers. We also examined outreach to employers, including the marketing of services and business contacts made by state and local workforce center staff.

## Use of the Job Bank and Other Services

Of the many services that workforce centers offer to employers, the job banks are the most frequently used.<sup>47</sup> From April through June of 2003, employers posted 58,554 jobs in Minnesota's and America's job banks.<sup>48</sup> However, these jobs are a small share of the jobs that Minnesota employers filled, representing about one of six new hires during that time.<sup>49</sup> This is a slight downturn from the ratio of the previous quarter, but an improvement over the quarter before that, as shown in Table 3.15.

Relatively few employers use Minnesota's Job Bank.<sup>50</sup> DEED estimates that during April through June of 2003, at least 3,480 employers posted job orders in the Job Bank, representing about 1 in 14 of the 48,705 employers who were

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**Of the many services that workforce centers offer to employers, the job banks are most frequently used.**

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**Table 3.15: Jobs Posted in Minnesota's or America's Job Banks Compared to New Hires, 2002-03**

<u>Quarter</u>	<u>Ratio of Jobs Posted to New Hires<sup>a</sup></u>
October - December 2002	13.5
January - March 2003	18.6
April - June 2003	16.4

NOTE: The Minnesota Department of Employment and Economic Development has data only for the quarters shown.

<sup>a</sup>The number of employers hiring is calculated from unemployment insurance records.

SOURCE: Minnesota Department of Employment and Economic Development, "Comparison of Job Openings Listed with the Workforce Center System to New Hires"; <http://www.deed.state.mn.us/results/JO-WSA.htm>; accessed November 1, 2004.

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<sup>47</sup> Minnesota's Job Bank is an Internet-based self-service system for employers and job seekers. Anyone can browse job postings, but free membership allows job seekers to post a resume, contact employers by email, and even apply on line. Employers can post job openings, search for job candidates, and contact them by email. Department of Employment and Economic Development, "About Us"; <http://www.mnworks.org/about.cfm>; accessed December 15, 2004. America's Job Bank is an online, national job bank that offers services similar to Minnesota's Job Bank.

<sup>48</sup> Department of Employment and Economic Development, "Comparison of Employers Listing Orders on Minnesota's Job Bank to All Employers Hiring: By Workforce Service Area"; [http://www.deed.state.mn.us/results/excel/L3\\_JO-WSA\\_2003-Q2.xls](http://www.deed.state.mn.us/results/excel/L3_JO-WSA_2003-Q2.xls); accessed November 1, 2004.

<sup>49</sup> DEED calculates two ratios to estimate use of the job banks: (1) jobs posted in the job banks to new hires and (2) employers using the job banks to employers hiring. Employers with new hires and employers hiring during a quarter include employers using the job bank as well as those who do not. Data are unavailable on the number of all job openings statewide for that quarter; the department's Job Vacancy Survey provides results for only a single point in time, not over a period of time.

<sup>50</sup> DEED provides descriptive information about the wage level, part- or full-time status, and type of occupation for jobs posted on Minnesota's and America's job banks. Data on the characteristics of employers posting those jobs are available only for Minnesota's Job Bank.



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**Employers using Minnesota's Job Bank are more frequently from outstate Minnesota than are employers actively hiring.**

actively hiring during this period. This is a slight improvement over the share of 1 in 16 for the period October through December of 2002.<sup>51</sup>

Employers using the Job Bank are not representative of employers in Minnesota, differing by location and size. For each of the last three quarters, between 64 and 66 percent of the approximately 3,000 employers posting jobs in Minnesota's Job Bank came from outstate Minnesota, as shown in Table 3.16. In contrast, between 45 and 49 percent of the more than 40,000 employers actively hiring came from outstate Minnesota. Similarly, smaller employers (those with fewer than 50 employees) who post jobs in Minnesota's Job Bank are underrepresented compared to the proportion of small-sized employers actually hiring in the state. Of the 3,109 employers posting jobs in the Job Bank during April through June 2003, about 65 percent had fewer than 50 employees, but 85 percent of all employers actively hiring had fewer than 50 employees.<sup>52</sup>

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**Table 3.16: Employers Posting Jobs in Minnesota's Job Bank and Actively Hiring Employers, by Region, October 2002 - June 2003**

Quarter	Employers Posting Jobs in Minnesota's Job Bank			Employers Hiring <sup>a</sup>		
	N	Percentage by Geographic Region		N	Percentage by Geographic Region	
		Outstate	Metro <sup>b</sup>		Outstate	Metro <sup>b</sup>
October - December 2002	2,967	64%	36%	49,131	45%	55%
January - March 2003	2,980	64	36	41,245	45	55
April - June 2003	3,425	66	34	48,705	49	51

<sup>a</sup>The number of employers hiring is calculated from unemployment insurance records.

<sup>b</sup>"Metro" refers to the Twin Cities seven-county metropolitan area.

SOURCE: Office of the Legislative Auditor, analysis of data from the Minnesota Department of Employment and Economic Development, "Comparison of Employers Posting Orders on Minnesota's Job Bank to All Employers Hiring: By Workforce Service Area"; <http://www.deed.state.mn.us/results/ES-WSA.htm>; accessed November 1, 2004.

We also looked at which industries use Minnesota's Job Bank and how representative they are of industries in Minnesota. The largest industries in the state in terms of jobs do not necessarily have high shares of employers posting jobs in the Job Bank. The health care industry represents the largest share of jobs in Minnesota, but just under 9 percent of this industry's employers posted jobs in the Job Bank during the second quarter of 2003. Minnesota's top industries and the ratios of employers posting jobs to employers hiring are shown in Table 3.17.

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<sup>51</sup> Department of Employment and Economic Development, "Comparison of Employers Listing Orders on Minnesota's Job Bank to All Employers Hiring: by Employer Size"; [http://www.deed.state.mn.us/results/excel/L3\\_ES-EmpSize\\_2003-Q2.xls](http://www.deed.state.mn.us/results/excel/L3_ES-EmpSize_2003-Q2.xls) and [http://www.deed.state.mn.us/results/excel/L3\\_ES-EmpSize\\_2002-Q4.xls](http://www.deed.state.mn.us/results/excel/L3_ES-EmpSize_2002-Q4.xls); accessed November 1, 2004.

<sup>52</sup> Data on employer size were available for 3,109 of 3,480 employers posting jobs. Department of Employment and Economic Development, "Comparison of Employers Listing Orders on Minnesota's Job Bank to All Employers Hiring: by Employer Size"; [http://www.deed.state.mn.us/results/excel/L3\\_ES-EmpSize\\_2002-Q1.xls](http://www.deed.state.mn.us/results/excel/L3_ES-EmpSize_2002-Q1.xls); accessed November 1, 2004.

**Table 3.17: Top Industries in Minnesota and Employers Posting Jobs in Minnesota's Job Bank Compared to Employers Hiring, April - June 2003**

**The health care industry is somewhat underrepresented in its use of the Job Bank, while manufacturing is somewhat overrepresented.**

	Percentage of All Jobs in the State	Ratio of Employers Posting Job Orders to Employers Hiring <sup>a</sup>
Health Care and Social Assistance	13.6%	8.8%
Manufacturing	13.3	17.0
Retail Trade	11.7	6.1
Educational Services	8.0	5.3
Accommodation and Food Services	7.7	3.7
Finance and Insurance	5.3	5.5
Construction	5.1	4.2
Wholesale Trade	5.0	7.5

<sup>a</sup>The number of employers hiring is calculated from unemployment insurance records.

SOURCES: Minnesota Department of Employment and Economic Development, "Comparison of Employers Listing Orders on Minnesota's Job Bank to All Employers Hiring: By Industry"; [http://www.deed.state.mn.us/results/excel/L3\\_ES-NAICS\\_2003-Q2.xls](http://www.deed.state.mn.us/results/excel/L3_ES-NAICS_2003-Q2.xls); accessed November 1, 2004. Data for number of jobs by industry downloaded from the Minnesota Department of Employment and Economic Development Web site at <http://www.deed.state.mn.us/lmi/tools/qcew>; accessed November 1, 2004.

Jobs posted in the job banks are not all typical of Minnesota jobs, paying less on average than most jobs. About 80 percent of openings for Minnesota jobs posted in Minnesota's and America's Job Banks are for jobs with wages ranging from \$5.15 to \$15 per hour, while only 52 percent of all Minnesota jobs are within that wage range. Only 9 percent of jobs posted in the job banks have wages of \$20 per hour or more, but as shown in Table 3.18, 31 percent of jobs in Minnesota had wages of \$20 per hour or more. The difference may be overstated by the fact that

**Table 3.18: Wages for Jobs Posted in Minnesota's and America's Job Banks, Compared With Wages Earned by Minnesota Workers, 2002**

Hourly Wage	Jobs Posted in the Job Banks, Second Quarter 2003	Minnesota Workers by Wage Level, 2002
\$5.15 or less	2.7%	1.4%
\$5.16 - \$9.99	39.8	26.3
\$10.00 - \$14.99	38.8	25.4
\$15.00 - \$19.99	9.9	16.0
\$20.00 or more	8.9	30.9

SOURCES: Data for wages downloaded from the Minnesota Department of Employment and Economic Development Web site at <http://www.deed.state.mn.us/lmi/tools/qcew>. Data for America's and Minnesota's job banks from Susan Lindoo, Policy, Planning and Measures Office, Department of Employment and Economic Development, received November 4, 2004.

some share of the higher-paying jobs are posted in the job banks without wage information.<sup>53</sup>

In addition to the job banks, any employer can use other workforce center services. During program year 2003, the most common state-provided services for employers were taking job orders, screening job applicants, and employment seminars.<sup>54</sup> Table 3.19 lists the top five services and the number of employers using them in program year 2003.

**Table 3.19: Employer Services Commonly Provided by State Staff in Workforce Centers, Program Year 2003**

**Data are unavailable on how many employers hired applicants who used workforce center services.**

<u>Employer Service</u>	<u>Number of Employers</u>
Job order taking	4,820
Job seeker screening	2,230
Seminars (other)	810
Job Bank training session	779
Job fairs	690

NOTE: Employers' self-use of job banks is excluded from this list.

SOURCE: Minnesota Department of Employment and Economic Development, "Statewide Employer Services" for program year 2003, received July 14, 2004.

It is difficult to assess the link, if any, between hiring and employers' use of the job banks or other workforce center services. DEED has only limited data on this topic from a small group of employers. The data are on employers who worked with a staff person from a workforce center to fill a vacancy with an applicant from a specific group, such as dislocated workers or persons with disabilities.<sup>55</sup> These employers represented about one-fifth of the employers DEED surveyed for information on their satisfaction with services they received from workforce centers. Of this small group of employers, just 36 percent indicated they filled a position with the person recommended by the workforce center staff for the period between July 2003 and June 2004.

Currently, DEED's monthly employer survey asks whether employers can tell if applicants learned about a job opening through the employer's Job Bank posting.<sup>56</sup> For the period from July 2003 to June 2004, 90 percent of employers said that they could tell. But the survey does not directly address whether a business hired employees who used the Job Bank. Nor does it directly ask how well those employees matched employers' needs.

<sup>53</sup> Just 53 percent of jobs in both job banks had usable wage data. Although DEED has not specified how many of the posted jobs lacking wage data have higher pay levels, staff reported that, to deter unqualified applicants from applying, employers offering higher-wage jobs are less likely than others to post wages.

<sup>54</sup> This count excludes workforce center staff contacts made to employers through mailings, visits, or phone calls, because employers do not initiate these services.

<sup>55</sup> Each quarter DEED publishes yearly results from monthly surveys of employers who received commonly used workforce center services or posted a job in the Job Bank.

<sup>56</sup> For those employers posting a job order in the six months preceding the survey, the question asks: "Can you usually tell if job applicants found out about a job opening through your Minnesota Job Bank or WorkForce Center posting?"

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## RECOMMENDATION

*DEED should determine how many employers posting positions with Minnesota's Job Bank filled the jobs with employees who used the Job Bank.*

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One option is surveying employers about whether they filled specific job vacancies with employees who used workforce center services, but a separate survey could be expensive. As an alternative, DEED should consider adding a question to its employer survey to collect employers' estimates of the proportion of jobs posted that were filled with persons who found the job using the Job Bank or another workforce center service.

## Business Perceptions of Workforce Center Services

Many of Minnesota's businesses have not used workforce center services, and limited research is available to determine why.<sup>57</sup> From our analysis we found:

- **Business representatives believe that too few employers are aware of workforce center services and that employers have misperceptions of what the centers offer. Businesses that have used certain workforce center services have indicated high satisfaction with some services and mixed satisfaction with others.**

When we asked workforce council chairs (all of whom are from the private sector) for their impression of how local businesses perceive workforce centers, the chairs said that businesses' perceptions were either mixed or poor. Those who indicated the perception was poor said that most employers either are not aware of workforce centers or do not understand what workforce centers do. Some businesses are under the impression that workforce centers serve only the hard-to-employ or are merely a place for the unemployed to pick up an unemployment check. Council chairs who said the perception was mixed agreed that many businesses were unaware of workforce centers, but these chairs tended to believe that businesses had favorable impressions of workforce centers when the business was in a city where a center was located or when it had some transactions with workforce center personnel. This was particularly true for chairs of workforce councils located outside the Twin Cities metropolitan area.

We heard similar comments when we spoke with a small number of local chamber of commerce executives around Minnesota. Each operated in a city where a workforce center is located. Of the seven local chamber directors, three said their

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**Many workforce council chairs believe employers perceive that workforce centers serve only the hard-to-employ.**

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<sup>57</sup> One national study of a limited number of employers indicated that lack of awareness and availability of other resources explain why some employers do not use workforce center services. U.S. Chamber of Commerce, Center for Workforce Preparation, *Rising To The Challenge: Business Voices on the Public Workforce Development System* (Washington, D.C.: U.S. Chamber of Commerce, Spring 2003); <http://tinyurl.com/4r6t7>; accessed April 14, 2004. A companion study of five Midwestern states reached the same conclusions and is at <http://tinyurl.com/4r6t7>.

impression was that the local business community perceives the workforce center favorably, one had a negative impression, and three said they did not know because they themselves knew so little about the workforce center. Our results are similar to those reported in a U. S. Chamber of Commerce report on business perceptions of workforce centers.<sup>58</sup>



Some workforce centers feature an "employer of the day."

**Most employers surveyed after using Minnesota's Job Bank indicated they would use it again.**

For the businesses that use workforce center services, DEED conducts surveys, as WIA requires, to determine how satisfied employers are with the services. Among employers using these services from July 2003 to June 2004, satisfaction was mixed. DEED's survey of nearly 1,000 employers shows that they like Minnesota's Job Bank: 87 percent of the 817 employers surveyed who posted jobs in the Job Bank were "very" likely to do so again, while 11 percent were "somewhat" likely.<sup>59</sup> Of the 200 employers who reported using labor market information from either a workforce center or from DEED, 94 percent said that the information met their needs "well" or "very well." For the small group of 68 employers who worked with a staff person to fill a vacancy with an applicant from a specific group, nearly all said that they were "likely" or "very likely" to work with workforce center staff on similar tasks in the future.

At the same time, when all employers surveyed were asked how likely they were to contact a workforce center with a question about workforce related concerns, a substantial share (about 30 percent) said they were "not very likely" or "not at all likely" to contact the workforce center. DEED's survey also asked employers about the number of applicants they received after posting a job opening in Minnesota's Job Bank. Just over half of 737 employers reported getting the right number of applicants for a job opening posted on the Job Bank, but 11 percent reported getting too many applicants, and 35 percent had too few applicants.<sup>60</sup>

<sup>58</sup> *Ibid.*

<sup>59</sup> Employers had several suggestions for improving the Job Bank, including updating and improving job categories for job postings and better screening of applicants to remove those unqualified for a job opening.

<sup>60</sup> This question was asked of the group of employers responding that they posted a job on the Job Bank within the past six months and that they could tell whether an applicant found out about a Job opening through the Job Bank.

## Outreach to Employers

Employers' use of workforce center services depends in part on what they know about the services and whether they see connections to their business' needs. During our visits to the 16 workforce service areas, we asked how workforce centers market their services to job seekers and employers. We found that:

- **Most workforce service areas do not have their own marketing plan.**

Moreover, those that engage in marketing activities typically do not evaluate their activities for effectiveness. Workforce council chair involvement in marketing varied greatly, with 10 of the 16 chairs saying they have little or no involvement in marketing and promoting workforce center services.

In service areas with local marketing activities, promotions varied from movie screen advertisements to meetings with civic groups. Among the most common activities that partners and workforce council directors described were job fairs, flyers and brochures, and ads or articles in local newspapers. Within some service areas, activities included membership with the local chamber of commerce, but areas varied in how actively workforce center personnel participate in the chamber. Some of the local chamber directors we interviewed were enthusiastic in their praise for the involvement of their workforce center representatives. Other chamber directors did not even know whether the workforce center was a member of the chamber, much less whether the membership had been productive.

While most service areas are not actively marketing workforce center services, many of the people we interviewed indicated there was an ongoing need for marketing initiatives. As mentioned earlier, many council chairs said that the local business community was not aware of workforce centers or had misperceptions about center services. Some of the chamber of commerce directors also said that workforce centers needed to improve business' awareness and impressions of them. Three of the five chamber directors with suggestions for improving workforce centers recommended ongoing efforts at marketing workforce center services.

Many workforce service area directors and service providers said they relied on DEED for marketing initiatives. From the perspective of those providing services in the workforce centers, local marketing efforts were sometimes problematic because each program had its own individual promotions instead of collaborating with other programs. Plus, finding resources for marketing was becoming increasingly difficult.

In August 2004, DEED started a marketing campaign targeted mostly at employers. Using advertisements on a major radio station and its affiliates around the state, the campaign promotes Minnesota's Job Bank and workforce centers.<sup>61</sup> While DEED staff believe that the campaign increased job postings and resumes in its first weeks of use, they have not rigorously analyzed the impact of the marketing campaign. The department has also set aside \$150,000 to help local workforce service areas create regional collaborations for marketing. DEED

<sup>61</sup> Starting the first Monday in August 2004, the ads ran three times a week for one minute during key driving times, and in 15-second slots one other time per day, seven days a week.

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**Many people we interviewed in local workforce service areas indicated a need to market employer services in an ongoing way.**



expects local service areas to work together and develop plans to broadly market workforce center services (with a priority on employer services) in the spring of 2005.

Besides marketing, we learned from service providers and DEED officials about the need to coordinate contacts that staff make with employers. DEED staff generate thousands of contacts with employers during the year using mailings, telephone calls, and on-site visits, as shown in Table 3.20. Representatives of Job Service, Vocational Rehabilitation, and State Services for the Blind told us about wanting to avoid situations that have arisen where a Job Service business specialist calls on an employer one day and a rehabilitation-placement coordinator calls on the same employer a short time later. As mentioned in Chapter 2, DEED employees involved in economic development also contact businesses, although their purpose has been to encourage employment and sustain business growth.

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**State employees contacted employers via mail, telephone, and on-site visits.**

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**Table 3.20: Employer Contacts by DEED Workforce Development Staff, Program Year 2003**

<u>Method</u>	<u>Number of Contacts</u>
Mailings	16,342
Telephone calls	6,258
On-site visits	3,077
Networking and other contacts	<u>1,946</u>
Total	27,623

SOURCE: Minnesota Department of Employment and Economic Development, "Statewide Employer Services," for program year 2003, received July 14, 2004.

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In addition to business contacts by DEED employees, some staff from the local agencies providing services to job seekers also contact employers, as do others from MnSCU's customized training services. Yet many of their contacts have been made independent of other employment and training providers, despite the similar nature of the various contacts and the potential benefits of a cohesive approach.

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### RECOMMENDATION

*DEED should target its marketing toward employers and industries that the department expects will provide the greatest return on its marketing investment, and it should intensify efforts to coordinate business outreach activities with local workforce service areas and others.*

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DEED's marketing efforts are broad-based and do not target information toward any specific industries or employers, such as those with occupations in demand. To make the most use of its marketing dollars, DEED should evaluate its marketing and invest its resources in the most successful activities. Further, it should require local collaborations that it funds to do the same. One option is to compare changes in employers' use of services in markets with targeted advertising to markets without.



Although some initiatives are in place to coordinate business contacts, more will be needed to increase efficiencies and contact employers in a unified way. Coordination will require ongoing efforts over time as well as analysis to identify the value of collaborative projects and determine whether they should be replicated. Examples of coordination exist, but they are not widespread. For instance, Job Service providers in a few workforce service areas told us about business visits their staff made jointly with MnSCU staff, but this is not done uniformly. We also learned about a “business toolbox” developed in Minneapolis to help businesses expand. The toolbox provides businesses with information about numerous services (of which workforce center services are one). How well this concept can help bridge the gap in other service areas between economic development efforts and workforce development services should be examined.

Other examples represent possibilities for coordinating business outreach, but their benefits and costs need to be evaluated to determine their usefulness for other parts of the state. One is the Employer Services Partnership, which includes representatives of secondary and postsecondary educational agencies, workforce centers, local and state government agencies, and chambers of commerce in the Twin Cities metropolitan area. The partnership’s focus is on increasing efficiency by identifying employment and training activities that should be accomplished across the region, involving staff from all metropolitan workforce service areas. Another example is two pilot projects targeting the finance and health care industries. The workforce service areas in Ramsey County and Minneapolis are working with DEED and MnSCU on these projects to meet employers’ needs both in workforce development and other public programs.



Staff from different programs discussed coordinating contacts with employers.

**In contacting businesses, additional coordination is needed among state employees, as well as MnSCU staff and local employees.**

At the state level, work on coordinating business contacts is underway, but more is needed to ensure that DEED employees are working in concert with each other as well as with MnSCU staff and employees in the local workforce service areas. The fact that staff come from different programs and agencies may continue to create difficulties in achieving coordination, which DEED needs to address. Efforts under consideration or in progress include redesigning a DEED database to record and manage business contacts. The intent is to allow all DEED staff involved in contacting businesses to share relevant information and better coordinate their employer contacts. Another effort began in the fall of 2004 when DEED brought its economic development staff together with its workforce development staff, as described briefly in Chapter 2. While undertaking these efforts, DEED should also coordinate business contacts with agencies in the local service areas.



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# List of Recommendations

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- The Legislature should clarify in law that the Department of Employment and Economic Development is responsible for setting minimum statewide standards to define workforce centers, including the services they must offer, but local workforce councils have authority for siting, opening, and closing workforce centers (p. 30).
- The Legislature should direct each of the state and local entities required to provide workforce development services to more fully exchange annual funding and spending information (p. 34).
- Local workforce councils should work with adult-basic education organizations to improve coordination, and DEED should facilitate this by developing guidance jointly with the Department of Education and the Governor's Workforce Development Council (p. 39).
- The Legislature should require DEED and MnSCU to improve local coordination between workforce development and postsecondary vocational education institutions around the state (p. 41).
- Local workforce councils should coordinate their work with state and local economic development strategies, to the extent they are not already doing so. To facilitate this, DEED and local workforce service areas should identify what is needed to coordinate workforce development with economic development and intensify efforts to provide information and training resources on coordination (p. 44).
- The Department of Employment and Economic Development should continue its efforts to count individuals visiting workforce center resource rooms and to measure the impact of services provided there. In addition, the department should monitor whether Minnesota's Job Bank assisted self-service users in obtaining or changing employment (p. 52).
- DEED should improve the validity of its job-seeker satisfaction survey, particularly in using the survey to compare results across workforce service areas (p. 59).
- Local workforce councils should ensure that training services relate to occupations in demand, and DEED should evaluate the extent to which local areas comply with this requirement (p. 73).

- DEED should determine how many employers posting positions with Minnesota's Job Bank filled the jobs with employees who used the Job Bank (p. 79).
- DEED should target its marketing toward employers and industries that the department expects will provide the greatest return on its marketing investment, and it should intensify efforts to coordinate business outreach activities with local workforce service areas and others (p. 82).

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# Further Reading

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U.S. General Accounting Office. *Improvements Needed in Performance Measures to Provide a More Accurate Picture of WIA's Effectiveness*. Washington, D.C.: General Accounting Office, February 2002; [www.gao.gov/new.items/d02275.pdf](http://www.gao.gov/new.items/d02275.pdf).

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\_\_\_\_\_. *Workforce Investment Act: State and Local Areas Have Developed Strategies to Assess Performance, but Labor Could Do More to Help*. Washington, D.C.: General Accounting Office, June 2004; [www.gao.gov/new.items/d04657.pdf](http://www.gao.gov/new.items/d04657.pdf).



January 21, 2005

James Nobles, Legislative Auditor  
Office of the Legislative Auditor  
Room 140 Centennial Building  
658 Cedar Street  
St. Paul, Minnesota 55155-1603

Dear Mr. Nobles:

Thank you for the opportunity for the Department of Employment and Economic Development (DEED) to respond to your report on Minnesota's workforce development services and the Minnesota WorkForce Center System. In what may be a departure from the normal response to a Legislative Audit, DEED not only supports most of the findings of your report but is already well underway in implementing many of its recommendations.

Since joining state government in January 2003, I have been both impressed with the WorkForce Center System's capacity and disappointed in its weak and unproductive governance model. As I hope that you have seen, the staff of Minnesota's WorkForce Centers, both state and partner employees, are tremendously skilled in and passionate about their important work of helping Minnesota's businesses hire Minnesotans. The U.S. Department of Labor, the primary funder of DEED's workforce development activity, continues to hold up Minnesota as a national model of exemplary One-Stop Center integration and in fact will be visiting us later this month to identify our best practices to share with other states. However, as your report accurately recognizes, an awkward governance and accountability structure has held us back. We have spent far too much time finger-pointing rather than investing in Minnesota's workforce.

Beginning in late 2003, DEED embarked on an effort to redefine the governance and operational expectations of the Minnesota WorkForce Center System. Working with its local partners, DEED has examined its beliefs and has discovered assumptions based on misperceptions and inaccurate data. Like you, we have identified some significant challenges in the current model. Working with the Governor's Workforce Development Council (GWDC), we have developed a new blueprint for a new, highly productive, workforce system. Our plan addresses the vast majority of the findings that you have identified, and I am personally confident that we are on the right track.

With the remainder of this memo, I will respond to a few of the report's specific recommendations and outline some of DEED's efforts that are already underway that advance the goals of the recommendations.



- ***The Legislature should clarify in law that the Department of Employment and Economic Development is responsible for setting minimum statewide standards to define WorkForce Centers and their services, but local workforce councils have authority for opening, closing or relocating particular centers.***

We agree with the division of authorities and responsibilities that you recommend. Your recommendation aligns quite well with a similar recommendation emerging from the GWDC's Creating Systems Excellence Committee, and DEED has already begun the process of defining appropriate statewide operating standards for the WorkForce Centers. We are already implementing the report's recommendation and are about to communicate this new understanding of roles and responsibilities to the members of local workforce councils. We suggest that the Minnesota Legislature does not need to be involved at this time.

- ***The Legislature should direct each of the state and local entities that administer workforce development services to more fully exchange funding information.***

We appreciate the report's recognition of DEED's limitations as an authority over workforce development in the state, and we will continue working with our state and local partners in workforce development to develop a complete and accurate picture of funding for workforce development in Minnesota.

- ***The Legislature should require DEED and Minnesota State Colleges and Universities (MnSCU) to improve coordination between workforce development and postsecondary education.***

Since the merger that created DEED in July 2003, one of my priorities has to been to strengthen the relationship between DEED and MnSCU both centrally and between local WorkForce Centers and MnSCU campuses. Not only do I meet with the MnSCU Chancellor regularly, but DEED's top leadership is in regular communication with their counterparts at MnSCU and our regional administrators are working with MnSCU's regional coordinators. We have many local examples of close coordination, such as the collaboration between the Winona WorkForce Center and Southeast Technical College. DEED is fully committed to continuing to develop and enhance our coordination with MnSCU as we work together to invest in Minnesota's workforce.

- ***Local workforce councils should work with adult basic education organizations to improve coordination, and DEED should facilitate this by developing guidance jointly with the Department of Education and the Governor's Workforce Development Council.***

As you note, Adult Basic Education remains a fringe activity in far too many WorkForce Centers. You have our commitment that we will work extensively with the Department of Education, the GWDC, and our local partners to integrate our work more tightly with this critical component in workforce development. We are currently focusing our Workforce Investment Act (WIA) incentive grant, received last year in recognition of meeting performance standards for WIA, Adult Basic Education, and Perkins vocational education, on English language acquisition, and this work is already advancing the goal of improved collaboration.

- ***Local workforce councils should coordinate workforce development with state and local economic development strategies to the extent that they are not already doing do. To facilitate this, DEED and local workforce service areas should identify what is needed to coordinate workforce development with economic development and intensify efforts to provide information and training resources on coordination.***
- ***DEED should target its marketing toward employers and industries that the department expects will provide the greatest return on its marketing investment, and it should intensify efforts to coordinate business outreach activities with local workforce service areas.***

DEED, working with the Economic Development Association of Minnesota and the Minnesota Workforce Council Association, is just now concluding a series of six regional training sessions on economic development for members of local workforce councils. We have begun to develop local teams drawn from economic development, workforce development and higher education to address the needs of specific industry sectors, starting with health care and financial services. Our Business Services training is likewise introducing the economic development toolkit to WorkForce Center staff across the state. Given the synergies that we are seeing centrally between workforce development and economic development as a result of our merged agency, we are fully committed to improving the coordination at the local level across the state.

- ***DEED should continue its efforts to count individuals visiting WorkForce Center resource rooms and to measure the impact of services provided there. In addition, the department should monitor whether Minnesota's Job Bank assisted self-service users in obtaining or changing employment.***
- ***DEED should improve the validity of its job-seeker satisfaction survey, particularly in using the survey to compare results across workforce service areas.***
- ***DEED should determine how many employers posting positions with Minnesota's Job Bank filled the jobs with employees who used the Job Bank.***

We are fully committed to improving our ability to measure the performance of the WorkForce Centers and specific workforce development programs. For example, this past fall we began an effort to revamp our WorkForce Center job-seeker satisfaction survey in order to provide the information that local and state leadership need to manage by results. We now anticipate piloting the Client Tracking System, our technology to count individuals visiting Resource Rooms, over the summer and deploying the system across the state next fall. We are also finalizing new performance measures for the State Dislocated Worker Program that reflect programmatic changes implemented following the 2004 Legislative session.

- ***Local workforce councils should ensure that training services relate to occupations in demand, and DEED should evaluate the extent to which local areas comply with this requirement.***

We share your concern about the potential gap that you have identified between training and occupations in demand. In fact, during the 2004 session, we asked the Legislature to strengthen statutory language on what training the state Dislocated Worker program may fund. We will further evaluate the relationship between training and occupations in demand for both the local workforce councils and the state Dislocated Worker program's independent grantees. Moreover, we plan to refine

our methods for identifying occupations in demand and strengthen the linkage between DEED's excellent career and labor market information and counselors working with job seekers.

Again, we were quite pleased with the results of this report. We acknowledge the shortcomings of the current system and are already well underway with efforts to remedy these deficiencies. By addressing these issues of authority and responsibility that your report identifies, we can focus our energies on creating the country's foremost workforce. I look forward to a future report that documents our successes.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Kramer", with a stylized flourish at the end.

Matt Kramer  
Commissioner



1<sup>ST</sup> NATIONAL BANK BUILDING  
332 MINNESOTA STREET, SUITE E200  
SAINT PAUL, MN 55101-1351

651-205-4728 T ■ 651-296-0994 F  
651-282-5909 TTY ■ WWW.GWDC.ORG

January 21, 2005

Office of the Legislative Auditor  
State of Minnesota  
Centennial Building, Suite 140  
658 Cedar Street  
Saint Paul, Minnesota 55155

We have reviewed the final draft of your report on “Workforce Development Services” and appreciate your responsiveness to the concerns raised by the Governor’s Workforce Development Council. Your office has done a fine job of summarizing the issues and creating clarity about the workforce development service delivery system and the key players in it. Overall, the GWDC believes the report will be of value to the Legislature and will complement the GWDC’s WorkForce Center Business Plan, which is also being delivered to the Legislature this month.

The issues raised on governance and service delivery are consistent with past GWDC analyses and recommendations. The specific recommendations regarding WorkForce Center planning and operations fit well with the direction outlined in the GWDC’s WorkForce Center Business Plan. We concur with your analysis and support the final recommendations to the Legislature.

The specific recommendation that DEED and MnSCU review coordination opportunities between workforce development and postsecondary vocational education institutions around the state is welcome and the GWDC will certainly play a role in facilitating this review. This and other recommendations support the GWDC’s broad framework that higher education, workforce development services, and other components are all part of Minnesota’s publicly-funded workforce development portfolio. We appreciate your reflection of this perspective in the report.

Our thanks to your office for your contributions to strengthen and clarify Minnesota’s workforce development services.

Sincerely,

Cynthia L. Leshner, Chair  
Xcel Energy

Don Gerdesmeier, Vice-Chair  
Minnesota Teamsters





January 21, 2005

Mr. James Nobles  
Legislative Auditor  
Office of the Legislative Auditor  
Centennial Building, Room 140  
685 Cedar Street  
Saint Paul, Minnesota 55155-1603

Dear Mr. Nobles:

Members of the Minnesota Workforce Council Association (MWCA) appreciate the opportunity to provide comment on your February 2005 report entitled "Workforce Development Services."

Overall, MWCA commends the Office of the Legislative Auditor (OLA) for producing a well-crafted report. The Workforce System is very complex, and the OLA staff has garnered an impressive understanding of the system in a relatively short period of time. The report outlines many issues in a well-organized, comprehensive manner.

MWCA agrees that a more clearly defined working partnership between DEED, other state agencies and the Workforce Service Areas - through their Local Workforce Councils and Local Elected Officials - could result in a more effective delivery of workforce services. In fact, many of the recommendations included in the report have been identified by MWCA and are currently being addressed in partnership with DEED and the GWDC. Additionally, we appreciate the OLA's acknowledgement of initiatives put forth by the MWCA to provide training and support to its members.

There are a few points on which MWCA would like to provide additional information.

### **Major Finding Three**

MWCA agrees that despite some barriers, coordination with Economic Development should be a priority. One of the Association's goals for the 2005 is to ensure that each council has outlined a plan of how to integrate with economic development entities in their area. Although workforce and economic development were merged into one department only a short time ago, DEED has done an impressive job in supporting local council's efforts to more closely integrate economic development and workforce development.

MWCA would suggest, however, that Economic Development coordination requirements must be viewed in the context of the Federal WIA law as a whole. In addition to the multitudes of city, county and broader economic development authorities, there are over a dozens of agencies (schools, colleges, non-profits, social services, elected officials, service providers, etc) with which councils are required to interface. The report does not include information on how partners *within* the Workforce Centers work with Economic Development entities. Due to the heavy demands on members' time, many councils rely on staff to provide the coordination function on a day-to-day basis.

**Major Finding Five**

This finding implies that there is a general lack of data and standards. MWCA disagrees- most of the Workforce programs have large numbers of performance standards. Because there is a federal tie to many of these programs, creating a new set of standards would not be beneficial. We do support measuring programs that do not currently have performance measures.

Methods to measure two main systems identified (State Dislocated Worker and Resource areas) are in the process of being evaluated. Further, the State Dislocated Worker program has always been measured and reported on by local providers, regardless of whether standards were in place.

MWCA is also concerned about the general tone of the report; that Minnesota has mediocre performance outcomes. We have attached a comparison that shows Minnesota is ranked number four in the United States in its overall performance ranking. There should be a clear statement in the report that Minnesota’s system as a whole is consistently one of the best in the country. MWCA would argue that the comparisons and analysis included in the report do not accurately reflect this.

**Major Finding Six**

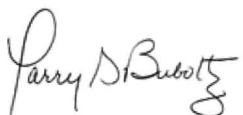
The last sentence of finding six implies that some areas are not doing a very effective job of determining occupations in demand and that the DEED is not evaluating the local councils’ process for selecting these occupations. In fact, DEED and the local councils spent close to a year developing a system to select demand occupations. This process was designed on the outcome of specific programs, applying both a state and local review of demand. There are many ways to determine occupational demand; the method used by the Office of the Legislative Auditor would not produce the same level of high results as the method that was selected by DEED and the local councils. We do not object to the recommendation to review how demand is determined- given the recent recession, a good review is in order. We do object, however, to the comments that there isn’t an effective system in place and that the state is not monitoring it.

**Major Recommendation Five**

MWCA agrees that DEED should continue attempts to monitor whether services helped clients obtain employment. However, the level of detail suggested in the report may be financially burdensome for local areas.

The Minnesota Workforce Council Association is hopeful that this report will contribute to a greater understanding of Minnesota’s complex Workforce System. Again, thank you for the opportunity to review the report.

Sincerely,



Larry Buboltz  
Chair, MWCA Operations Committee



Anne Olson  
Director, MWCA



<b>State</b>	<b>Total Score</b>	<b>Ranking</b>
AK	343	16
AL	417	30
AR	192	3
AZ	530	44
CA	553	47
CO	429	32
CT	473	38
DC	378	24
DE	417	31
FL	633	52
GA	299	11
HI	572	48
IA	266	9
ID	158	1
IL	453	37
IN	354	19
KS	602	50
KY	333	15
LA	364	21
MA	575	49
MD	174	2
ME	361	20
MI	258	8
MN	216	4
MO	392	28
MS	380	26
MT	353	18
NC	323	13
ND	440	34
NE	222	5
NH	451	36
NJ	253	7
NM	477	40
NV	546	46
NY	631	51
OH	522	42
OK	300	12
OR	382	27
PA	444	35
PR	323	14
RI	413	29
SC	522	43
SD	378	25
TN	243	6
TX	365	22
UT	474	39
VA	538	45
VT	518	41
WA	369	23
WI	436	33
WV	351	17
WY	273	10

WIA Performance National 2003

## YOUNGER YOUTH MEASURES

State	Skill Attainment Rate		Diploma or Equivalent Attainment Rate		Retention Rate		Total Score	Rank
	Actual		Actual		Actual			
AK	87.6%	19	67.5%	21	67.0%	18	58	13
AL	92.8%	6	54.9%	43	64.9%	25	74	23
AR	87.8%	17	84.2%	3	81.4%	1	21	3
AZ	78.5%	41	49.5%	48	53.1%	47	136	48
CA	80.7%	37	61.5%	30	59.3%	38	105	42
CO	83.8%	30	60.5%	31	59.8%	37	98	37
CT	80.5%	38	62.1%	27	77.7%	6	71	22
DC	91.0%	10	85.7%	2	66.5%	19	31	5
DE	87.6%	20	79.4%	4	53.6%	46	70	20
FL	74.9%	45	44.5%	51	54.2%	44	140	50
GA	86.7%	22	69.1%	16	69.3%	15	53	12
HI	58.9%	51	49.5%	49	47.0%	51	151	52
IA	71.7%	48	76.1%	9	76.7%	8	65	18
ID	94.5%	4	79.3%	5	79.8%	3	12	1
IL	82.0%	34	65.5%	24	62.3%	29	87	31
IN	88.3%	14	57.4%	36	60.4%	36	86	30
KS	77.2%	44	56.1%	38	65.9%	22	104	41
KY	87.8%	18	73.6%	12	66.3%	20	50	11
LA	82.4%	32	50.7%	47	65.8%	23	102	40
MA	78.6%	40	59.3%	34	60.5%	35	109	44
MD	94.9%	2	92.9%	1	53.7%	45	48	10
ME	97.6%	1	62.0%	28	68.6%	16	45	8
MI	89.9%	13	74.2%	11	73.7%	12	36	6
MN	91.9%	7	78.1%	7	77.1%	7	21	3
MO	84.3%	29	73.2%	14	61.1%	32	75	26
MS	90.9%	11	65.8%	23	56.8%	40	74	24
MT	87.2%	21	55.6%	39	64.1%	27	87	32
NC	69.7%	49	68.8%	17	74.3%	11	77	28
ND	71.9%	47	75.0%	10	74.7%	9	66	19
NE	83.4%	31	77.6%	8	61.7%	31	70	21
NH	78.1%	42	66.8%	22	74.5%	10	74	25
NJ	88.0%	15	68.4%	19	63.3%	28	62	14
NM	86.2%	25	59.9%	32	54.7%	43	100	39
NV	77.7%	43	39.4%	52	56.7%	41	136	49
NY	67.7%	50	51.8%	45	48.7%	48	143	51
OH	74.8%	46	59.9%	33	47.0%	50	129	47
OK	81.8%	35	58.1%	35	65.6%	24	94	34
OR	84.7%	28	70.9%	15	79.3%	4	47	9
PA	81.5%	36	78.4%	6	60.9%	33	75	27
PR	93.2%	5	73.4%	13	80.6%	2	20	2
RI	91.6%	8	53.5%	44	55.6%	42	94	35
SC	85.1%	27	51.5%	46	46.9%	52	125	46
SD	82.3%	33	55.1%	42	66.2%	21	96	36
TN	85.3%	26	56.8%	37	64.4%	26	89	33
TX	86.6%	23	64.9%	25	62.0%	30	78	29
UT	86.4%	24	64.5%	26	70.7%	13	63	17
VA	91.1%	9	47.2%	50	47.9%	49	108	43
VT	79.7%	39	55.6%	40	60.9%	34	113	45
WA	87.9%	16	61.8%	29	67.8%	17	62	15
WI	90.2%	12	68.4%	18	70.2%	14	44	7
WV	94.7%	3	67.9%	20	58.5%	39	62	16
WY	58.8%	52	55.2%	41	78.0%	5	98	38
<b>Average</b>	83.6%		64.2%		64.2%			

## OLDER YOUTH MEASURES

State	Entered Employment Rate		Employment Retention Rate		Earnings Change in Six Months		Credential Rate		Subtotal Score	Rank
	Actual		Actual		Actual		Actual			
AK	74.1%	22	64.3%	51	\$2,615	40	62.7%	7	120	35
AL	73.6%	24	79.3%	40	\$2,872	36	35.1%	49	149	46
AR	76.8%	16	87.5%	10	\$3,810	9	42.8%	41	76	12
AZ	69.0%	37	77.4%	46	\$3,239	21	47.5%	34	138	39
CA	71.5%	30	78.3%	43	\$3,604	12	35.7%	48	133	38
CO	76.0%	17	81.8%	28	\$3,032	31	49.1%	32	108	29
CT	59.5%	51	79.0%	41	\$3,087	26	52.3%	25	143	42
DC	95.8%	1	98.1%	1	\$4,233	4	64.0%	5	11	1
DE	60.7%	50	63.0%	52	\$1,193	52	65.7%	3	157	47
FL	64.7%	45	80.5%	35	\$3,065	29	31.9%	51	160	48
GA	75.1%	19	80.7%	34	\$3,394	18	62.9%	6	77	13
HI	81.1%	10	79.8%	37	\$3,028	32	27.3%	52	131	36
IA	80.9%	11	89.6%	6	\$3,746	10	61.3%	9	36	3
ID	88.5%	2	90.5%	2	\$2,881	35	56.4%	15	54	6
IL	68.5%	39	82.9%	25	\$3,502	14	50.8%	29	107	26
IN	73.3%	25	82.1%	27	\$3,099	25	43.3%	39	116	33
KS	49.5%	52	83.5%	21	\$3,481	16	33.1%	50	139	40
KY	77.6%	15	86.9%	12	\$3,492	15	44.2%	38	80	14
LA	70.0%	33	85.3%	18	\$3,817	7	39.7%	46	104	24
MA	61.1%	49	77.8%	44	\$2,590	42	45.5%	37	172	51
MD	83.2%	5	85.5%	16	\$3,115	24	72.8%	2	47	5
ME	81.2%	8	75.8%	49	\$2,479	44	55.8%	17	118	34
MI	80.1%	13	80.7%	33	\$2,311	47	73.5%	1	94	18
MN	72.3%	27	84.2%	19	\$4,151	5	48.5%	33	84	15
MO	68.4%	40	80.8%	31	\$2,908	33	43.1%	40	144	44
MS	75.1%	20	85.3%	17	\$2,656	39	51.6%	27	103	23
MT	83.3%	4	83.3%	22	\$3,330	20	58.8%	12	58	7
NC	75.9%	18	87.2%	11	\$3,069	28	41.2%	44	101	21
ND	81.2%	9	85.9%	14	\$2,529	43	42.3%	43	109	30
NE	80.9%	12	90.5%	2	\$4,531	3	53.6%	21	38	4
NH	87.5%	3	68.6%	50	\$2,012	51	60.0%	11	115	32
NJ	82.1%	7	88.7%	8	\$3,228	22	51.6%	26	63	9
NM	72.0%	28	82.9%	24	\$3,070	27	54.7%	19	98	19
NV	65.1%	44	89.6%	7	\$3,813	8	42.5%	42	101	20
NY	64.5%	46	75.9%	48	\$2,765	38	47.2%	35	167	49
OH	64.1%	47	79.8%	38	\$5,985	1	38.4%	47	133	37
OK	73.3%	26	86.0%	13	\$4,074	6	58.0%	13	58	8
OR	70.0%	34	79.5%	39	\$2,897	34	62.2%	8	115	31
PA	62.6%	48	78.7%	42	\$2,045	50	46.8%	36	176	52
PR	66.0%	42	89.8%	5	\$3,218	23	55.1%	18	88	16
RI	65.4%	43	80.8%	32	\$2,223	49	56.1%	16	140	41
SC	70.7%	32	77.1%	47	\$2,454	45	40.1%	45	169	50
SD	69.3%	35	85.7%	15	\$3,699	11	50.3%	30	91	17
TN	71.9%	29	83.3%	23	\$3,591	13	61.0%	10	75	11
TX	71.4%	31	81.1%	30	\$3,357	19	53.1%	23	103	22
UT	73.8%	23	88.2%	9	\$3,059	30	64.6%	4	66	10
VA	66.8%	41	81.6%	29	\$2,417	46	51.1%	28	144	43
VT	69.1%	36	77.4%	45	\$2,605	41	52.4%	24	146	45
WA	74.3%	21	80.2%	36	\$2,854	37	56.6%	14	108	27
WI	68.6%	38	83.6%	20	\$3,406	17	49.7%	31	106	25
WV	78.1%	14	82.6%	26	\$2,226	48	54.5%	20	108	28
WY	82.8%	6	90.1%	4	\$5,005	2	53.4%	22	34	2
<b>Average</b>	73.0%		82.3%		\$3,170		51.0%			

<b>ADULT MEASURES</b>										
<b>State</b>	<b>Entered Employment Rate</b>		<b>Employment Retention Rate</b>		<b>Earnings Change in 6 Months</b>		<b>Credential Rate</b>		<b>Subtotal Score</b>	<b>Rank</b>
	<b>Actual</b>		<b>Actual</b>		<b>Actual</b>		<b>Actual</b>			
AK	74.0%	<b>34</b>	84.6%	<b>31</b>	\$5,376	<b>1</b>	66.3%	<b>21</b>	<b>87</b>	<b>20</b>
AL	82.2%	<b>16</b>	84.1%	<b>36</b>	\$4,456	<b>5</b>	49.9%	<b>49</b>	<b>106</b>	<b>29</b>
AR	82.3%	<b>15</b>	92.5%	<b>1</b>	\$5,369	<b>2</b>	64.5%	<b>26</b>	<b>44</b>	<b>4</b>
AZ	73.5%	<b>38</b>	84.2%	<b>35</b>	\$3,655	<b>19</b>	55.5%	<b>44</b>	<b>136</b>	<b>41</b>
CA	72.1%	<b>45</b>	82.7%	<b>44</b>	\$3,179	<b>26</b>	55.8%	<b>43</b>	<b>158</b>	<b>44</b>
CO	76.3%	<b>31</b>	86.7%	<b>17</b>	\$2,939	<b>34</b>	66.4%	<b>19</b>	<b>101</b>	<b>23</b>
CT	74.0%	<b>35</b>	82.7%	<b>43</b>	\$2,679	<b>41</b>	68.8%	<b>12</b>	<b>131</b>	<b>38</b>
DC	66.7%	<b>48</b>	79.0%	<b>50</b>	\$2,970	<b>31</b>	48.9%	<b>50</b>	<b>179</b>	<b>50</b>
DE	82.1%	<b>17</b>	70.1%	<b>52</b>	\$2,884	<b>36</b>	73.0%	<b>8</b>	<b>113</b>	<b>32</b>
FL	65.8%	<b>50</b>	83.6%	<b>41</b>	\$3,573	<b>21</b>	51.0%	<b>48</b>	<b>160</b>	<b>45</b>
GA	83.4%	<b>13</b>	84.3%	<b>33</b>	\$4,021	<b>8</b>	70.9%	<b>10</b>	<b>64</b>	<b>7</b>
HI	73.3%	<b>41</b>	85.3%	<b>25</b>	\$3,849	<b>12</b>	57.5%	<b>41</b>	<b>119</b>	<b>35</b>
IA	84.0%	<b>11</b>	90.5%	<b>4</b>	\$2,853	<b>38</b>	64.5%	<b>27</b>	<b>80</b>	<b>17</b>
ID	89.3%	<b>3</b>	88.9%	<b>10</b>	\$3,968	<b>10</b>	72.4%	<b>9</b>	<b>32</b>	<b>2</b>
IL	71.3%	<b>46</b>	84.0%	<b>38</b>	\$3,816	<b>13</b>	62.2%	<b>31</b>	<b>128</b>	<b>37</b>
IN	82.9%	<b>14</b>	88.1%	<b>12</b>	\$3,363	<b>23</b>	65.7%	<b>22</b>	<b>71</b>	<b>11</b>
KS	69.3%	<b>47</b>	84.1%	<b>37</b>	\$1,329	<b>52</b>	52.3%	<b>46</b>	<b>182</b>	<b>51</b>
KY	78.2%	<b>28</b>	90.4%	<b>5</b>	\$5,196	<b>3</b>	59.1%	<b>40</b>	<b>76</b>	<b>15</b>
LA	81.2%	<b>18</b>	86.9%	<b>16</b>	\$3,808	<b>14</b>	65.3%	<b>23</b>	<b>71</b>	<b>12</b>
MA	73.7%	<b>37</b>	79.1%	<b>48</b>	\$3,139	<b>27</b>	65.1%	<b>24</b>	<b>136</b>	<b>40</b>
MD	90.3%	<b>1</b>	86.4%	<b>19</b>	\$3,071	<b>30</b>	84.4%	<b>1</b>	<b>51</b>	<b>5</b>
ME	88.2%	<b>4</b>	86.9%	<b>15</b>	\$1,889	<b>50</b>	60.5%	<b>38</b>	<b>107</b>	<b>30</b>
MI	86.7%	<b>6</b>	85.6%	<b>23</b>	\$2,935	<b>35</b>	80.6%	<b>3</b>	<b>67</b>	<b>10</b>
MN	87.7%	<b>5</b>	89.9%	<b>6</b>	\$4,826	<b>4</b>	75.6%	<b>5</b>	<b>20</b>	<b>1</b>
MO	79.2%	<b>24</b>	85.2%	<b>26</b>	\$3,093	<b>29</b>	64.8%	<b>25</b>	<b>104</b>	<b>26</b>
MS	78.4%	<b>27</b>	85.1%	<b>27</b>	\$2,675	<b>42</b>	66.4%	<b>20</b>	<b>116</b>	<b>33</b>
MT	75.6%	<b>33</b>	86.4%	<b>21</b>	\$3,704	<b>16</b>	68.1%	<b>14</b>	<b>84</b>	<b>18</b>
NC	85.1%	<b>8</b>	89.4%	<b>8</b>	\$3,663	<b>18</b>	56.2%	<b>42</b>	<b>76</b>	<b>16</b>
ND	72.4%	<b>43</b>	85.0%	<b>28</b>	\$2,251	<b>49</b>	54.7%	<b>45</b>	<b>165</b>	<b>46</b>
NE	89.5%	<b>2</b>	92.0%	<b>2</b>	\$2,962	<b>33</b>	67.3%	<b>17</b>	<b>54</b>	<b>6</b>
NH	74.0%	<b>36</b>	89.9%	<b>7</b>	\$1,591	<b>51</b>	68.1%	<b>15</b>	<b>109</b>	<b>31</b>
NJ	84.7%	<b>9</b>	91.4%	<b>3</b>	\$3,347	<b>24</b>	63.1%	<b>29</b>	<b>65</b>	<b>9</b>
NM	77.6%	<b>29</b>	84.3%	<b>34</b>	\$2,868	<b>37</b>	61.6%	<b>35</b>	<b>135</b>	<b>39</b>
NV	72.3%	<b>44</b>	79.0%	<b>49</b>	\$2,498	<b>45</b>	61.7%	<b>34</b>	<b>172</b>	<b>48</b>
NY	66.4%	<b>49</b>	83.4%	<b>42</b>	\$3,124	<b>28</b>	62.2%	<b>32</b>	<b>151</b>	<b>43</b>
OH	73.5%	<b>39</b>	87.9%	<b>14</b>	\$2,272	<b>48</b>	59.8%	<b>39</b>	<b>140</b>	<b>42</b>
OK	79.6%	<b>23</b>	86.6%	<b>18</b>	\$3,934	<b>11</b>	68.1%	<b>13</b>	<b>65</b>	<b>8</b>
OR	85.7%	<b>7</b>	78.8%	<b>51</b>	\$2,511	<b>44</b>	81.1%	<b>2</b>	<b>104</b>	<b>25</b>
PA	81.0%	<b>20</b>	83.7%	<b>40</b>	\$2,853	<b>39</b>	73.5%	<b>7</b>	<b>106</b>	<b>28</b>
PR	73.5%	<b>40</b>	88.1%	<b>13</b>	\$3,617	<b>20</b>	63.4%	<b>28</b>	<b>101</b>	<b>24</b>
RI	75.8%	<b>32</b>	84.7%	<b>30</b>	\$4,203	<b>7</b>	61.5%	<b>36</b>	<b>105</b>	<b>27</b>
SC	81.0%	<b>21</b>	86.4%	<b>20</b>	\$2,583	<b>43</b>	61.7%	<b>33</b>	<b>117</b>	<b>34</b>
SD	76.9%	<b>30</b>	88.6%	<b>11</b>	\$3,239	<b>25</b>	62.9%	<b>30</b>	<b>96</b>	<b>22</b>
TN	84.1%	<b>10</b>	86.1%	<b>22</b>	\$4,285	<b>6</b>	77.8%	<b>4</b>	<b>42</b>	<b>3</b>
TX	80.6%	<b>22</b>	84.8%	<b>29</b>	\$3,664	<b>17</b>	67.6%	<b>16</b>	<b>84</b>	<b>19</b>
UT	59.3%	<b>52</b>	82.5%	<b>45</b>	\$3,364	<b>22</b>	52.2%	<b>47</b>	<b>166</b>	<b>47</b>
VA	73.1%	<b>42</b>	84.5%	<b>32</b>	\$2,496	<b>46</b>	41.6%	<b>52</b>	<b>172</b>	<b>49</b>
VT	81.2%	<b>19</b>	83.7%	<b>39</b>	\$2,963	<b>32</b>	74.5%	<b>6</b>	<b>96</b>	<b>21</b>
WA	78.8%	<b>25</b>	85.5%	<b>24</b>	\$3,979	<b>9</b>	67.2%	<b>18</b>	<b>76</b>	<b>14</b>
WI	64.7%	<b>51</b>	80.5%	<b>47</b>	\$2,352	<b>47</b>	42.9%	<b>51</b>	<b>196</b>	<b>52</b>
WV	78.8%	<b>26</b>	82.3%	<b>46</b>	\$2,692	<b>40</b>	69.7%	<b>11</b>	<b>123</b>	<b>36</b>
WY	83.7%	<b>12</b>	89.2%	<b>9</b>	\$3,762	<b>15</b>	60.6%	<b>37</b>	<b>73</b>	<b>13</b>
<b>Average</b>	78.0%		85.3%		\$3,302		63.8%			

<b>DISLOCATED WORKER MEASURES</b>										
State	Entered Employment		Employment Retention		Earnings Replacement Rate		Credential Rate		Subtotal Score	Rank
	Rate		Rate		Rate		Rate			
	Actual		Actual		Actual		Actual			
AK	83.5%	34	89.5%	35	138.2%	3	76.5%	6	78	14
AL	89.8%	7	90.1%	32	130.1%	4	60.5%	45	88	21
AR	87.5%	17	95.8%	2	122.6%	5	67.4%	27	51	3
AZ	85.0%	25	88.5%	42	109.4%	10	61.5%	43	120	34
CA	80.1%	42	88.3%	43	81.4%	43	66.8%	29	157	44
CO	84.1%	28	90.4%	31	77.7%	47	72.6%	16	122	35
CT	84.7%	27	91.0%	30	78.1%	46	68.4%	25	128	39
DC	78.2%	45	86.1%	50	89.7%	28	64.8%	34	157	45
DE	90.0%	6	77.2%	52	95.5%	16	83.2%	3	77	13
FL	71.4%	51	87.6%	45	91.2%	25	36.9%	52	173	50
GA	84.0%	29	91.7%	24	86.8%	35	72.0%	17	105	28
HI	78.4%	44	86.3%	49	87.0%	34	61.2%	44	171	49
IA	88.2%	11	93.4%	11	89.4%	31	65.6%	32	85	17
ID	93.1%	2	93.5%	9	85.4%	36	73.2%	13	60	6
IL	83.7%	32	91.4%	28	85.0%	38	65.1%	33	131	40
IN	87.8%	16	95.0%	3	93.0%	20	61.9%	42	81	15
KS	78.2%	47	91.4%	29	73.4%	52	55.5%	49	177	51
KY	80.7%	39	92.3%	17	91.9%	23	58.1%	48	127	38
LA	87.9%	14	89.3%	38	117.5%	7	67.0%	28	87	20
MA	79.8%	43	87.1%	47	79.0%	45	69.0%	23	158	46
MD	93.3%	1	93.5%	8	94.2%	18	90.3%	1	28	1
ME	89.7%	8	92.0%	19	87.6%	33	65.8%	31	91	24
MI	89.1%	10	92.2%	18	89.6%	29	82.7%	4	61	7
MN	87.1%	18	93.1%	12	82.4%	40	69.4%	21	91	23
MO	87.8%	15	92.3%	16	94.1%	19	71.3%	19	69	10
MS	83.5%	33	88.9%	39	122.5%	6	74.5%	9	87	18
MT	72.8%	49	91.5%	26	102.1%	13	64.1%	36	124	37
NC	91.2%	4	94.5%	4	96.9%	15	59.5%	46	69	11
ND	82.5%	36	93.5%	10	101.0%	14	63.4%	40	100	27
NE	92.2%	3	96.6%	1	77.0%	48	75.8%	8	60	5
NH	76.2%	48	89.5%	36	76.6%	49	71.2%	20	153	43
NJ	90.9%	5	91.9%	22	91.7%	24	73.5%	12	63	8
NM	83.8%	30	88.7%	41	89.3%	32	63.4%	41	144	42
NV	78.2%	46	89.4%	37	89.5%	30	68.8%	24	137	41
NY	71.0%	52	87.9%	44	90.2%	27	59.0%	47	170	48
OH	84.8%	26	93.0%	13	81.3%	44	63.8%	37	120	33
OK	85.9%	24	90.1%	33	107.2%	11	72.8%	15	83	16
OR	86.8%	21	86.0%	51	81.6%	42	86.0%	2	116	32
PA	87.0%	19	92.0%	20	85.4%	37	73.7%	11	87	19
PR	80.2%	40	87.5%	46	150.3%	2	67.7%	26	114	30
RI	86.5%	22	91.8%	23	92.2%	22	76.1%	7	74	12
SC	86.9%	20	92.5%	15	91.1%	26	54.1%	50	111	29
SD	82.6%	35	94.5%	5	82.3%	41	73.0%	14	95	25
TN	89.5%	9	92.7%	14	112.1%	9	81.6%	5	37	2
TX	83.8%	31	89.5%	34	94.5%	17	71.5%	18	100	26
UT	72.2%	50	86.4%	48	73.6%	51	65.9%	30	179	52
VA	80.2%	41	92.0%	21	705.6%	1	45.9%	51	114	31
VT	80.9%	38	88.8%	40	74.4%	50	64.3%	35	163	47
WA	82.3%	37	91.6%	25	84.3%	39	69.3%	22	123	36
WI	86.3%	23	93.6%	7	92.5%	21	63.6%	39	90	22
WV	88.0%	13	91.4%	27	113.2%	8	74.5%	10	58	4
WY	88.2%	12	94.3%	6	106.1%	12	63.6%	38	68	9
<b>Average</b>	84.2%		90.8%		106.1%		67.8%			





## OFFICE OF THE LEGISLATIVE AUDITOR

State of Minnesota • James Nobles, Legislative Auditor

January 21, 2005

Members  
Legislative Audit Commission

We appreciate the feedback on our *Workforce Development Services* report from the Minnesota Workforce Council Association. However, we think the association's January 21, 2005 letter is misleading on several points, particularly on the issue of performance. The association says that the report's tone suggests, "Minnesota has mediocre performance outcomes." It says the report does not state that Minnesota's workforce system is among the best in the country, and it points to its own analysis that ranks Minnesota fourth highest among the 50 states.

Our report compares Minnesota with a group of similar states and indicates that Minnesota has generally performed well on most of the performance measures when compared with the group. Moreover, we think the analysis put forth by the association has serious flaws. First, it compares Minnesota with all 50 states, despite the fact that certain states have vastly different economic conditions than Minnesota, rendering comparisons invalid and even misleading. Second, the association's analysis uses only 15 of the 17 performance measures designed by the federal government to gauge performance of the programs in question. On the two measures omitted (which deal with customer satisfaction), Minnesota's performance is ranked lower than that for most of the other measures the association used. By excluding these two measures, the association disregards data that weaken its argument. Third, the association arrives at its overall ranking by summing the ranks of individual measures and then re-ranking the total, a process that assumes each measure has equal importance and obscures variation in performance across measures.

The association also takes issue with the report's analysis of how well local workforce service areas relate their training services to occupations in demand, as federal law requires. The association describes a process for reviewing performance of institutions' specific training programs, but this process is not used to approve programs based on whether they are related to occupations in demand.

These disagreements with the association do not diminish the appreciation my staff and I have for local workforce councils and their employees. They perform well under difficult circumstances, and we remain hopeful that they—and officials at every level—will view this report as a helpful guide toward improvement.

Sincerely,

*/s/ James Nobles*

James Nobles  
Legislative Auditor





## Recent Program Evaluations

<i>Funding for Probation Services</i> , January 1996	96-01	<i>Affordable Housing</i> , January 2001	01-03
<i>Department of Human Rights</i> , January 1996	96-02	<i>Insurance for Behavioral Health Care</i> , February 2001	01-04
<i>Trends in State and Local Government Spending</i> , February 1996	96-03	<i>Chronic Offenders</i> , February 2001	01-05
<i>State Grant and Loan Programs for Businesses</i> February 1996	96-04	<i>State Archaeologist</i> , April 2001	01-06
<i>Post-Secondary Enrollment Options Program</i> , March 1996	96-05	<i>Recycling and Waste Reduction</i> , January 2002	02-01
<i>Tax Increment Financing</i> , March 1996	96-06	<i>Minnesota Pollution Control Agency Funding</i> , January 2002	02-02
<i>Property Assessments: Structure and Appeals, A Best Practices Review</i> , May 1996	96-07	<i>Water Quality: Permitting and Compliance Monitoring</i> , January 2002	02-03
<i>Recidivism of Adult Felons</i> , January 1997	97-01	<i>Financing Unemployment Insurance</i> , January 2002	02-04
<i>Nursing Home Rates in the Upper Midwest</i> , January 1997	97-02	<i>Economic Status of Welfare Recipients</i> , January 2002	02-05
<i>Special Education</i> , January 1997	97-03	<i>State Employee Health Insurance</i> , February 2002	02-06
<i>Ethanol Programs</i> , February 1997	97-04	<i>Teacher Recruitment and Retention: Summary of Major Studies</i> , March 2002	02-07
<i>Statewide Systems Project</i> , February 1997	97-05	<i>Local E-Government: A Best Practices Review</i> , April 2002	02-08
<i>Highway Spending</i> , March 1997	97-06	<i>Managing Local Government Computer Systems: A Best Practices Review</i> , April 2002	02-09
<i>Non-Felony Prosecution, A Best Practices Review</i> , April 1997	97-07	<i>State-Funded Trails for Motorized Recreation</i> , January 2003	03-01
<i>Social Service Mandates Reform</i> , July 1997	97-08	<i>Professional/Technical Contracting</i> , January 2003	03-02
<i>Child Protective Services</i> , January 1998	98-01	<i>MinnesotaCare</i> , January 2003	03-03
<i>Remedial Education</i> , January 1998	98-02	<i>Metropolitan Airports Commission</i> , January 2003	03-04
<i>Transit Services</i> , February 1998	98-03	<i>Preserving Housing: A Best Practices Review</i> , April 2003	03-05
<i>State Building Maintenance</i> , February 1998	98-04	<i>Charter School Financial Accountability</i> , June 2003	03-06
<i>School Trust Land</i> , March 1998	98-05	<i>Controlling Improper Payments in the Medical Assistance Program</i> , August 2003	03-07
<i>9-1-1 Dispatching: A Best Practices Review</i> , March 1998	98-06	<i>Higher Education Tuition Reciprocity</i> , September 2003	03-08
<i>Minnesota State High School League</i> , June 1998	98-07	<i>Minnesota State Lottery</i> , February 2004	04-01
<i>State Building Code</i> , January 1999	99-01	<i>Compensation at the University of Minnesota</i> , February 2004	04-02
<i>Juvenile Out-of-Home Placement</i> , January 1999	99-02	<i>Medicaid Home and Community-Based Waiver Services for Persons With Mental Retardation or Related Conditions</i> , February 2004	04-03
<i>Metropolitan Mosquito Control District</i> , January 1999	99-03	<i>No Child Left Behind</i> , February/March 2004	04-04
<i>Animal Feedlot Regulation</i> , January 1999	99-04	<i>CriMNet</i> , March 2004	04-05
<i>Occupational Regulation</i> , February 1999	99-05	<i>Child Care Reimbursement Rates</i> , January 2005	05-01
<i>Directory of Regulated Occupations in Minnesota</i> , February 1999	99-05b	<i>Gambling Regulation and Oversight</i> , January 2005	05-02
<i>Counties' Use of Administrative Penalties for Violations of Solid and Hazardous Waste Ordinances</i> , February 1999	99-06	<i>Community Supervision of Sex Offenders</i> , January 2005	05-03
<i>Fire Services: A Best Practices Review</i> , April 1999	99-07	<i>Energy Conservation Improvement Program</i> , January 2005	05-04
<i>State Mandates on Local Governments</i> , January 2000	00-01	<i>Nursing Home Inspections</i> , February 2005	05-05
<i>State Park Management</i> , January 2000	00-02	<i>Workforce Development Services</i> , February 2005	05-06
<i>Welfare Reform</i> , January 2000	00-03		
<i>School District Finances</i> , February 2000	00-04		
<i>State Employee Compensation</i> , February 2000	00-05		
<i>Preventive Maintenance for Local Government Buildings: A Best Practices Review</i> , April 2000	00-06		
<i>The MnSCU Merger</i> , August 2000	00-07		
<i>Early Childhood Education Programs</i> , January 2001	01-01		
<i>District Courts</i> , January 2001	01-02		

Evaluation reports can be obtained free of charge from the Legislative Auditor's Office, Program Evaluation Division, Room 140, 658 Cedar Street, Saint Paul, Minnesota 55155, 651/296-4708. Full text versions of recent reports are also available at the OLA web site: <http://www.auditor.leg.state.mn.us>

