



OFFICE OF THE LEGISLATIVE AUDITOR
STATE OF MINNESOTA

EVALUATION REPORT

Workforce Programs

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OFFICE OF THE LEGISLATIVE AUDITOR

STATE OF MINNESOTA • James Nobles, Legislative Auditor

February 2010

Members of the Legislative Audit Commission:

Workforce programs need to perform especially well when economic conditions are difficult, as they certainly have been the past few years. To assess their performance, last year the commission directed the Office of the Legislative Auditor to evaluate the numerous workforce programs available to job seekers in Minnesota.

We found that participants in some programs have experienced positive outcomes, but Minnesota's system of workforce programs is administratively fragmented and needs improvements. We make several recommendations concerning funding, performance measurement, and oversight.

The evaluation was conducted by Jody Hauer (project manager), David Kirchner, and Julie Trupke-Bastidas. Department of Employment and Economic Development, local workforce service areas, and others cooperated with our evaluation, and we thank them for their assistance.

Sincerely,

A handwritten signature in black ink that reads "Jim Nobles".

James Nobles
Legislative Auditor

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Summary

Workforce programs have helped some people find jobs, but fragmented administration and funding have created problems that need to be addressed.

Major Findings:

- Accountability for workforce programs is diffuse due to fragmented authority and funding that is segregated by program. Federal laws limit possible changes. (pp. 57-58)
- Workforce center programs are only partially integrated with unemployment insurance, adult basic education, and some training programs, leaving some clients without the help they need. (pp. 69, 73, and 75)
- Legislative appropriations to independent workforce program providers bypass a competitive selection process and weaken oversight. (p. 63)
- The Department of Employment and Economic Development (DEED)'s monitoring of providers receiving direct legislative appropriations is inconsistent and not funded fairly. (p. 66)
- Federal performance measures are inadequate to assess the quality of workforce programs. (p. 45)
- Workforce program clients generally achieved better job and wage outcomes than similar people who filed for unemployment insurance but did not participate in workforce programs. (pp. 29, 31)
- Most workforce clients we surveyed felt favorably about services they received, but substantially fewer felt the services

helped them find jobs or connect with employers. (p. 38)

Recommendations:

- DEED should adopt a set of standard approaches for assessing workforce program outcomes, including periodic comparisons of workforce program participants and nonparticipants. (pp. 55, 33)
- The Governor's Workforce Development Council, along with workforce councils and DEED, should develop a process to identify and address local gaps in workforce services. (p. 79)
- DEED's Unemployment Insurance Division should develop a process for referring to its customer service staff those workforce center clients who have difficulty navigating its automated systems. (p. 71)
- The Minnesota State Colleges and Universities (MnSCU) system should identify academic programs that help laid-off workers and assist its colleges to determine whether to offer more such programs. (p. 74)
- The Legislature should not direct workforce grants to specific providers but should allow them to be selected through a competitive process. (p. 65)
- DEED should more consistently monitor recipients of legislative appropriations and develop an equitable way to fund its monitoring. (p. 68)

Report Summary

Workforce programs are designed to help individuals prepare for jobs and find employment. The federal Workforce Investment Act of 1998 dictates the structure through which workforce programs are delivered.

Minnesota has 16 workforce service areas, each overseen by a local workforce council, with a majority of members from the private sector. Each service area has at least one workforce center, and there are currently 49 workforce centers statewide.

Workforce centers are “one-stop” locations for information and services. Some services, such as an online job bank and workshops on résumé writing and effective interviewing, are available to anyone. Other services, including training to upgrade skills, are available only for people who meet eligibility criteria.

Services are delivered by a combination of local workforce service area operators, employees of DEED, and community-based nonprofit agencies. DEED also has oversight authority to ensure compliance with federal and state requirements.

Funding comes largely from a mix of federal and state sources. In fiscal year 2009, Minnesota spent about \$234 million on workforce services, excluding one-time federal money.

Workforce program participants achieved better outcomes than comparable unemployed people who were not participants.

Participation in workforce programs had a positive effect on the likelihood

of finding employment and on wages earned. Our analysis compared workforce program participants with unemployed people who shared similar characteristics but did not participate in workforce programs. It showed that women in the federal Adult program were more likely than the comparison group to be employed during a four-year period following program enrollment, by a margin of 10 or more percentage points. These women earned at least \$500 more per quarter than similar women not in the program. Men and women in the Dislocated Worker program experienced similar but smaller effects in obtaining jobs. DEED should periodically perform analyses comparing workforce program participants and nonparticipants.

Most workforce clients we surveyed were positive about workforce services but less so about their results.

In a survey of 810 workforce program clients, the majority were satisfied with services they received. For instance, 86 percent of those enrolled in programs for adults or laid-off workers reported that they found the help or information they needed. Far fewer were satisfied, though, with the outcomes of the services. Just 33 percent were satisfied that the services connected them with employers who were hiring, and 39 percent were satisfied that the services helped them get a good job.

DEED surveys workforce clients but does not survey them about their satisfaction with outcomes, such as help getting a job. DEED should survey clients about the outcomes of workforce services they received.

DEED should periodically analyze outcomes for participants in workforce programs in comparison with similar people who did not participate.

Measuring the effectiveness of workforce programs requires multiple approaches.

Federally required performance measures do not adequately assess workforce program quality.

The performance measures—such as shares of clients getting and retaining jobs—have flaws. Certain administrative practices, such as processing clients' exits from programs at the end of a quarter, can make results seem better than may be warranted. The measures do not distinguish among clients with different capabilities. They focus only on short-term progress and do not compare outcomes for program participants against nonparticipants.

No standard mechanism measures effectiveness of providers receiving direct legislative appropriations.

Grant recipients measure their own performance, and some compute returns-on-investment. Their methodologies differ, however, and their results are not comparable.

In response to 2009 legislation, DEED and the Governor's Workforce Development Council are developing more uniform reports of program results. DEED should use multiple approaches because a single measurement is inadequate.

Fragmented authority and funding that is segregated by program create problems, but federal law limits options for change.

Workforce programs are not an integrated unit. Control is divided among state agencies, local authorities, and nonprofit agencies. No single entity is in charge, and therefore no one is accountable for considering all needs. Funding is tied to particular programs. Federal law grants little leeway to local workforce service areas to spend resources on meeting other needs.

In many workforce centers, DEED staff and local staff work on the same tasks but under different supervision. In some service areas, this divided authority has produced conflicts and duplicative services. No funding is dedicated to these important services.

Workforce center programs are only partially integrated with other programs, leaving gaps in service.

Minnesotans use a central call center or the Internet to apply for unemployment insurance (UI) benefits. People unfamiliar with computers or uncomfortable with automated telephone systems have sought assistance at workforce centers, but staff there can only refer UI clients online or to the call center. Dealing with UI clients—who are often anxious and request immediate help—has been time consuming and has diverted staff from other duties. DEED's Unemployment Insurance Division should ensure help is available for clients who have difficulty with the automated system. These workforce center visitors should be connected directly with UI staff when referred to the call center.

MnSCU system provides training for many laid-off workers who receive training funds through workforce programs. However, layoffs are not timed to fit the academic calendar. Laid-off workers often want to begin training as soon as possible and complete it in less time than the typical one- or two-year programs. MnSCU is improving services for laid-off workers. Some MnSCU colleges offer accelerated programs or multiple start times during a year. However, more could be done. The MnSCU system should identify colleges that offer flexible academic programs and assist its other colleges to determine the feasibility of doing the same.

Workforce center visitors seeking help with unemployment insurance benefits should be connected directly with DEED employees who can help them.

In the past two years, many adult basic education (ABE) providers have collaborated with workforce programs to help prepare clients for occupations. Yet, insufficient communication between ABE and the centers, and the lack of occupational-readiness programs statewide, prevent some clients from getting services. Some efforts to improve referrals between workforce centers and ABE have been initiated but not followed through. In addition, some ABE providers do not offer work-readiness classes. Recent initiatives to improve communication should be expanded.

Existing programs leave gaps in service. Working with DEED and workforce councils, the Governor's Workforce Development Council should initiate a process to consider the full scope of local workforce needs, especially needs now left unmet, and respond to those gaps.

Direct legislative appropriations to specific grant recipients bypass a competitive process for selecting service providers.

For fiscal year 2010, the Legislature appropriated \$7.7 million to specific grant recipients for their individual programs. Other entities have limited opportunities to compete for those resources, which contradicts best practices for selecting vendors. Even though services provided by direct grant recipients are typically monitored by DEED, they are not compared against services of other providers. There is no assurance that the grant recipients represent the best value for the state. The Legislature should not appropriate funds to specific organizations in law but should instead allow their selection through a competitive process administered by DEED.

Monitoring of direct grant recipients is inconsistent and inequitably funded.

DEED monitors the recipients of legislative grants, but monitoring has been inconsistent. One grant recipient, for instance, had not received an on-site monitoring visit for five years. Grant recipients report to legislators on their own performance, but the analyses lack independence. Legislative staff have inadequate information to question the organizations' assumptions. The process sidesteps effective practices for managing contracts.

DEED negotiated with certain grant recipients to use a portion of their grants to pay for monitoring but had limited success. As a result, three recipients are paying for monitoring in fiscal year 2010, while another dozen are not. DEED should monitor programs consistently and develop an equitable way to fund its monitoring.

Changing workforce service area boundaries or locating workforce centers at colleges is not automatically beneficial.

In the last decade, two workforce service areas merged and two others realigned themselves. Local officials have given sufficient attention to boundary issues; the state has no compelling reason to initiate changes from the top down.

Six of Minnesota's 49 workforce centers are located on MnSCU college campuses. The benefits of on-campus locations depend on local circumstances and are not automatic. For instance, campuses with limited space may be poor candidates for workforce centers. Local workforce councils should make siting decisions within a state-defined framework and in consultation with other partners.

Workforce program funding appropriated by the Legislature to independent service providers should instead be awarded competitively.

Introduction

Workforce programs are designed to help individuals prepare and search for jobs. Effective workforce programs are particularly important as the state contends with the lingering effects of the economic recession that began in December 2007.

The 2009 Legislature was concerned about the increasing numbers of Minnesotans losing their jobs. Legislators had also raised concerns over the multiplicity of workforce programs offered by numerous service providers and the lack of comparable information on their effectiveness. In April 2009, the Legislative Audit Commission directed the Office of the Legislative Auditor to evaluate workforce programs. We sought to answer the following questions:

- **How effective are the numerous state- and federally-funded programs for assisting job seekers?**
- **Which of the workforce programs are required to meet performance standards, and how well are the standards being met?**
- **To what extent do funding and organizational arrangements affect the delivery, coordination, or effectiveness of workforce programs?**
- **Do workforce programs overlap? Do the programs leave gaps in services?**

To answer these questions, we reviewed relevant federal and state laws. We also examined research literature on workforce programs and how their effectiveness is measured.

We conducted much of our research with data from the Minnesota Department of Employment and Economic Development (DEED), which is the chief state agency involved with workforce development. We analyzed how certain workforce programs fared on performance measures required by the federal government. We drew information on workforce programs and their clients from DEED databases. We reviewed samples of DEED's monitoring reports and contract agreements with service providers. We analyzed funding using data from DEED and, to a lesser extent, from the Department of Human Services. In addition, we interviewed DEED staff who head workforce programs.

To assess the effectiveness of workforce programs, we compared outcome data on people registered in select programs over a three-year period with similar people who had applied for unemployment insurance benefits but had not registered in a workforce program. Because there were far fewer program participants than unemployment insurance applicants, we used statistical techniques to construct a comparison group of the best possible matches for workforce program participants. To identify matches, we used numerous

characteristics, including age, race, and prior employment history; we did not make comparisons if no good match could be found. Then we looked at how the outcomes—employment found and wages earned—differed for the workforce program participants and the comparison group.

To understand clients' views of workforce programs, we surveyed a sample of recent users. Focusing on three of the workforce programs' central populations, we selected samples to survey after grouping program clients by age and geographic region of the state. The three populations were: (1) laid-off workers who were registered in the so-called "dislocated worker" programs, (2) individuals registered in the federal program for adults, and (3) residents who were not registered in a program but had used basic workforce services by entering one of the state's workforce centers or using the online job bank. The survey was done by mail, and we gave clients a choice of either filling out and returning a paper survey or entering their responses online. We mailed 2,883 surveys and received responses from 810 individuals. Among the three groups we surveyed, we received responses from 40 percent of our sample of dislocated workers, 17 percent of our sample of those enrolled in the federal program for adults, and 24 percent of our sample of people entering a workforce center or using the online job bank. For valid results, we weighted the responses to adjust for those who did not respond and to reflect the proportion of participants from each of the three populations.

At the local level of government, Minnesota has 16 workforce service areas that provide several of the major workforce programs. We visited each of the 16 areas to interview the service area directors and several managers of programs provided at the workforce centers. Program managers included local employees, but also state employees that deliver services locally and, in some cases, representatives of adult basic education and postsecondary institutions. We also surveyed the chairs of the workforce councils that oversee programs in each area. In addition, certain workforce services are provided by local nonprofit organizations that operate independently of the 16 workforce service areas. We interviewed staff at three such organizations in the metropolitan area: Employment Action Center, Twin Cities RISE!, and Lifetrack Resources. We also reviewed data on their funding and the reports DEED wrote after monitoring these organizations.

Because federal law requires adult basic education (ABE) to be available through workforce centers, we interviewed staff at the Minnesota Department of Education's Adult Basic Education program. From the 53 consortia of adult basic education providers around the state, we selected a cross-section of 10 for interviews. Our sample was based on factors such as location in the state, number of clients served, organizational type, and whether services were offered within workforce centers. The ten managers we interviewed were from the following consortia: Bemidji ABE, Glacial Lakes Consortium (in the Willmar, Hutchinson, and surrounding school districts), Mankato Area ABE, Minneapolis ABE, Rochester Consortium, Rosemount-Apple Valley-Eagan ABE, Sabathani/Minnesota Internship Center (in Minneapolis), St. Paul Community Literacy Consortium, Southwest ABE Consortium, and White Earth Reservation Tribal Council.

We interviewed representatives of the Minnesota State Colleges and Universities system. Our interviews were with staff in the Office of the Chancellor as well as at Anoka Technical College, Central Lakes College (which has campuses in Brainerd and Staples), and St. Cloud Technical College.

We limited the scope of this evaluation to programs that are largely overseen by DEED, although other state and local agencies are involved. The evaluation did not examine efforts to create new jobs. Nor did we evaluate the many elements that affect a person's preparedness for employment, such as the effectiveness of high school and postsecondary education. Although certain workforce programs are intended to assist employers, we focused instead on programs targeted to job seekers. Further, our evaluation did not include private sector employment agencies.

An appendix with additional materials and methodologies used in the evaluation is available on our website at:

<http://www.auditor.leg.state.mn.us/ped/2010/workforce.htm>. The appendix also includes summary results from our survey of workforce clients.

Background

Workforce programs help people find jobs and help employers find workers. Most workforce programs are geared to particular groups, such as people laid off from their jobs through no fault of their own. Federal laws dictate the structure through which Minnesota delivers workforce programs.

Our evaluation focused on how effectively programs assist job seekers and how the programs' funding and organization affect services. As background, this chapter describes the services workforce programs provide, the organizational structure for administering and delivering workforce programs, funding arrangements, and labor market conditions.

WORKFORCE SYSTEM

The federal *Workforce Investment Act of 1998* brought together into one system of services what had been disparate workforce programs.¹ The act mandated that states develop “one-stop centers” as the hub of multiple federal workforce programs so that people could access information and services in a common location.² In Minnesota, these one-stop centers are called workforce centers.³ Minnesota implemented the Workforce Investment Act through an infrastructure pre-existing from earlier federal legislation.

The 1998 act requires that each workforce center offer certain federally-funded programs.⁴ In addition, several state-funded programs are available to Minnesotans through the workforce center system. Workforce services provided by these programs can be grouped into two categories. First are services provided to anyone who visits any of several official websites or who walks in the door of a workforce center. The second category has services provided only to individuals who meet particular eligibility criteria. These two categories of services are described in the following sections.

Services Available to Anyone

Available to all are certain services that are accessible online or at a workforce center. Online services include a job bank (MinnesotaWorks.net) that offers job postings and a feature allowing clients to submit a résumé for employers to view. Anyone can also access information about the job market and jobs in demand,

Workforce centers offer basic services to any job seeker and additional services to people who meet eligibility requirements.

¹ *Workforce Investment Act of 1998*, Pub. Law No. 105-220.

² *Workforce Investment Act*, sec. 121(b) and sec. 134(c)(1) and (2).

³ Minnesota's Department of Employment and Economic Development has designated the centers as “WorkForce Centers,” but in this report we use the term “workforce centers.”

⁴ *Workforce Investment Act*, sec. 121(b)(1)(B) and sec. 134(c).

Job seekers can use an online job bank, develop résumés, or assess their job skills using services available through workforce centers.

numerous job search tips, and links to other community resources through several workforce system websites.⁵

Workforce center visitors can receive the same information in the main area of a center called the “resource room.” Under federal law, workforce centers must contain particular information and services, as shown in Table 1.1.⁶ Workforce centers deliver much of this information through the computer stations available for visitor use in their resource rooms. Visitors can also use computers in resource rooms to develop résumés, take assessments of job skills, or improve certain skills, such as typing. Resource rooms also provide books and materials on applying for jobs, informational pamphlets and flyers on community resources, and the use of fax and copy machines.

While most of these resources are available on a self-service basis, clients visiting a workforce center may also receive staff assistance, such as help navigating a website. Clients can attend group workshops on topics such as résumé development, job search techniques, and interviewing tips. Some locations also organize job clubs where clients can network with other job seekers and meet employers.

Table 1.1: Services Required to be Available to Anyone Visiting a Workforce Center

- Assessments of skill levels, aptitudes, and abilities
- Assistance with job search and placement
- Job vacancy listings
- Information on job skills needed to obtain particular jobs
- Information about occupations in demand locally
- Performance information and program cost of education and training providers
- Performance information about local workforce service providers
- Information about support services, such as transportation
- Information about how to apply for unemployment benefits
- Assistance with establishing eligibility for public assistance and educational financial aid programs
- Eligibility assessments for other workforce services

SOURCE: *Workforce Investment Act*, sec. 121(b)(1)(B)(i) and (ii) and sec. 134(d)(2).

Services Available to Individuals Meeting Particular Eligibility Criteria

In addition to the services available to all, some workforce programs provide individualized assistance to people who meet certain eligibility criteria. We

⁵ For example, see <http://www.iseek.org> or <http://www.positivelyminnesota.com/JobSeekers>.

⁶ *Workforce Investment Act*, sec. 121(b)(1)(B)(i) and (ii) and sec. 134(d)(2).

People laid off and unlikely to return to their occupations due to changes in the job market are among those who may be eligible for funding to pay for training.

briefly summarize the services available to different populations in Table 1.2. Clients enrolled in programs typically receive additional assistance from an employment counselor and can receive more intensive services, such as career planning. The following section describes the major services and their general categories of eligibility requirements.⁷ Other smaller programs, such as one for migrant and seasonal farmworkers, are in place but are not described here.

Laid-Off Workers

People recently laid off from their jobs through no fault of their own may be eligible to receive a number of services. Federal law uses the term “dislocated worker” to refer to laid-off workers who are unlikely to return to their former occupation or industry due to changes in the job market, and it mandates the availability of services for them through the Dislocated Worker program.⁸ Priority for these services may be given to certain workers, such as those lacking skills needed to become reemployed or having substantial barriers to employment.⁹ Minnesota has both federal and state dislocated worker programs that are similar to each other.

Participants in the Dislocated Worker programs are assigned employment counselors who assess their skills and needs and help them develop an employment plan. The employment plan identifies goals and lists services the client needs. Some of these services might include short-term courses to develop employment skills, assistance with support services (such as transportation or childcare), or training in occupational skills. Resources for training may be available for individuals who are unable to secure funds through financial aid or personal sources, but who have training plans approved by the service provider.¹⁰

Workers who are laid-off or had their hours substantially reduced due to increased foreign imports may be eligible for a separate federal Trade Adjustment Act program that offers additional services, such as cash payments, tax credits on health insurance, and relocation allowances.¹¹

Adults with Barriers to Employment

Adults who have received services available to anyone but are still unable to find a job may be eligible for individualized assistance through the Workforce Investment Act Adult program. Services are provided to adults with barriers to employment, such as weak employment histories or limited English skills. In

⁷ We merely summarize enrollment criteria; each program has more specific qualifications for enrollment.

⁸ *Workforce Investment Act*, sec. 101(9) and sec. 134(d).

⁹ Veterans who are eligible for these services are also given priority. *Jobs for Veterans Act of 2002*, Pub. Law No. 107-288, sec. 4215.

¹⁰ *Workforce Investment Act*, sec. 134(d)(4).

¹¹ *Trade Act of 2002*, Pub. Law No. 107-210, sec. 113, sec. 121, sec. 122, and sec. 201.

Table 1.2: Workforce Services Available through the Workforce System

Population Eligible ^a	Description of Services ^b	Program(s)
All job seekers	Resource rooms that include computers, fax machines, information on community resources, staff assistance, job search-related workshops, online job bank services	Wagner-Peyser (WIA Title III) ^c WIA Adult—Core Services (WIA Title IB) ^c
Workers who lost their jobs	Career planning and counseling, job search and placement services, support services, training, temporary financial assistance	Dislocated Worker (WIA Title IB) ^c Minnesota Dislocated Worker Trade Adjustment Assistance and NAFTA Transitional Adjustment Assistance ^c Unemployment Insurance ^c
Adults with barriers to employment	Career planning and counseling, job search and placement services, support services, training	WIA Adult—Intensive and Training Services (WIA Title IB) ^c
Economically disadvantaged, disabled, or at-risk youth	Occupational skills training, job placement assistance, mentorship, leadership development, recreational activities, physical rehabilitation and development, assistance with education and career exploration	WIA Youth (WIA Title IB) ^c Minnesota Youth Youthbuild Job Corps ^c
Persons with disabilities	Assistance with employment goals; services to retain employment; education and training; information, peer counseling, referrals, and advocacy to maintain independent living	Vocational Rehabilitation (WIA Title IV) ^c Independent Living (WIA Title IV) ^c Extended Employment
Blind or visually-impaired persons	Assistance in preparing for, obtaining, and maintaining employment and independent living	State Services for the Blind (WIA Title IV) ^c
Veterans	Employment counseling, job search assistance, referrals for job openings, help converting military training to civilian credentials	Veterans' Employment Services (WIA Title III) ^c Dislocated Worker ^d
Adults receiving public assistance in the form of cash assistance or food support	Job search and job placement assistance, work-readiness skills development	Minnesota Family Investment Program--Employment Services Diversionary Work Food Support Employment and Training
Underskilled adults or non-native English speakers	Instruction in functional reading, writing, math, and work skills; subject areas leading to the completion of a high school diploma (or its equivalent); English as a Second Language; and occupational readiness	Adult Basic Education (WIA Title II) ^c
People needing postsecondary training ^e	Postsecondary instruction in academic, technical, and vocational skills	Postsecondary Vocational Education (Carl Perkins Act) ^c

NOTE: Workforce services are also required by the Workforce Investment Act (WIA) for migrant and seasonal farmworkers, people seeking employment who previously worked unpaid in the home caring for family members, low-income seniors with barriers to employment, low-income individuals served by community based organizations, Native Americans, and low-income homebuyers.

^a We provide only a general description of the eligible population but each program has more specific qualifications for enrollment.

^b Services described for each eligibility category might not be available in every program listed for that category.

^c Services required by WIA to be available through the workforce system.

^d Veterans leaving active duty are automatically eligible for the Dislocated Worker program. Those leaving active duty in the National Guard or Armed Forces Reserves are also eligible if they no longer have jobs upon their return or their jobs are no longer appropriate because their skills have increased or the pay is significantly less than their active duty military pay.

^e The Carl Perkins Act provides funding for postsecondary institutions to develop occupational training.

SOURCES: Office of the Legislative Auditor, analysis of [Workforce Investment Act](#), sec. 121(b) and Minnesota departments of Employment and Economic Development, Education, and Human Services and the Governor's Workforce Development Council data.

some areas of the state, limited funding requires providers to give priority to low-income adults or recipients of public assistance.¹²

Services offered to clients in this program are similar to those available to dislocated workers. Employment counselors help participants develop employment plans. Some services that Workforce Investment Act Adult program participants may receive include internships, prevocational skills instruction, or assistance with the completion of a high school degree. As with laid-off workers, adults might also receive funding for occupational training.

Youth

Youth who are low-income, have disabilities, or have other challenges, such as substance abuse or being at risk of dropping out of high school, can receive a number of services through state and federal employment programs. Services for youth focus on building job skills and exploring education, training, and career options. In particular, youth may receive paid and unpaid work experiences, mentoring, leadership development activities, guidance and counseling, and educational services. Youth enrolled in the state-funded Youthbuild program, for instance, gain experience in construction and other building trades.

People with Disabilities

Vocational Rehabilitation Services provide employment assistance to people whose disabilities make it difficult to get and keep a job. Services vary according to individual needs, but all participants meet with counselors who help them develop employment plans. A plan may include occupational or work-readiness skills training and job placement. Services might include the purchase of special equipment, such as voice-activated software, and support services, such as transportation. Individuals with significant disabilities may also receive services that provide ongoing support during employment, such as a job coach, if necessary to maintain employment.¹³

Workforce services for blind or visually-impaired individuals are offered through the State Services for the Blind program. Clients may receive counseling, training, or assistance with job skills and job placement. Through a business enterprise program, visually-impaired individuals can also receive assistance owning and operating their own business.

Veterans

Veterans are eligible for a number of workforce services. First, for many federal workforce programs, veterans that meet eligibility criteria are given first priority

Assistance is available for people whose disabilities make it difficult to find or keep a job.

¹² Veterans who are eligible for these services are also given priority. *Jobs for Veterans Act of 2002*, sec. 4215. *Workforce Investment Act*, sec. 134(d)(4)(E).

¹³ These services are offered through the state-funded Extended Employment program.

Veterans are given first priority for enrollment in many federally required workforce programs.

in enrollment.¹⁴ In particular, veterans leaving active duty who no longer have a civilian job or have a job that is now below their skill levels are eligible for the Dislocated Worker program.

Second, any veteran can meet with a Veterans Employment Services representative for a preliminary assessment and referrals to other services. Veterans who have barriers to employment and service members who have returned from Iraq or Afghanistan may receive additional individualized assistance. The individualized assistance may include help with résumés, interviewing skills, networking techniques, referrals to other veterans' services, and assistance connecting with employers.

Third, service members returning from active duty may participate in three-day workshops for information on resources available to them. They can also receive help converting active-duty experience and skills into licensures or certification.

People Receiving Public Assistance

Individuals receiving public assistance in the form of cash benefits offered through the Minnesota Family Investment Program (MFIP) or food support may be required to use services to help them move off public assistance as soon as possible or risk losing their benefits.¹⁵ Most participants are required to meet with a job counselor to develop an employment plan, look for a job, and accept suitable job offers, which may include subsidized or unpaid work. Some individuals may also satisfy part or all of their MFIP work requirements by participating in education or training programs.

Underskilled or Adults Learning English

Individuals who lack sufficient mastery of basic educational skills, do not have a high school diploma (or its equivalent), or are non-native English speakers needing to improve English are eligible to receive adult basic education (ABE) services. Depending on their needs, clients may receive instruction to help them obtain a high school diploma or General Education Degree (GED) or improve basic skills to transition into postsecondary education. Others may receive instruction to develop their English or work-readiness skills.

Clients enrolled in other workforce programs who need to upgrade their literacy skills or achieve a high school credential for employment or occupational training can do so through ABE. ABE programs must participate in the workforce system.¹⁶ However, ABE is not restricted to workforce program

¹⁴ Veterans receive first priority only for workforce programs administered by the U.S. Department of Labor. Programs administered by the U.S. Department of Education, such as Vocational Rehabilitation and Adult Basic Education, are not required to prioritize veterans. *Jobs for Veterans Act of 2002*, sec. 4215(a).

¹⁵ Participation in employment programs is currently voluntary for food support recipients. The 2009 federal stimulus bill temporarily suspended the employment and training requirements until September 30, 2010. *American Reinvestment and Recovery Act of 2009*, Pub. Law No. 111-5, sec. 101(e)(1).

¹⁶ *Workforce Investment Act*, sec. 121(b)(1)(B)(iii).

clients. Many ABE learners may be taking ABE classes for reasons other than employment.

Some ABE programs are located at workforce centers or hold classes there. A number of ABE instructors have workforce center staff visit their classes, bring students to tour workforce centers to learn of services available to them, and refer students to workforce centers when appropriate.

People Needing Postsecondary Education and Occupational Training

People who seek to develop skills in an occupational area may participate in education and training programs offered through Minnesota postsecondary education institutions. Many workforce program participants who receive funding to pay for training take classes through Minnesota State Colleges and Universities (MnSCU), although they may use other institutions. MnSCU receives certain federal funds that require it to participate in the workforce system and to improve or develop career and technical programs for students, including workforce center clients.¹⁷

Characteristics of Minnesotans Receiving Workforce Services

Most individuals receiving workforce services have characteristics, such as their race or education level, that are different from Minnesotans as a whole. Clients served by ABE, MFIP, and the Workforce Investment Act Adult program, for example, have less education and higher proportions of people of color than Minnesota's overall population, as shown in Table 1.3. An exception is the Dislocated Worker program, whose participants are fairly representative of the general population in Minnesota.

Federal law both requires states to administer a workforce investment system and mandates the organizational structure they must follow.

ORGANIZATIONAL STRUCTURE

The federal Workforce Investment Act not only requires states to administer a one-stop delivery system, but it also mandates the structure of this system. For instance, the act requires designating local workforce investment areas within the state.¹⁸ Minnesota has 16 such areas containing at least one and up to eight workforce centers, as shown on Figure 1.1. At the end of 2009, Minnesota had 49 workforce centers statewide.¹⁹

¹⁷ As the recipient of Carl Perkins Act funding, MnSCU is a required partner of the one-stop system. *Workforce Investment Act*, sec. 121(b)(1)(B)(vii). *Minnesota Statutes* 2009, 136F.79, designate MnSCU's board of trustees as the sole state agency to receive funds provided by the federal *Carl D. Perkins Career and Technical Education Act of 2006* (Pub. Law No. 109-270, sec. 2).

¹⁸ *Workforce Investment Act*, sec. 116(a)(1)(A).

¹⁹ Many of the workforce service areas also offered limited workforce services at additional locations that were not official workforce centers.

Table 1.3: Characteristics of Minnesotans Receiving Workforce Services from Select Workforce Programs, Program Year 2008

	Online Job Bank ^a	Resource Room Users ^b	Adult Basic Education ^c	Minnesota Family Investment Program ^d	Vocational Rehabilitation ^e	State Dislocated Worker	Federal Dislocated Worker	Federal Adult	State Population (2000 Census) ^f
Total Participants	161,549	111,693	73,387	40,258	19,635	17,021	8,722	2,942	3,858,996
Gender									
Female	47%	44%	53%	79%	44%	47%	44%	60%	51%
Male	53	56	47	21	56	53	56	40	49
Age^g									
14-21	10	17	25	17	27	1	1	9	13
22-54	80	66	71	81	70	79	80	84	61
55+	10	17	4	2	3	20	19	6	26
Race or Ethnicity^h									
African-American or Black	8	17	34	35	9	8	4	21	3
Asian or Pacific Islander	4	4	16	7	2	6	3	4	3
Hispanic	N/A	6	25	6	2	3	2	5	2
Native American	3	5	3	10	2	1	1	3	1
White	87	77	21	46	85	86	92	73	91
Education Attained at Time of Program Enrollment									
Less than high school	N/A	10	N/A ⁱ	33	28	5	3	11	12
High school graduate	N/A	39	N/A	57	40 ^j	31	32	45	29
Post high school	N/A	34	N/A	8	26	37	40	37	32
College graduate	N/A	17	N/A	2	7	27	26	8	27

NOTES: Participants may be enrolled in more than one program. The 2008 program year was from July 1, 2008 to June 30, 2009.

^a Includes registered job bank users. Clients accessing the job bank from nonworkforce center locations are reported from October 1, 2008 to September 30, 2009. About 81 percent of clients reported age, 74 percent reported gender, and 70 percent reported race.

^b Includes people who registered to use a resource room or attend a workshop. About 92 percent of registrants reported age, 60 percent reported gender, 56 percent reported race or ethnicity, and 60 percent reported educational attainment.

^c Includes Adult Basic Education (ABE) clients receiving services for any reason, not only employment-related reasons. Demographic data are reported only for learners receiving 12 or more hours of instruction.

^d Clients reported in this table were enrolled in Minnesota Family Investment Program (MFIP) employment services.

^e Includes people accepted for service in Vocational Rehabilitation or Extended Employment programs. Demographic data exclude clients with serious mental illnesses in Extended Employment. About 97 percent reported age and 84 percent educational attainment.

^f The statewide population presented here includes residents 15 years and older. Percentages for gender and race or ethnicity are similar to the Minnesotan civilian labor force in 2005. Education attained is based on individuals 25 years and older.

^g Age groups reported for online job bank clients include 18-21 in younger age group; Resource Room Users include 12-22, 23-50, and 51+; ABE include 16-24, 25-59, and 60+; and statewide population includes 15-21 in the younger age group. Vocational Rehabilitation reports age at the time of application and includes less than 21, 22-60, and 60+.

^h For some programs, individuals could indicate more than one race and report Hispanic ethnicity in addition to race. For MFIP participants, 2 percent reported "multiple" for race.

ⁱ Education attained at the time of enrollment is not reported for ABE clients, although most enroll with less than a high school degree.

^j Individuals with a Special Education Certificate of Completion or Diploma of Attendance are counted as high school graduates.

SOURCE: Office of the Legislative Auditor, analysis of Minnesota departments of Employment and Economic Development, Education, and Human Services data.

Figure 1.1: Minnesota’s 49 Workforce Centers and 16 Workforce Service Areas, 2009



NOTE: No workforce service area is numbered 11 or 13.

^a CEP stands for concentrated employment programs.

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

The Workforce Investment Act also requires the establishment of state and local governing boards and prescribes their function and membership. It divides authority between state and local levels, as described below.

State Level Authority

Most authority at the state level for workforce programs lies with the Governor and the Department of Employment and Economic Development (DEED). But other state entities also play roles.

Governor and DEED

Under the Workforce Investment Act, the Governor has statewide responsibilities such as appointing a state workforce investment board, which in Minnesota is the Governor's Workforce Development Council.²⁰ The act assigns other duties to the Governor, and in Minnesota, many are executed by DEED. For instance, DEED does much of the work to prepare the federally required five-year plan of Minnesota's workforce investment system. DEED also reports annually on progress toward meeting performance measures set for specific workforce programs.²¹

The Workforce Investment Act also gives the Governor some authority over local activities. The Governor has authority to designate the boundaries of local workforce investment areas after consulting with others, set criteria for local elected officials to appoint local workforce boards, and certify those local boards.²² The Governor's oversight authority includes recertifying local boards every two years based on how well a board has enabled its area to meet local performance measures.²³

DEED has oversight authority and delivers workforce programs out of the workforce centers. The Workforce Investment Act requires states to measure performance and conduct ongoing evaluations of workforce investment activities.²⁴ DEED monitors the local service providers that offer many of the federally required workforce programs described earlier in this chapter, such as those for adults, youth, and dislocated workers. It ensures compliance with federal and state laws by reviewing the providers' programmatic activities and their financial practices. DEED also directly administers certain programs at local workforce centers. DEED employees provide workshops and resource room services in most workforce centers, and other DEED staff offer services such as Vocational Rehabilitation and Veterans Employment services. In addition, DEED personnel respond initially when employees are laid off, investigating the size and scope of the layoff and setting in motion a process to

The Department of Employment and Economic Development (DEED) has most of the state-level authority for workforce programs.

²⁰ *Workforce Investment Act*, sec. 111(a).

²¹ *Workforce Investment Act*, sec. 112(a) and sec. 136(d)(1).

²² *Workforce Investment Act*, sec. 116(a)(1)(A), sec. 117(b)(1), and sec. 117(a). The act curtails this authority by allowing preexisting workforce service areas to continue under certain circumstances and by requiring minimum criteria for membership on local workforce boards.

²³ *Workforce Investment Act*, sec. 117(c)(2)(B).

²⁴ *Workforce Investment Act*, sec. 136(a), (b), and (d); and sec. 136(e)(1).

The Governor's Workforce Development Council represents various sectors, including business, education, and organized labor.

assist those laid off. DEED also has six regional administrators who serve as department spokespersons and interact with workforce service providers and others in their respective regions.

Governor's Workforce Development Council

As mentioned, the Governor's Workforce Development Council is Minnesota's state workforce investment board. The federal Workforce Investment Act authorizes the council to help develop the required five-year state plan and prepare the annual report on performance achievement.²⁵ Minnesota law also assigns specific duties to the council, including advising the Governor on programs' performance standards and identifying barriers to a coordinated human resource system.²⁶ Every other year, the council submits a report to the Legislature on the performance of workforce centers.²⁷ The Governor appoints the council's 31 members, who are required by law to represent various sectors, such as business, education, and organized labor.²⁸ Commissioners from the Minnesota departments of Education, Human Services, and Employment and Economic Development are also required members. The council is staffed by DEED employees, and all of its funding comes through DEED from the federal government.

Job Skills Partnership Board

Minnesota's Job Skills Partnership Board is authorized in state law, and it plays two distinct roles.²⁹ It administers a number of grant programs that fund training, generally to improve the skills of people already in the workforce.³⁰ The largest of these programs awards grants to accredited educational institutions that are developing training in partnership with specific businesses to upgrade work skills of those businesses' workers.³¹ The board's second role is managing the allocation of state funds for the state dislocated worker program.³² By statute, the board has 12 directors, 7 of whom are Governor appointees. The commissioner of DEED, chancellor (or designee) of MnSCU, and president (or designee) of the University of Minnesota are also members, as are two legislative appointees.

²⁵ *Workforce Investment Act*, sec. 111(d)(1) and (7).

²⁶ *Minnesota Statutes* 2009, 116L.665, subd. 3(c) and (i). Human resources include programs under the Workforce Investment Act, Carl D. Perkins Vocational and Applied Technology Education Act, Adult Education Act, Wagner-Peyser Act, and income maintenance and support programs.

²⁷ The council's advisory reports are available online at: <http://www.gwdc.org/publications.htm>.

²⁸ *Minnesota Statutes* 2009, 116L.665, subd. 2. Half of the members appointed by the Governor are to come from nominations of local workforce councils. In addition, legislative leaders appoint two legislators from the Senate and two from the House of Representatives to serve as ex-officio members.

²⁹ *Minnesota Statutes* 2009, 116L.03.

³⁰ In fiscal years 2008 and 2009, the board awarded \$19 million in 117 individual training projects.

³¹ Projects funded by the Minnesota Job Skills Partnership program average one to three years in duration and receive a maximum of \$400,000 in grants. Participating businesses are required to match the grants in the form of funding, equipment, or faculty. The board funded 81 such projects in fiscal years 2008 and 2009 with grants totaling \$14 million.

³² Additional detail on the allocation of dislocated worker funding is in the "Funding Arrangements" section found later in this chapter.

DEED employees staff the board, even though state law allows the board to hire a director.³³ All of the board's work is state funded.

Other State Entities

As part of its federally required responsibilities, MnSCU develops a state plan for career and technical education with input from various groups, including representatives of the state's workforce investment board. MnSCU institutions also provide a substantial share of the training for workforce program clients who qualify to receive funding for training services.

The Minnesota Department of Education's ABE program is another required participant in the state's one-stop delivery system. The state ABE program allocates funding and develops guidance to local ABE consortia around the state and monitors them to ensure they meet statutory obligations. The state program has also funded an initiative to encourage local consortia to develop curricula that meet specific employers' needs and a second initiative for curricula specifically to prepare students to go on to postsecondary education.

Minnesota's Department of Human Services plays a role regarding employment requirements for MFIP recipients. County human service agencies and Native American tribes administer MFIP. The department's role is to allocate funding to the counties and tribes and monitor their performance as part of the state's mandatory accountability system. Most counties contract with workforce service area providers—the same agencies that provide the federally required Adult program and services to laid-off workers—to offer job-search and other employment assistance to MFIP clients.³⁴

Minnesota has 16 workforce service areas, each governed by a local workforce council with a majority of members from the private sector.

Local Level Authority

Minnesota has 16 local workforce service areas. Each is governed by a local workforce council, as the Workforce Investment Act requires.³⁵ Federal law authorizes the councils to conduct oversight and planning. Councils are to plan and oversee their local one-stop system and develop a local plan for providing their local workforce services.³⁶ They are also charged with overseeing the federal programs for adults, youth, and dislocated workers described earlier in this chapter, as well as designating or certifying the workforce center operator.³⁷

³³ *Minnesota Statutes* 2009, 116L.03, subd. 7. Although the director is a DEED employee, a screening committee of the board interviewed candidates when the director position was last filled.

³⁴ Counties also provide similar services to clients of a related program called the Diversionary Work Program, intended to provide quick and intense employment services to help clients find work and avoid applying for MFIP benefits. Similarly, they administer employment services as part of Family Stabilization Services for people with a variety of barriers to employment and the Food Support Employment and Training program.

³⁵ *Workforce Investment Act*, sec. 117(a). The act calls the councils "local workforce investment boards," but state law calls them "local workforce councils." See *Minnesota Statutes* 2009, 116L.666, subd. 2.

³⁶ *Workforce Investment Act*, sec. 117(d)(4) and 117(d)(1).

³⁷ The workforce center operator's role may be simply coordinating service providers within the center or serving as the primary provider of services there.

Local workforce councils are charged with overseeing certain workforce programs for adults, youth, and dislocated workers.

Further, state law assigns the councils responsibility to oversee, with the commissioner of DEED, workforce activities conducted by the workforce centers.³⁸ Among other duties similar to those in federal law, state law makes the councils responsible for establishing local priorities for services and ensuring that services do not duplicate each other.

Council members are appointed locally, and membership is prescribed in state law, as Table 1.4 summarizes. Federal law authorizes the chief local elected officials, who may be county commissioners, mayors, or joint powers board representatives, to appoint members to the workforce councils following criteria set by the state.³⁹ The local elected officials are charged to work in partnership with the workforce councils to oversee the local one-stop delivery system and develop a local five-year plan.⁴⁰ They are also the local grant recipients of federal resources for the federally required Adult, Youth, and Dislocated Worker programs.⁴¹

Table 1.4: Requirements for Membership on Local Workforce Councils, 2009

Councils are required to have representatives of:

- The private sector, constituting a majority of the membership
- Organized labor, with a minimum of two members
- Area and community-based organizations, constituting at least 15 percent of the membership
- Educational agencies representative of all educational agencies in the area, including at least one from Adult Basic Education
- Vocational rehabilitation agencies
- Public assistance agencies
- Economic development agencies
- Public employment service agencies

SOURCE: [Minnesota Statutes](#) 2009, 116L.666, subd. 3.

Workforce Service Area Directors and Staff

In addition to workforce councils, each of Minnesota's 16 workforce service areas has a director who is the chief local staff person in the area. Directors help workforce councils implement their strategies, support the administration of the councils, and operate (or contract with vendors to operate) certain workforce programs, such as the federal programs for adults, dislocated workers, and

³⁸ [Minnesota Statutes](#) 2009, 116L.666, subd. 4.

³⁹ [Workforce Investment Act](#), sec. 117(c)(1)(A)-(C). The act also sets membership requirements, but most of Minnesota's workforce councils existed before the act was passed in 1998 and, consequently, were approved in their form as of December 31, 1997.

⁴⁰ [Workforce Investment Act](#), sec. 117(d)(4) and sec. 118(a).

⁴¹ [Workforce Investment Act](#), sec. 117(d)(3)(B)(i)(I). The local elected officials may designate a local entity to serve as the fiscal agent.

youth.⁴² In most workforce service areas, local staff provide workshops and resource room services.

In nine service areas, the director is an employee of the city, county, or joint powers board set up for the multiple counties that compose a workforce service area. In four areas, the director is employed by a nonprofit agency that contracts with the workforce council. Two directors are employees of their respective nonprofit workforce councils, and one director is a state employee on a state contract with the county.

FUNDING ARRANGEMENTS

Funding for workforce programs comes from a mix of state and federal sources. We estimate that Minnesota spent about \$234 million in federal and state funds on workforce programs in fiscal year 2009, although this excludes \$11.5 million in one-time federal resources spent that year as part of the American Recovery and Reinvestment Act.⁴³ About 68 percent of the total was from the federal government and 32 percent from the state. Of the amounts spent in fiscal year 2009 (excluding the federal stimulus funding), the largest share went to employment services for clients in MFIP and related public assistance programs, followed by Vocational Rehabilitation Services, as shown in Table 1.5.

Generally speaking, DEED administers a portion of the programs accounted for by the spending, while the local workforce service areas administer others. For instance, the local areas generally administer MFIP employment services and the federally required programs for adults, youth, and dislocated workers.

Federal Funding

The \$11.5 million in stimulus money spent in fiscal year 2009 represented a significant increase in federal resources—about 9 percent more in federal resources than the prior year.⁴⁴ Excluding the one-time stimulus money and amounts spent on unemployment insurance and other federal benefit programs, the \$159.5 million in expenditures of federal resources for fiscal year 2009 was about \$11 million more than in fiscal year 2008, representing a 7 percent increase.

In fiscal year 2009, about two-thirds of workforce program funding came from the federal government and one-third from the state.

⁴² Ramsey County is an exception in that the workforce council has an executive director whose duties are separate from the director of the county department that actually runs, or contracts with vendors to run, workforce programs.

⁴³ The estimated \$234 million in total spending excludes: \$1.9 billion spent on unemployment insurance benefits; amounts for centers of independent living; amounts that may have been spent on adult basic education; and funds that may have been generated locally, such as from foundation grants. It includes expenditures for employment services in MFIP and related programs. About \$67.5 million in federal stimulus funding was awarded in calendar year 2009 for workforce-related programs, of which \$11.5 million was spent in fiscal year 2009.

⁴⁴ This comparison excludes the amounts spent on MFIP employment services.

Table 1.5: Federal and State Spending for Workforce Programs, Fiscal Year 2009

Agency/Program	Amount (in millions)	Percentage of Total	Additional One- Time Spending (in millions) ^a	State or Local Administration ^b
MFIP and related public assistance programs' employment services	\$ 69.1	30%		Local service area ^c
Vocational Rehabilitation Services	45.1	19	\$ 0.04	DEED
State Dislocated Worker	24.8	11		Local service area and DEED
Services for the Blind	13.6	6	0.07	DEED
Extended Employment ^d	12.3	5		DEED
WIA Dislocated Worker	11.7	5	2.8	Local service area and DEED
WIA Adult	11.4	5	0.7	Local service area
WIA Youth	10.4	4	6.9	Local service area
Wagner-Peyser ^e	10.1	4	0.8	DEED
Appropriations directed to independent organizations	6.3	3		Individual organization
Trade Adjustment Assistance	3.5	2		DEED
Minnesota Youth Program	3.5	1		Local service area
Job Skills Partnership Board	2.8	1		DEED
Senior Community Service Employment Program	2.3	1	0.1	Local service area
Veterans Employment Services	2.1	1		DEED
Mentally Ill Supported Employment	1.6	1		DEED
Displaced Homemaker Program ^f	1.2	<1		DEED
Youthbuild	1.0	<1		Local service area
Department of Labor and Industry Apprenticeship and Labor Education Program	0.8	<1		Department of Labor and Industry
Total	\$233.5	100%	\$11.5	

NOTES: Amounts exclude spending on unemployment insurance benefits, other federal benefit programs, and programs for independent living. Percentages may not sum to 100 due to rounding. MFIP means Minnesota Family Investment Program. WIA means the Workforce Investment Act.

^a Federal funds from the American Recovery and Reinvestment Act spent in fiscal year 2009.

^b Indicates whether the program is administered primarily by the local workforce service areas, the Department of Employment and Economic Development (DEED), or the Department of Labor and Industry.

^c In a few communities, DEED employees administer MFIP employment services.

^d Extended Employment is a state-funded program providing ongoing support to people with significant disabilities who require support to maintain employment.

^e Wagner-Peyser refers to federal funding for services, such as the online job bank and workforce centers' resource rooms, which are available at no cost to individuals seeking jobs and to employers recruiting workers.

^f The Displaced Homemaker Program is a Minnesota program offering counseling and training services specifically to homemakers who had been dependent upon the financial support of someone else but who now need jobs.

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

Use of federal funding is typically restricted to the specific workforce program for which it was allocated. For instance, funds appropriated for the federally required Youth program could not be used to pay for services to adults, even if funds for adult job seekers were insufficient to meet needs.⁴⁵

The federal government makes incentive grants available to states in which workforce service areas and ABE have performed successfully, as determined by federal performance measures (discussed more in Chapter 2).⁴⁶ Minnesota received incentive awards each year since 2004, with the exception of 2007. The awards ranged from \$750,000 to \$852,000 per year. Unlike funding targeted to particular programs, states have great flexibility in the use of incentive grants, as long as the uses meet federal criteria.

State Funding

Workforce programs receive funding from both the state's General Fund and the Workforce Development Fund. Revenues for the latter come from a special assessment of 0.12 percent that employers pay on all taxable wages.⁴⁷ For fiscal year 2010, the Legislature appropriated \$30.2 million from the General Fund and \$49.6 million from the Workforce Development Fund for workforce programs, a 13 percent increase from the prior fiscal year, as Table 1.6 shows.

Workforce Development Fund

The Legislature established the Workforce Development Fund in 1990 to provide for the state's dislocated worker programs.⁴⁸ The fund allows Minnesota to significantly supplement resources from the federal government. As an example, Minnesota's funding added \$33 million for dislocated workers in fiscal year 2009, more than double the amount available from federal resources.⁴⁹

Statutes prescribe the distribution of the Workforce Development Fund resources.⁵⁰ After subtracting out amounts appropriated by the Legislature and administration expenses for DEED, approximately half of the remainder is allocated for individuals in small layoffs (fewer than 50 people) and half for substantial layoffs (defined in law as 50 or more people laid off).

Minnesota has a Workforce Development Fund with revenues from an employer-paid assessment on all taxable wages.

⁴⁵ Specifically for the 2009 stimulus funding, DEED allowed certain exceptions, such as permitting youth at age 18 or older to be co-enrolled in the federal Adult program.

⁴⁶ Until 2009, eligibility for incentive grants also depended on successful performance for measures required by the Carl D. Perkins Career and Technical Education Act.

⁴⁷ The 2009 Legislature increased the assessment from 0.10 to 0.12 percent for the time period between July 1, 2009 and June 30, 2010. *Laws of Minnesota* 2009, chapter 78, art. 2, sec. 23.

⁴⁸ *Laws of Minnesota* 1990, chapter 568, art. 6, sec. 1.

⁴⁹ Minnesota's resources included amounts carried over from the prior year. Expenditures from federal funding for dislocated workers in fiscal year 2009 were \$11.7 million, with an additional \$2.8 million spent from federal stimulus dollars that fiscal year.

⁵⁰ *Minnesota Statutes* 2009, 116L.17, subd. 2(b) and (c).

Table 1.6: State Spending on Workforce Programs, Fiscal Years 2008 to 2011

Fund	2008		2009		2010		2011	
	Amount (in millions)	% Annual Change	Amount (in millions)	% Annual Change	Amount (in millions)	% Annual Change	Amount (in millions)	% Annual Change
General Fund	\$30.0	17.7%	\$27.1	-9.9%	\$30.2	11.5%	\$29.9	-1%
Workforce Development Fund	<u>42.7</u>	-4.7	<u>43.4</u>	1.7	<u>49.6</u>	14.3	<u>53.7</u>	8.3
Total	\$72.8	3.4%	\$70.5	-3.1%	\$79.8	13.2%	\$83.6	4.8%

NOTE: Amounts exclude state funds for MFIP employment services. Figures for 2010 and 2011 are budgeted amounts.

SOURCE: Office of Legislative Auditor, analysis of Department of Employment and Economic Development funding data.

Funding for services to laid-off individuals or small groups is allocated around the state by a formula based on factors such as an area's share of the unemployed.

Services for the small layoffs are provided by the 16 workforce service area operators and three independent service providers.⁵¹ Allocations to each of the 16 service area operators are set by formula and based primarily on an area's share of the state's: (1) unemployed, (2) Unemployment Insurance claimants actively seeking work, and (3) total weeks paid of Unemployment Insurance benefits to claimants permanently laid off. Allocations to the three independent grantees come instead from the balance of the Workforce Development Fund that is otherwise reserved for substantial layoffs. Each of the three independent grantees received a starting base of \$500,000 for small layoffs in the last two fiscal years and tended to supplement that by applying for additional amounts later in the year.

Services for substantial layoffs are awarded competitively; bids are submitted by certified providers. The bidders may be one of the 16 workforce service area operators or one of several nonprofits and other organizations certified as service providers.

Over the course of any given year, the numbers of small and large layoffs will shift, and the Job Skills Partnership Board is authorized to determine how much of the money for substantial layoffs will be used for those large events and how much will supplement the initial small-layoff allocations to the service providers.⁵² Similarly, if the local service areas do not use all of their initial allocations for small layoffs, the board may adjust those amounts quarterly. Amounts not used for either large or small layoffs are available to the Job Skills Partnership Board to distribute grants for worker training or to be carried forward for layoffs in future years.⁵³

⁵¹ The three are: Career Management Services, Quality Career Services, and the Minnesota Teamsters Service Bureau.

⁵² *Minnesota Statutes* 2009, 116L.17, subd. 2(a) and (c); and subd. 3.

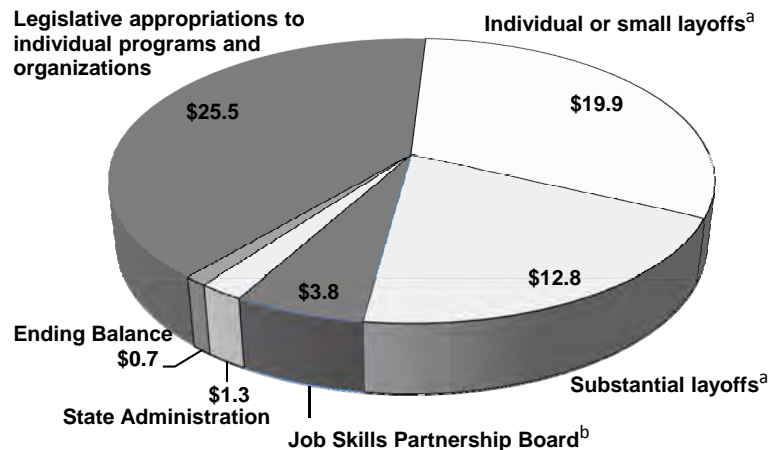
⁵³ *Minnesota Statutes* 2009, 116L.20, subd. 2(b) and (d).

Although originally intended to serve laid-off workers, some Workforce Development Fund resources have been used for other purposes and appropriated to specific agencies or programs other than the dislocated worker program. As an example, for each of fiscal years 2010 and 2011, the Legislature transferred \$2.5 million of the Workforce Development Fund to the state's General Fund. About \$6.4 million of the Workforce Development Fund was appropriated for fiscal year 2010 to specific organizations or programs, ranging from \$1.2 million for summer youth programs in Minneapolis to \$150,000 for enforcing the state's prevailing wage law. Chapter 3 provides additional information.

In fiscal year 2009, \$25.5 million, or 40 percent of the Workforce Development Fund's \$63.9 million, went to individual programs or organizations in the form of direct appropriations from the Legislature. After reserving about 2 percent for state administration, this left about 52 percent of the state's Workforce Development Fund for services to dislocated workers.⁵⁴ Figure 1.2 shows the distribution.

The Legislature appropriated about 40 percent of the Workforce Development Fund in fiscal year 2009 to individual programs or organizations.

Figure 1.2: Distribution of Workforce Development Fund, Fiscal Year 2009



NOTE: Dollar amounts are in millions.

^a Individual or small layoffs involve fewer than 50 people. Substantial layoffs involve 50 or more people.

^b This amount was available, after serving laid-off workers, for Job Skills Partnership Board grants, such as those to educational institutions and businesses for training incumbent workers.

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

⁵⁴ About 6 percent of the Workforce Development Fund expenditures in fiscal year 2009 were for training projects funded by the Job Skills Partnership Board.

KEY INDICATORS OF MINNESOTA'S ECONOMY

During 2006 and the first half of 2007, Minnesota and the U.S. experienced an increase in employment and economic growth. This economic growth halted in late 2007 with the onset of the financial crisis initiated by the erosion of the housing and financial markets. The crisis led to a prolonged recession described

Rising unemployment has increased the demand for workforce services.

NOTE: Unemployment rates are seasonally adjusted.

SOURCE: Office of the Legislative Auditor, analysis of Minnesota Department of Employment and Economic Development, "Unemployment Statistics," <http://www.positivelyminnesota.com/apps/lmi/laus/>, accessed January 22, 2010.

⁵⁵ Dave Senf, "As Bad as It Gets," *Minnesota Employment Review*, August 2009, 1-4.

Unadjusted unemployment rates varied by workforce service area in Minnesota from 2006 to 2009.⁵⁶ Unemployment in 2009 ranged from a low of 6.2 percent in Southwest Minnesota Workforce Service Area 6 to a high of 10.2 percent in Northeast 3, as shown in Table 1.7. The areas with among the highest unemployment in 2006-2007 are also among those that experienced the highest unemployment in 2008-2009.

Table 1.7: Average Unemployment Rates and Rank by Workforce Service Area, 2006 to 2009

	2009		2008		2007		2006	
	%	Rank	%	Rank	%	Rank	%	Rank
Statewide	7.9%		5.4%		4.6%		4.1%	
Northeast Minnesota	10.2	1	7.1	1	6.3	1	5.5	2
Central Minnesota	9.6	2	6.6	2	5.6	3	4.8	4
Anoka County	8.5	3	5.5	6	4.6	7	4.0	6
Rural Minnesota Concentrated Employment Program	8.4	4	6.4	3	5.5	4	4.9	3
Stearns/Benton	8.0	5	5.7	5	4.7	6	4.2	5
City of Duluth	7.7	6	5.7	5	5.0	5	4.8	4
Northwest	7.6	7	5.9	4	6.0	2	5.6	1
South Central	7.6	7	5.4	7	4.5	8	4.0	6
Ramsey County	7.6	7	5.3	8	4.4	9	4.0	6
Southeast Minnesota	7.3	8	5.1	9	4.4	9	4.0	6
City of Minneapolis	7.3	8	5.1	9	4.3	10	3.9	7
Winona County	7.3	8	4.7	13	4.2	11	3.6	9
Dakota/Scott	7.3	8	4.9	11	4.1	12	3.6	9
Washington County	7.3	8	5.0	10	4.0	13	3.6	9
Hennepin/Carver	7.3	8	4.9	11	4.0	13	3.5	10
Southwest Minnesota	6.2	9	4.8	12	4.1	12	3.8	8

NOTE: The shaded areas were consistently in the top four for unemployment for the four years.

SOURCE: Office of the Legislative Auditor, analysis of Department of Employment and Economic Development, "Unemployment Statistics," <http://www.positivelyminnesota.com/apps/lmi/laus/GeogSelect.aspx>, accessed January 25, 2010.

In 2009, unemployment ranged from 6.2 percent in southwestern Minnesota to 10.2 percent in the northeast.

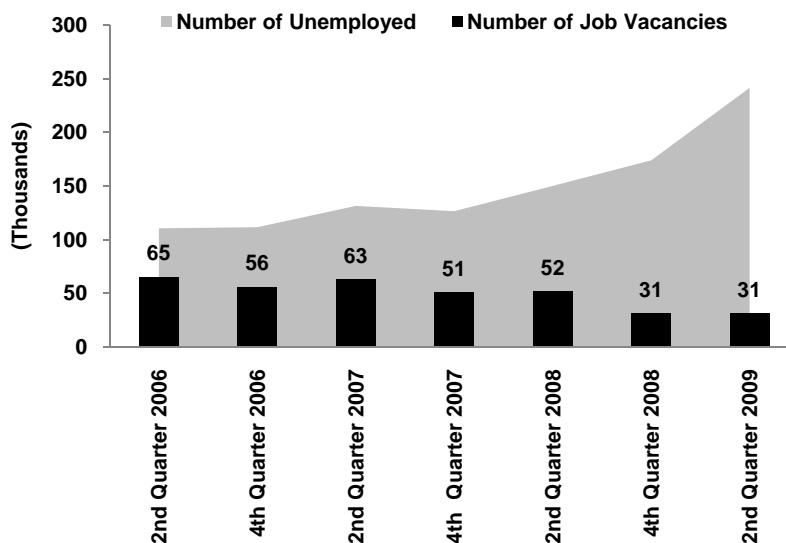
⁵⁶ Seasonally-adjusted unemployment rates are not available by workforce service area.

Job Vacancies

Unemployment is affected by the number of job vacancies. Job vacancies, plus their rates and their duration, indicate the hiring demand and the labor market conditions for job seekers. DEED conducts a survey of employers to determine the number and characteristics of job vacancies.⁵⁷ As shown in Figure 1.4, the number of vacancies in the second quarter of 2009 was half the number of vacancies in the second quarter of 2007, while the number of unemployed had nearly doubled.

Figure 1.4: Unemployed and Job Vacancies in Minnesota, 2006 to 2009

Job vacancies in 2009 were half what they were in 2007, while the number of unemployed nearly doubled.



SOURCE: Department of Employment and Economic Development. "Minnesota Job Vacancy Survey," <http://www.deed.state.mn.us/lmi/publications/jobvacancy.htm>, accessed October 19, 2009.

⁵⁷ Biannually, DEED surveys a sample of employers from 13 regions in Minnesota. Firms excluded from the sample are private households, staffing agencies, and establishments with no employees.

Program Effectiveness

We assessed the effectiveness of workforce programs in three ways. We analyzed the difference that workforce programs make for clients when compared with similar people who did not use the programs. We also asked a sample of recent workforce center clients about their experiences. Finally, we reviewed how Minnesota now evaluates workforce programs. For that review, we analyzed the formal performance measures required by the federal government. We also examined the process used to gauge performance of the independent service providers that receive direct legislative appropriations to provide workforce services.

COMPARISONS OF WORKFORCE PROGRAM PARTICIPANTS WITH OTHER UNEMPLOYED PERSONS

Some evaluations of workforce programs have tried to compare program participants to nonparticipants.

Economists examining the effects of workforce programs have had to confront the problem of predicting what would have happened had a person not participated. Most studies in the research literature have adopted one of two approaches: (1) a comparison study in which individuals receiving services are statistically matched with a comparison group of individuals who did not receive services or (2) an experimental study in which individuals are randomly assigned to receive workforce services or be part of a “control group” that does not receive services.¹

Both types of studies have found broadly similar impacts for various workforce programs, including those under the Comprehensive Employment and Training Act of 1973, the Job Training Partnership Act of 1982, and the Workforce Investment Act. The strongest and most consistent finding is that women in programs for adult workers make substantial gains in earnings when compared to other women not enrolled in workforce programs.² The findings for men in adult

¹ For examples of comparison studies, see Kevin Hollenbeck, Daniel Schroeder, Christopher T. King, and Wei-Jang Huang, *Net Impact Estimates for Services Provided through the Workforce Investment Act*, report prepared for the Division of Research and Demonstration, Office of Policy Research, Employment and Training Administration, U.S. Department of Labor (Washington, D.C.: U.S. Department of Labor, October 2005),

http://wdr.doleta.gov/research/eta_default.cfm?fuseaction=dsp_resultDetails&pub_id=2367,

accessed June 10, 2009; and Carolyn J. Heinrich, Peter R. Mueser, and Kenneth R. Troske, *Workforce Investment Act Non-Experimental Net Impact Evaluation: Final Report* (Columbia, MD: IMPAQ International, December 2008),

http://wdr.doleta.gov/research/keyword.cfm?fuseaction=dsp_resultDetails&pub_id=2419, accessed

June 10, 2009. For an example of a large-scale experimental study, see Larry L. Orr et al., *Does Training for the Disadvantaged Work? Evidence from the National JTPA Study* (Washington, D.C.: Urban Institute Press, 1996).

² In this paragraph, the term “programs for adult workers” refers to several different programs, not solely the Workforce Investment Act Adult program.

**We compared
workforce
program
participants with
nonparticipants
who filed for
unemployment
benefits at the
same time.**

programs have been mixed, although most studies show some improvements for those who participate in programs.³

Given our time and resource limitations, a long-term experimental study was not possible. Therefore, we performed a comparison analysis, statistically matching participants who entered the federal or state Dislocated Worker program or the Workforce Investment Act Adult program from July 2004 to June 2007 with individuals who filed applications for unemployment benefits during the same period but did not participate in workforce programs. We used a number of demographic and economic characteristics to find the best match between participants and comparison group members, as briefly summarized in Table 2.1. We then compared earnings recorded in the unemployment insurance system for both program participants and the matching comparison group for four years following program enrollment or the initial unemployment claim.

Not all program participants could be matched to comparison group members. We performed a series of statistical tests to determine whether the comparison group created through the matching process had characteristics similar to the entire group of program participants (both matched and unmatched). If the two groups were too dissimilar, we adjusted the matching parameters and repeated the matching routine. This iterative approach resulted in matches for 9,397 out of 23,110 Dislocated Worker participants (41 percent) and 1,466 out of 2,923 Adult program participants (50 percent). Despite finding fewer acceptable matches than we would have liked, our findings are largely consistent with an unpublished analysis of Minnesota workforce programs that matched at least 80 percent of participants.⁴ Due to the strong gender differences found in the research literature, we conducted separate analyses so that women were always

³ The studies we refer to here stretch back several decades and include programs that have been substantially modified or are no longer in existence. Additionally, youth employment programs have had goals, such as promoting continued schooling, that differ from those for adult programs and that would not be measured by participant earnings. To date, relatively few studies have been completed of Workforce Investment Act programs (for adults or youth). For summaries and discussions of the research literature, see Ronald D'Amico, *What's Known About the Effects of Publicly-Funded Employment and Training Programs*, prepared for the U.S. Department of Labor, Employment and Training Administration (Oakland, CA: Social Policy Research Associates, April 2006), http://wdr.doleta.gov/research/eta_default.cfm?fuseaction=dsp_resultDetails&pub_id=2394, accessed June 10, 2009; Christopher T. King, "The Effectiveness of Publicly Financed Training in the United States: Implications for WIA and Related Programs," in Christopher J. O'Leary, Robert A. Straits, and Stephen A. Wandner, eds., *Job Training Policy in the United States*, (Kalamazoo, MI: W.E. Upjohn Institute, 2004); and Daniel Friedlander, David H. Greenberg, and Philip K. Robins, "Evaluating Government Training Programs for the Economically Disadvantaged," *Journal of Economic Literature* 35, no. 4 (1997): 1809-1855.

⁴ The unpublished analysis is drawn from a larger study that aggregated Minnesota results with those from other states (thus, it included only Workforce Investment Act programs and did not include the state Dislocated Worker program). The authors provided Minnesota-specific analysis on the condition we protect it as nonpublic information because of data privacy constraints they agreed to when conducting their study.

Table 2.1: Characteristics Used To Statistically Match Workforce Program Participants and Comparison Group Members

- Date of program entry or unemployment claim
- Age
- Race and Hispanic origin
- Geographic location
- Education
- Veteran status
- Industry of employment in the preceding year
- Time since most recent employment
- Claims for unemployment benefits in the preceding four years
- Participation in workforce programs in the preceding two years
- Earnings in the preceding two years
- Patterns of employment and unemployment in the preceding two years
- Interaction terms that combine characteristics listed above (for example, age combined with education)

NOTE: Further details of the matching analysis, including a complete description of all characteristics used for matching, are provided in the online appendix at: <http://www.auditor.leg.state.mn.us/ped/2010/workforce.htm>.

SOURCE: Office of the Legislative Auditor.

matched with women and men were always matched with men. See the online appendix for a more detailed discussion of our analytical procedures.⁵

We found that:

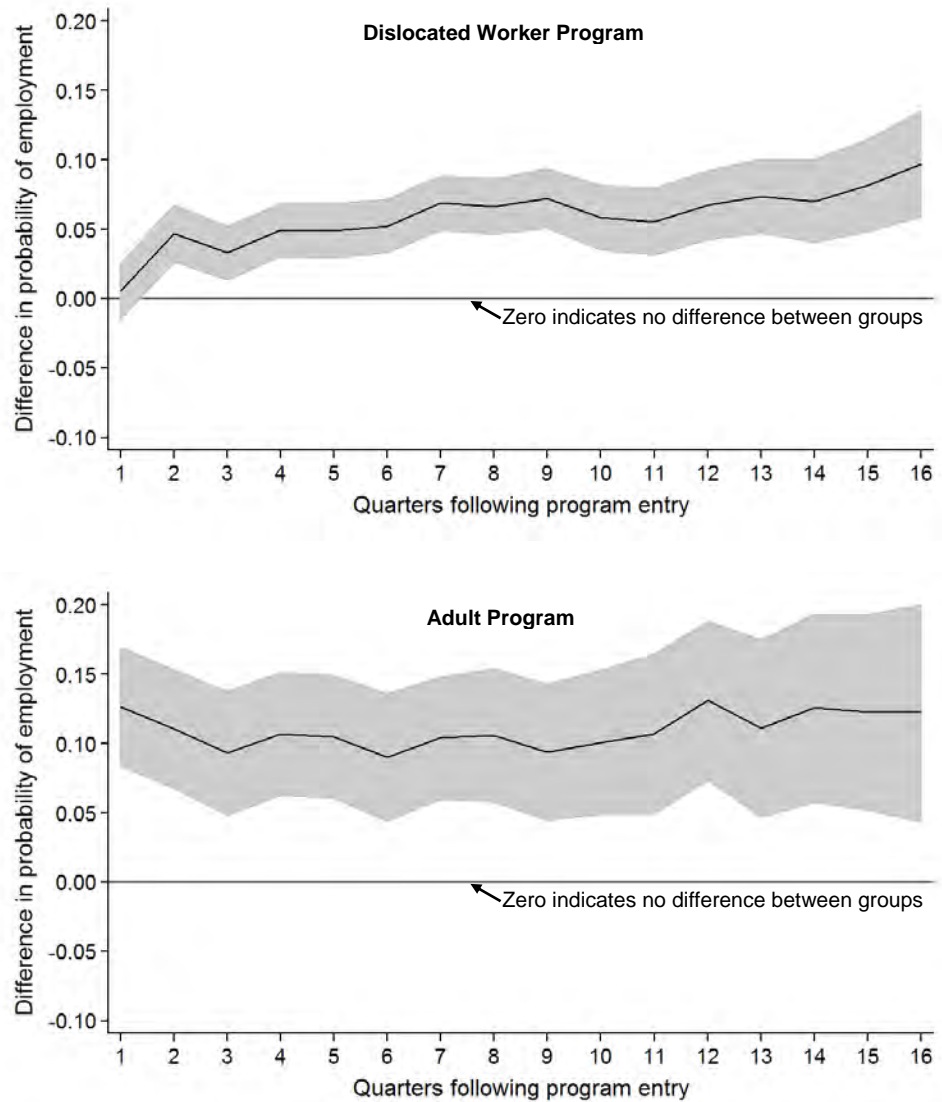
- **When compared with unemployment insurance claimants who did not participate in workforce programs, participants were more likely to be employed over time.**

Generally, we found that participants in workforce programs were more likely than nonparticipants to obtain employment.

Participation in workforce programs had a positive and statistically significant effect on the likelihood of employment in the four years following program enrollment. Consistent with other studies in the research literature, the effect was slightly stronger and more consistent for women than for men. Women who participated in the Dislocated Worker program were more likely than comparison group women to be employed across all time periods measured. As shown in Figure 2.1, we estimated that in the fourth through sixth quarters after program entry, female Dislocated Worker program participants had approximately a 0.05 higher probability of employment than comparison group women with similar

⁵ The appendix is available at <http://www.auditor.leg.state.us/ped/2010/workforce.htm>. The approach we followed was modeled on an econometric analysis performed for the U.S. Department of Labor by IMPAQ International. See Heinrich, Mueser, and Troske, *Workforce Investment Act Non-Experimental Net Impact Evaluation*. We are grateful to the authors for their willingness to provide details of their analysis, computer programming routines, and technical assistance.

Figure 2.1: Estimated Long-Term Impact of Workforce Program Participation on Probability of Employment for Women



NOTES: The charts display the difference in probability of employment between participants in the federal and state Dislocated Worker and Adult programs and comparison group members with similar backgrounds that applied for unemployment insurance benefits. For example, the 0.13 higher probability at the first quarter following entry into the Adult program means that if the comparison group members had a 55 percent chance of employment, participants had a 68 percent chance—13 percentage points more. If there were no difference in the probability of employment between the two groups, the estimate would be zero. The gray area surrounding the line represents a 95 percent confidence interval; the intervals are truncated if they extend beyond chart boundaries. Estimates were computed using data on participants that entered workforce programs between July 2004 and June 2007 and comparison group members that applied for unemployment insurance benefits during that time. Employment is assumed for any quarter in which an individual earned wages greater than zero. Wage information came from employers' unemployment insurance filings.

SOURCE: Office of the Legislative Auditor.

backgrounds. The 0.05 increase in probability suggests that if, for example, women applying for unemployment insurance benefits had a 55 percent probability of being employed in the quarters following their application, women with similar backgrounds that entered the Dislocated Worker program at the same time had an approximately 60 percent probability of being employed. Improved employment outcomes for female Dislocated Worker participants persisted after program participation and increased gradually over time.

The estimated advantage in employment probability was even stronger for female participants in the Adult program, hovering around a 0.10 higher probability of employment for program participants over all four years following program entry. In the same manner as described above, the 0.10 increase indicates the probability of program participants being employed was 10 percentage points higher than the probability of employment for comparison group women with similar backgrounds.

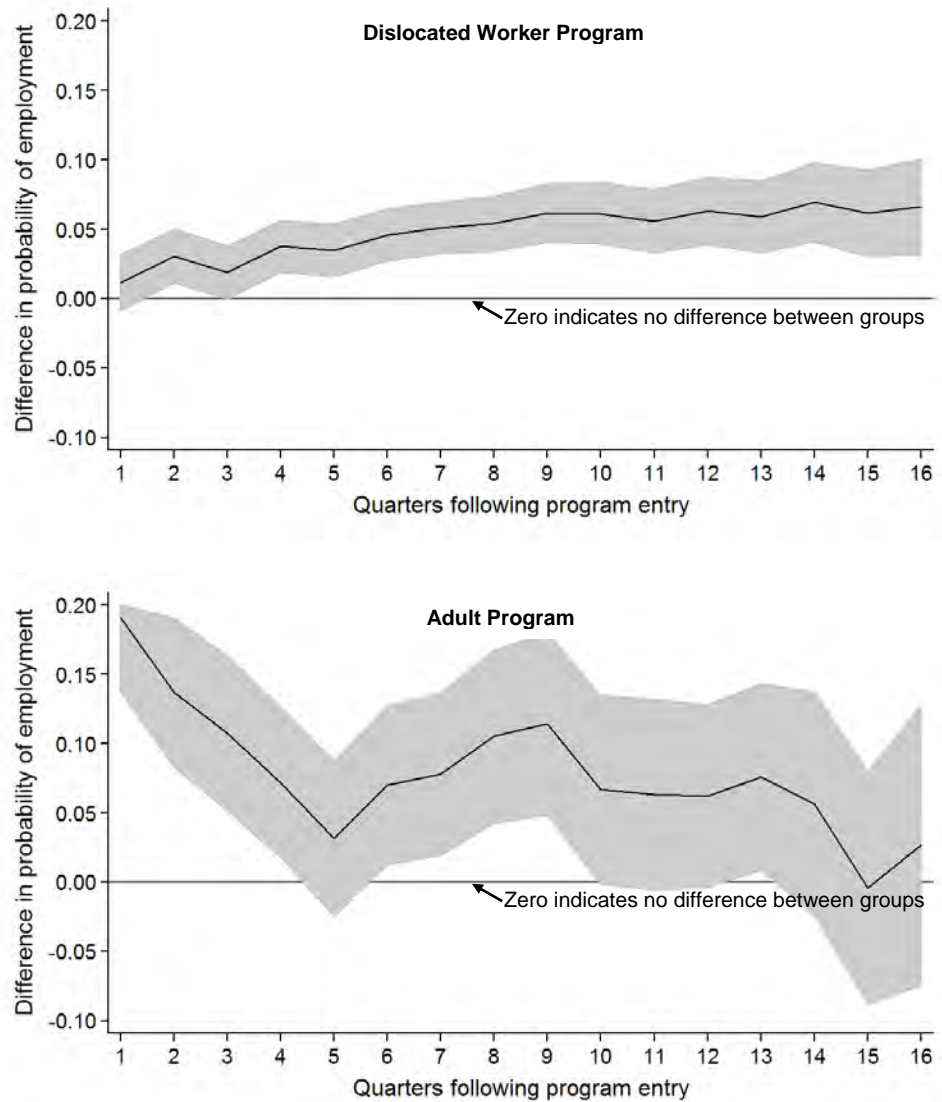
Men who were Dislocated Worker program participants also showed a greater probability of employment following program entry than comparison group men, as Figure 2.2 illustrates. Improved employment outcomes for male Dislocated Worker participants persisted and gradually increased over the four-year period. Men who participated in the Adult program also had a generally greater probability of employment than men in the comparison group. However, our estimates for this group were more uncertain due to small numbers of male participants in some quarters and difficulties finding suitable matches. The uncertainty of our estimates is shown on the lower chart of Figure 2.2 by the large gray area representing the 95 percent confidence interval. When comparing male Adult program participants and comparison group members at the tenth quarter after program entry, for example, we can infer that the correct estimate likely falls between -0.001 and 0.13; because of this wider range, we view these estimates more skeptically than others.

**Results achieved
by men and
women differed.**

We examined the wages of workforce participants and unemployment applicants with similar backgrounds over time and found that:

- **When compared with unemployment insurance claimants who did not participate in workforce programs, female participants earned higher wages over time, but male participants had mixed results.**

Figure 2.2: Estimated Long-Term Impact of Workforce Program Participation on Probability of Employment for Men



NOTES: The charts display the difference in probability of employment between participants in the federal and state Dislocated Worker and Adult programs and comparison group members with similar backgrounds that applied for unemployment insurance benefits. For example, the 0.01 higher probability at the first quarter following entry into the Dislocated Worker program means that if the comparison group members had a 55 percent chance of employment, participants had a 56 percent chance—1 percentage point more. If there were no difference in the probability of employment between the two groups, the estimate would be zero. The gray area surrounding the line represents a 95 percent confidence interval; the intervals are truncated if they extend beyond chart boundaries. Estimates were computed using data on participants that entered workforce programs between July 2004 and June 2007 and comparison group members that applied for unemployment insurance benefits during that time. Employment is assumed for any quarter in which an individual earned wages greater than zero. Wage information came from employers' unemployment insurance filings.

SOURCE: Office of the Legislative Auditor.

Women enrolled in the Adult program earned higher wages over time than women who did not enroll, but men did not gain a similar advantage.

As shown in Figure 2.3, we estimate that women who participated in workforce programs had generally higher total earnings than female comparison group members who did not participate, although wage gains were more modest and took longer to appear for Dislocated Worker participants.⁶ For Adult program participants, our estimates of program effects suggest that women who participated in workforce programs earned at least \$500 per quarter more than nonparticipating women with similar backgrounds over nearly all of the time period studied.

Differences in earnings between male workforce program participants and comparison group men, shown in Figure 2.4, were mixed. Earnings for men in the Dislocated Worker program increased gradually over time, eventually exceeding the earnings of comparison group members and even exceeding the earnings gains of female Dislocated Worker participants in the fourth year following program entry. The dip in the second and third quarters after program entry may be due to program participants who enrolled in training programs or postsecondary education and, therefore, earned lower wages at those points.

Our estimates indicate that participation in the Adult program had little lasting impact on wages earned by men.⁷ However, this result may be influenced by the economic recession that began shortly after the time period we studied. Because we examined wages for a four-year period following program entry, our wage data on many individuals extended into the recession and may cover periods of underemployment. The recession in Minnesota has had disproportionately negative impacts on men, in part because the jobs most severely affected have been ones traditionally held by men.⁸

RECOMMENDATION

DEED should periodically perform a long-term statistical analysis comparing workforce program participants and nonparticipants and report its findings to the Legislature and the public.

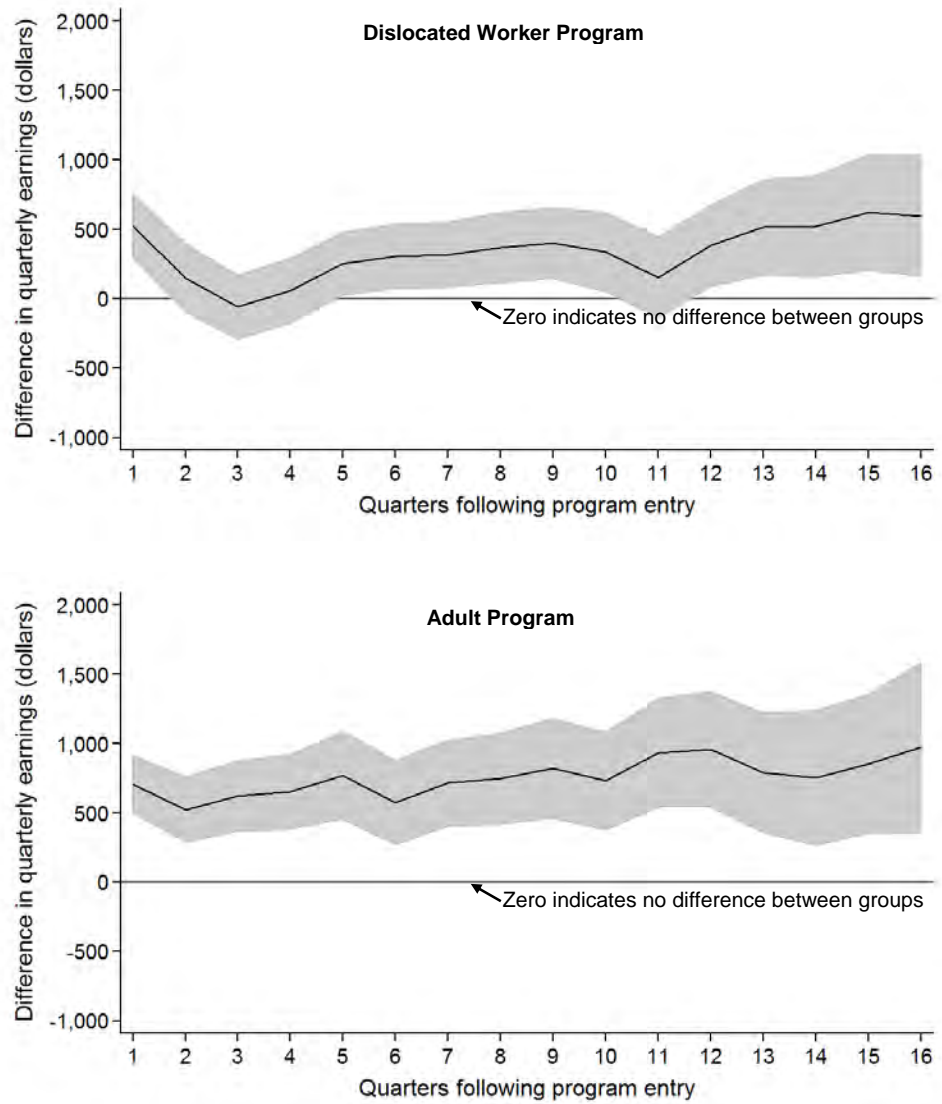
Because it compares program participants with nonparticipants, the method we used provides a more rigorous assessment of the effectiveness of workforce programs than the current federal performance measures (described later in this

⁶ The charts in Figures 2.3 and 2.4 show high earnings immediately after program entry that do not persist over time. As suggested by Heinrich, Mueser, and Troske (whose analysis found a similar phenomenon), this outcome may stem from the limitations of constructing a comparison group from applicants for unemployment insurance benefits. Not all individuals filing applications for benefits seek new employment immediately, but individuals who voluntarily enroll in a workforce program are likely to be active job seekers. See *Workforce Investment Act Non-Experimental Net Impact Evaluation*, 47.

⁷ Again, we are more uncertain of the estimates for men in the Adult program because small numbers of participants in some quarters and difficulties finding suitable matches led to greater uncertainty in our estimates.

⁸ See Teri Fritsma, “Minnesota’s He-cession,” *Minnesota Economic Trends*, September 2009, 1-5; and Teri Fritsma, “Closing The Gender Gap,” *Minnesota Economic Trends*, December 2009, 12-18.

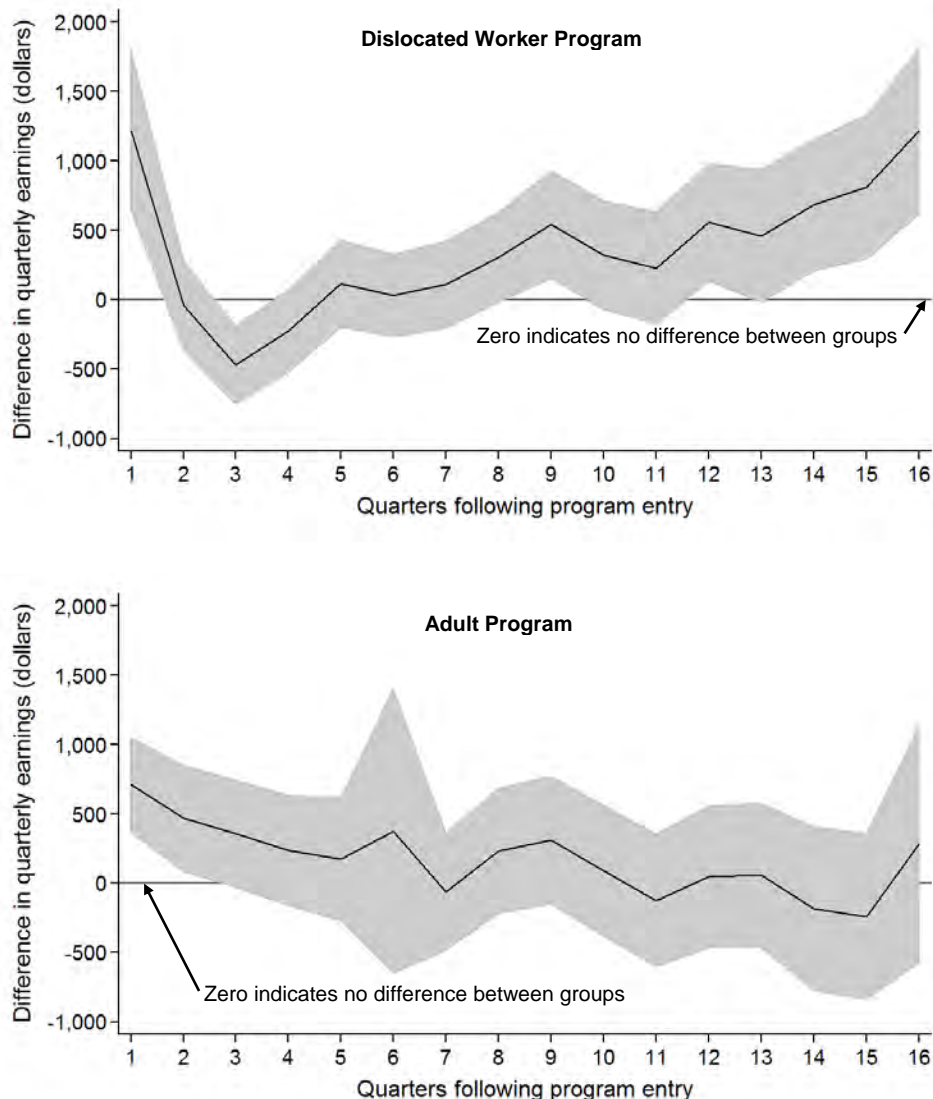
Figure 2.3: Estimated Long-Term Impact of Workforce Program Participation on Earnings for Women



NOTE: The charts display the difference in earnings between participants in the federal and state Dislocated Worker and Adult programs and comparison group members with similar backgrounds that applied for unemployment insurance benefits. For example, the \$522 at the first quarter following entry into the Dislocated Worker program means we estimated that participants earned \$522 more in that quarter than the comparison group. If there were no difference in earnings between the two groups, the estimate would be zero. The gray area surrounding the line represents a 95 percent confidence interval. Estimates were computed using data on participants that entered workforce programs between July 2004 and June 2007 and comparison group members that applied for unemployment insurance benefits during the same period. Dollar amounts are adjusted for inflation. Wage information was taken from unemployment insurance filings by employers.

SOURCE: Office of the Legislative Auditor.

Figure 2.4: Estimated Long-Term Impact of Workforce Program Participation on Earnings for Men



NOTE: The charts display the difference in earnings between participants in the federal and state Dislocated Worker and Adult programs and comparison group members with similar backgrounds that applied for unemployment insurance benefits. For example, the \$1,217 at the first quarter following entry into the Dislocated Worker program means we estimated that participants earned \$1,217 more in that quarter than the comparison group. If there were no difference in earnings between the two groups, the estimate would be zero. The gray area surrounding the line represents a 95 percent confidence interval. Estimates were computed using data on participants that entered workforce programs between July 2004 and June 2007 and comparison group members that applied for unemployment insurance benefits during the same period. Dollar amounts are adjusted for inflation. Wage information was taken from unemployment insurance filings by employers.

SOURCE: Office of the Legislative Auditor.

Minnesota should follow the example of Washington state, which has periodically used outside experts to compare long-term outcomes for workforce program participants and nonparticipants.

chapter) or the various return-on-investment models that have been offered by workforce service areas and nonprofit service providers. The analysis would be even more valuable if it were part of a series of similar analyses conducted at regular intervals, so that changes in program policy could be assessed. Minnesota should follow the lead of the state of Washington, which retained outside consultants to conduct similar comparison analyses in 1997, 2002, and 2006.⁹

We believe that a comparison analysis has three key advantages over current evaluation methods. First, the analysis above compares program participants with similarly situated nonparticipants. By doing so, it places the performance of workforce program participants in the context of individual characteristics and current economic conditions. Current federal performance measures and local return-on-investment results (discussed later in this chapter) are subject to the vagaries of the economic climate. In a recession, these measures necessarily decline because unemployment increases for many sectors of the economy. In contrast, a model that compares participants to nonparticipants may show that participants are better situated in a difficult job market if the workforce programs provide real advantages. Conversely, a comparison model could indicate that strong program performance in a boom economy merely reflects the current economic situation and that nonparticipants are equally adept at finding jobs.

Second, the analysis allows for some examination of the differing impact of workforce programs on different populations. Our analysis found differences in program effects for men and women, a finding that would not be uncovered through examination of the standard performance measures. We hope that this finding will spur discussion among workforce program providers as they look for ways to improve their programs. However, it is important to note that evaluating program effects for subgroups becomes increasingly difficult for smaller groups. It may not be possible, for example, to obtain useful results when comparing disabled participants with disabled nonparticipants because the total number of individuals would not be large enough for appropriate statistical comparisons.

Third, our analysis looks at the longer-term impacts of workforce program participation by examining wage records up to four years following an individual's entry into the program. Current federal performance measures take only six to nine months of employment and earnings into account. We believe it is especially important to examine the longer-term effects when workers receive training, because workers that acquire new skills should become more employable and earn higher wages.

However, the analytical approach we used has its own drawbacks. It is logistically and methodologically complex. Our recommendation that DEED occasionally perform a similar study anticipates that the department will most

⁹ See Kevin Hollenbeck and Wei-Jang Huang, *Net Impact and Benefit-Cost Estimates of the Workforce Development System in Washington State*, Upjohn Institute Technical Report No. TR06-020 (Kalamazoo, MI: W.E. Upjohn Institute, 2006); *Workforce Training Results 2002: An Evaluation of Washington State's Workforce Development System* (Olympia, WA: Washington State Workforce Training and Education Training Board, 2003); *Workforce Training Results: An Evaluation of Washington State's Workforce Training System, 1997*, Second Edition (Olympia, WA: Washington State Workforce Training and Education Training Board, 1997).

Comparison analyses provide important information, but they have drawbacks and cannot be the sole measure of program success.

likely hire an outside contractor to perform the study, which will incur costs. If the department retains an outside contractor to carry out our recommendation, it should consider retaining the contractor long before the analysis is undertaken. The contractor can then learn more about current data collection practices and possibly make suggestions to reduce logistical obstacles. Early communication could reduce the amount of time the contractor needs to prepare data for analysis and possibly save the department money in the long run.

Another drawback is that this analysis cannot entirely compensate for the effects of selective enrollment, when workforce center personnel enroll only the most promising individuals in workforce programs. The analysis can limit the influence of selective enrollment by matching participants with nonparticipants based on a number of factors that affect the likelihood of future employment, including previous employment history and various demographic characteristics. However, it cannot take into account various intangible factors that may affect a client's ability to find work, such as motivation, communication skills, punctuality, or other characteristics that may be readily apparent to an employment counselor.

A third drawback stems from the need to wait several years after program entry to assess the long-term performance of program participants. Our analysis, for example, does not include any participants that entered workforce programs during the current economic recession. Thus, we were unable to estimate program effects for a time period about which legislators and the public are particularly interested. Further, workforce programs change over time, so this analysis is to some extent out-of-date by design. Estimates of program effects for clients who started in 2005 are of limited usefulness in 2010 and certainly cannot be used as the sole means of evaluating current program performance. Nonetheless, we believe comparison analysis provides an important perspective on program outcomes that cannot be obtained using other measures.

CLIENT EXPERIENCES

To learn about clients' satisfaction with workforce services, we surveyed a sample of workforce program clients who had received services between July 1, 2007 and June 30, 2009. We mailed surveys to 2,883 individuals and received 810 responses from three separate populations: (1) clients enrolled in the Workforce Investment Act Adult program ($N=135$), (2) clients enrolled in either the federal or state dislocated worker programs ($N=417$), and (3) clients who were not enrolled in a program but visited a workforce center or used the "MinnesotaWorks" online job bank from January 1, 2009 to June 30, 2009 ($N=256$).¹⁰

¹⁰ We were unable to identify the program in which two respondents received services. Also, we excluded 29 survey respondents who stated they had not used workforce services and 2 respondents who were missing geographic data. Response rates were 17 percent for the Workforce Investment Act Adult participants, 40 percent for dislocated worker participants, and 24 percent for clients who only visited a workforce center or used the online job bank.

We surveyed over 800 workforce program participants about their experiences.

We asked clients two sets of questions. The first set asked if they liked the services they received. The second set asked if they thought the services had been effective. We found that:

- **Most clients we surveyed were positive about the workforce services they received, but substantially fewer felt the services helped them get a job or connect with employers.**

We divided respondents into two groups based on whether they were enrolled in a program or only visited a workforce center or used the online job bank. High percentages of each group agreed that they received the help they needed and that they would go back for help if needed, as shown in Table 2.2.¹¹ For both groups, a higher percentage of respondents agreed than disagreed that staff knew how to help them. Many offering written comments complimented staff or a particular service or program. For example, one respondent wrote:

Nothing needs to be changed. Staff were very helpful, courteous, and supportive.

Another respondent wrote:

Wouldn't change a thing, everyone is a great help and always know how to help. Thank you Mn Workforce Center, you are helping me make a difference in my life.

However, for both the clients enrolled in programs and those who only went to a workforce center or used the online job bank, the percentage of respondents satisfied with certain outcomes of the programs was substantially smaller than the percentage satisfied with the services themselves. A smaller percentage of respondents were satisfied that programs helped them get a good job compared with the percentage of respondents with other applicable responses, as shown in Table 2.3. Additionally, relatively few were satisfied that programs helped them connect with employers who were hiring.¹²

¹¹ We weighted the responses by demographic characteristics to reflect the total population of participants in each program, and we excluded survey respondents who did not answer the question.

¹² To determine whether the survey results were affected by the recession, we compared program enrollees who exited programs before the full force of the economic recession (prior to June 2008) with those who enrolled after the recession's effects were widespread. We analyzed responses from Workforce Investment Act Adult and Dislocated Worker participants and used different weighting due to the small number of survey respondents who exited before June 2008. Participants who exited before the recession deepened were more likely than those who exited after to be satisfied that the program helped them get a good job. However, those participants exiting before June 2008 were less likely than participants who exited later to be satisfied with the help received to improve job seeking skills. All other outcome comparisons of participants exiting before and after June 2008 were not statistically significant. Full results are available in an appendix located at: <http://www.auditor.leg.state.mn.us/ped/2010/workforce.htm>.

Table 2.2: Clients' Opinions of Workforce Services Received, 2009

	<i>N</i>	Somewhat or Strongly Agree	Neither Agree nor Disagree	Somewhat or Strongly Disagree	Not Applicable
Clients Enrolled in a Program, July 2007 to June 2009^a					
The quality was as good as or better than I expected.	532	81%	9%	9%	1%
Staff knew how to help me.	533	83	8	7	2
I did not have to wait too long for help or to use the service.	533	86	6	6	2
I received the help or found the information I needed.	534	86	7	5	1
I would go back if I needed help again.	533	89	5	5	1
Other Clients, January to June 2009^b					
The quality was as good as or better than I expected.	229	66	16	11	7
Staff knew how to help me.	229	47	15	8	29
I did not have to wait too long for help or to use the service.	229	68	12	5	15
I received the help or found the information I needed.	228	77	8	9	6
I would go back if I needed help again.	227	75	9	8	9

NOTES: The question read "How strongly do you agree or disagree with the following about the services you received or resources you used from a workforce center or the MinnesotaWorks.net web site?" Respondents could choose to answer "Not Applicable"; respondents who gave no answer at all are excluded. Percentages may not sum to 100 due to rounding. Full survey results are available in an appendix located at: <http://www.auditor.leg.state.mn.us/ped/2010/workforce.htm>.

^a Includes people enrolled in Workforce Investment Act Adult or federal and state Dislocated Worker programs. Responses are weighted by demographic characteristics to reflect the total population of participants in the two programs. Results are within plus or minus up to 4 percentage points at the 95 percent confidence interval.

^b Includes people who did not enroll in a program but only visited a workforce center or used the online job bank. Responses are weighted by demographic characteristics to reflect the total population of clients who were not enrolled in a program but went to a workforce center or used the job bank. Results are within plus or minus up to 7 percentage points at the 95 percent confidence interval.

SOURCE: Office of the Legislative Auditor, analysis of workforce program client survey, September 2009.

Several respondents offered written comments that services did not help. For example, one respondent wrote:

All the links on the government web site seemed to be just advertisements for schools that wanted me to enroll for training that I don't need, for big bucks. I did not find a link to one single employer that actually had a job that I could apply for. I used my own skills and network of contacts and received two job offers within three or four weeks, one of which I accepted, but all the time I invested in researching for job opportunities on the Job Service websites was a complete waste of time.

Table 2.3: Clients' Satisfaction with Outcomes of Workforce Services, 2009

	<i>N</i>	Satisfied or Very Satisfied	Neither Satisfied nor Dissatisfied	Dissatisfied or Very Dissatisfied	Not Applicable
Clients Enrolled in a Program, July 2007 to June 2009^a					
Connect me with employers who were hiring	526	33%	31%	22%	14%
Get a good job	523	39	25	14	21
Advance my career or get a better job	520	41	28	15	16
Learn about resources, such as transportation or child care, for job seekers or workers	524	41	27	7	26
Improve my job-seeking skills	527	64	23	6	7
Learn about schools, career planning, or jobs in demand	527	65	20	10	5
Take the classes or training or further the education I needed	530	70	13	9	9
Other Clients, January to June 2009^b					
Connect me with employers who were hiring	226	36	32	18	13
Get a good job	229	25	32	20	24
Advance my career or get a better job	227	23	33	17	27
Learn about resources, such as transportation or child care, for job seekers or workers	228	22	26	8	45
Improve my job-seeking skills	229	33	29	10	28
Learn about schools, career planning, or jobs in demand	227	35	22	11	32
Take the classes or training or further the education I needed	228	18	26	11	45

NOTES: The question read "Overall, how satisfied were you that the services helped you do the following?" Respondents could choose to answer "Not Applicable"; respondents who gave no answer at all are excluded. Percentages may not sum to 100 due to rounding. Full survey results are available in an appendix located at: <http://www.auditor.leg.state.mn.us/ped/2010/workforce.htm>.

^a Includes people enrolled in Workforce Investment Act Adult or federal and state Dislocated Worker programs. Responses are weighted by demographic characteristics to reflect the total population of participants in the two programs. Results are within plus or minus up to 4 percentage points at the 95 percent confidence interval.

^b Includes people who did not enroll in a program but only visited a workforce center or used the online job bank. Responses are weighted by demographic characteristics to reflect the total population of clients who were not enrolled in a program but went to a workforce center or used the job bank. Results are within plus or minus up to 7 percentage points at the 95 percent confidence interval.

SOURCE: Office of the Legislative Auditor, analysis of workforce program client survey, September 2009.

Another respondent wrote:

Was rather disappointed I never received any replies from any business I applied for. I was able to get a job better on my own walking into businesses and applying for positions. At the Hutchinson, MN Workforce [Center] I asked what they could do to help me other than what I explained I was already doing and they said "Nothing." Very disappointed in them.

Those enrolled in programs received more individualized services than those who did not enroll but who visited a workforce center or used the online services. In comparing these two groups, we found that:

- **More clients enrolled in programs than other clients not enrolled but using basic workforce services were satisfied that services helped them obtain outcomes, such as getting a job.**

Clients receiving individualized assistance felt more positive about workforce services than clients who used mostly self-service resources.

As shown earlier in Table 2.3, a higher percentage of clients enrolled in programs (65 percent) than those who visited a workforce center or used the online services (35 percent) were satisfied that the services helped them learn about schools, career planning, or jobs in demand. For example, a respondent enrolled in a program wrote:

When I met with a career counselor for dislocated workers program, she helped me find schools/colleges that would be suitable to get a degree. Since I've met with her, I've started on the right path to getting a degree at a community college. The counselor I met with helped a lot for me to get on the track and head in the right direction.

Similarly, more clients enrolled in programs than those not enrolled were satisfied the experience helped them either (1) get a good job or (2) advance their career or get a better job. More specifically, about 40 percent of clients enrolled in programs, compared with around 25 percent of those not enrolled, were satisfied with these outcomes.

Twenty percent of respondents not enrolled in programs were dissatisfied or very dissatisfied with the help they received to get a good job. A respondent who only visited a workforce center wrote:

No one talked to me other than directing me to the computer. That I could do at home. I left only with a number to access to the computer at home. I will not return.

Another respondent who only visited a workforce center wrote:

Don't really use computers a lot. Needed help getting on correct web sites. Wasted lots of time. Needed more one-on-one with staff.

The Workforce Investment Act requires that states report performance on indicators of employer satisfaction and job seeker customer satisfaction.¹³ For job seekers, DEED conducts a customer satisfaction survey of participants in several of the federally mandated programs, participants in the Minnesota Family Investment Program, and workforce center clients using resource room services or attending workshops. We examined DEED's survey and found that:

¹³ *Workforce Investment Act*, sec. 136(b)(2)(B) and sec. 136(d)(1).

- **DEED does not survey clients about their satisfaction with the outcomes of workforce services.**

Currently, DEED asks clients about their satisfaction only with the services they received and helpfulness of staff.¹⁴ The survey DEED has been using since May 2009 also asks respondents open-ended questions about what they would like the workforce center to start doing, stop doing, or keep doing. While the responses to the open-ended questions generate information about what clients felt was useful, the responses do not identify levels of satisfaction with the outcomes of services.

RECOMMENDATION

In its customer satisfaction survey, DEED should track clients' satisfaction with the outcomes of workforce services.

In understanding the value of workforce programs, clients' satisfaction with outcomes and effectiveness of the services can be as useful as their opinions about services received. While the responses to DEED's open-ended questions are helpful for local service area personnel, we think it is important for DEED to also systematically track clients' opinions about their satisfaction with outcomes, such as help getting a good job.

We acknowledge that client satisfaction with outcomes of services may be affected by factors, such as the economy, that are largely out of the control of programs. Comparative data on outcomes over time would likely identify differences during economic downturns and during times of economic growth. When viewed over time, we believe these results would provide another source of information to understand where programs are working well and where improvements are needed.

Implementing this recommendation would require additional resources. DEED would have to invest staff time to revise the survey instrument, and there would likely be additional data collection and analysis. Despite this, we think information on program outcomes would prove valuable.

MEASURING WORKFORCE PROGRAM PERFORMANCE

In this section, we analyze the processes Minnesota uses to measure the performance of certain workforce programs. First, we review federal performance measures for some of the major programs required by the Workforce Investment Act. Although nearly all federal employment and training programs must report on their performance, only the Workforce Investment Act Adult, Dislocated Worker, and Youth programs tie funding levels to a state's

¹⁴ For clients enrolled in programs, DEED's customer satisfaction survey also asks questions about clients' satisfaction with (1) the information they received to make choices for their employment plan and (2) their ability to actively make decisions about their plan.

Regularly asking clients about program outcomes would enable DEED to more comprehensively assess clients' satisfaction.

outcomes on the measures. Further, eligibility for federal incentive grants depends on meeting measures in these programs and Adult Basic Education. For these reasons, we pay particular attention to these measures. Second, we review how the state measures the performance of the independent service providers that receive state funding appropriated directly by the Legislature.

We also reviewed Minnesota's performance compared with federal and state performance standards for other workforce programs, including resource room services, Veterans Employment Services, Vocational Rehabilitation, State Services for the Blind, and Minnesota Family Investment Program employment services. Our discussion of these measures is in the online appendix to this evaluation, available at:

<http://www.auditor.leg.state.us/ped/2010/workforce.htm>.

Federal Performance Measures for Adult, Dislocated Worker, and Youth Programs

Federal performance measures are designed to show whether program participants get jobs, stay employed for at least six months, and make a reasonable wage.

The U.S. Department of Labor requires states to report on federally funded Adult, Dislocated Worker, and Youth programs using a set of specified performance measurements. These standardized measures, summarized in Table 2.4, are intended to capture the effects of workforce programs on participants by tracking them after they exit the programs. Drawing upon data reported by employers to the unemployment insurance program, each state tracks how much individuals earn in the quarters immediately following exit from the program.¹⁵ For adults, the key measures attempt to provide answers to three basic questions: (1) How many program participants get jobs after leaving the program? (2) How many participants keep those jobs for at least six months? (3) How much money do they earn in those jobs? For participants in youth programs, additional measures track outcomes such as postsecondary enrollment or receipt of a high school or general educational development (GED) diploma.

The measures in Table 2.4 assess outcomes only for those individuals who enroll in the Adult, Dislocated Worker, or Youth programs. Those who visit workforce centers and use only the resource areas or other self-service resources are not included. Similarly, those assisted through other programs (such as the Veterans Employment Services program) are not included unless they are co-enrolled in the Adult, Dislocated Worker, or Youth programs.

In negotiations with the U.S. Department of Labor, each state sets an annual target for each measurement. States must meet at least 80 percent of each target for the measures highlighted in Table 2.4 to avoid possible funding sanctions.¹⁶ States that meet or exceed these targets can become eligible for additional "incentive grants" if they also meet performance targets for adult basic education.

¹⁵ States and workforce service areas may use alternative sources of data to gather earnings information for individuals whose employers are exempt from participating in the unemployment insurance system.

¹⁶ A state is subject to a funding penalty if it fails to meet an 80 percent threshold (for the same measure or for two different measures) in two consecutive years.

Table 2.4: Federally Required Performance Measures for Adult, Youth, and Dislocated Worker Programs

Participants in Adult and Dislocated Worker programs

Entered Employment

Proportion of participants earning wages in the first quarter after program exit

Employment Retention

Proportion of participants earning wages in the first quarter after exit who also earned wages in both the second and third quarters after exit

Average Earnings

Per capita total wages earned by employed participants in the second and third quarters after exit

Employment and Credential Rate

Proportion of participants earning credentials (such as an associate degree or skill certification) and earning wages in the first quarter after exit

Youth program participants aged 19 or older

Entered Employment

Proportion of participants earning wages in the first quarter after exit

Employment Retention

Proportion of participants earning wages in the first quarter after exit who also earned wages in the third quarter after exit

Earnings Change

Of those employed in the first quarter after exit, per capita difference between wages earned in the second and third quarters after exit and wages earned in the second and third quarters before program registration^a

Credential

Proportion of participants that (1) were employed or in postsecondary education in the first quarter after exit, and (2) earned a high school or general educational development (GED) diploma, postsecondary degree or certificate, or professional certificate within three quarters after exit

Youth program participants less than 19 years old

Diploma or Equivalent Attainment

Proportion of participants receiving diplomas or GED credentials within one quarter after exit^b

Retention

Proportion of participants employed, in apprenticeships, or enrolled in postsecondary education or advanced training in the third quarter after exit

Skill Attainment Rate

Proportion of skill attainment goals met within a year after being set or before exit; can include basic skills, work-readiness skills, and occupational skills

All program participants

Customer satisfaction rating by program participants

NOTES: The highlighted measures are those the U.S. Department of Labor uses to award incentive grants for strong performance or levy financial penalties for poor performance. States may use either of two sets of measures for youth programs; those listed above are used by Minnesota.

^a Youth in advanced training or postsecondary education in the third quarter after program exit are excluded from this calculation.

^b Youth already holding a diploma or GED when entering the program or still in school when exiting are excluded from this calculation.

SOURCES: *Workforce Investment Act; Final Rules*, 20 CFR sec. 666 (2000); Employment and Training Advisory System, U.S. Department of Labor, *Training and Employment Guidance Letter No. 17-05*, February 17, 2006, 8-18; Employment and Training Advisory System, U.S. Department of Labor, *Training and Employment Guidance Letter No. 9-07*, October 10, 2007, 2-6; Employment and Training Administration, U.S. Department of Labor, *Training and Employment Guidance Letter No. 7-99*, March 3, 2000, 18-25.

States and local workforce service areas must meet federal performance targets that are renegotiated each year.

Similarly, each local workforce service area sets annual targets in negotiations with DEED for local outcomes on the federal measurements. However, instead of a reduction in funding, local areas that fall substantially below their targets for two successive years are subject to corrective actions by the Governor. These corrective actions may include appointing a new workforce council, requiring the use of different providers to deliver workforce services, or requiring “other appropriate measures designed to improve the performance of a local area.”¹⁷

Limitations of the Federal Measures

We found that:

- **Federal performance measures do not adequately assess the quality of workforce programs.**

The federal performance measures are intended to show whether workforce programs are successfully carrying out their missions. However, the measures are flawed in several respects:

- (1) ***Workforce service areas can manipulate participation timelines.*** The performance measures initially used for Workforce Investment Act programs were strongly criticized by the federal Government Accountability Office for unclear definitions of “registration” and “exit.” That office found that states and localities were using many different methods to determine when individuals entered and exited programs, making it impossible to compare one with another.¹⁸ Although the U.S. Department of Labor issued new reporting guidelines in 2006 that attempted to address these concerns, our review of program data indicated that some Minnesota workforce service areas continue to adjust exit dates.

For example, if a program participant gets a job, it is to the workforce service area’s advantage to wait until the end of the quarter to process his or her exit from the program. If the individual is still employed on the last day of the quarter, chances are very good that he or she will have earnings greater than zero in the quarter that starts on the following weekday and will thus count as a program “success.” Conversely, if the job does not continue as expected, the person can remain in the program

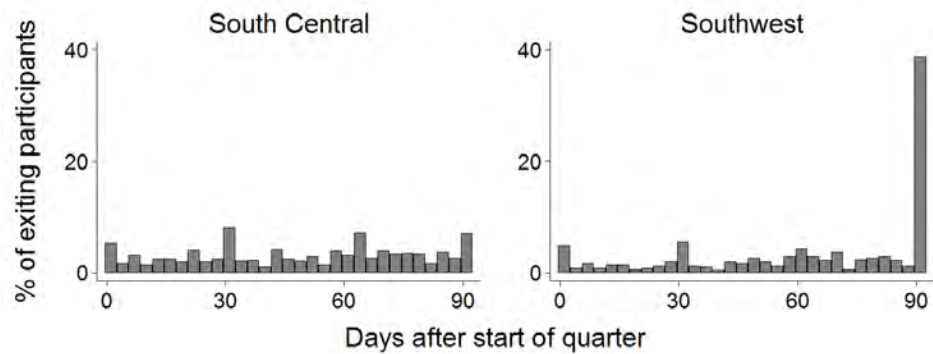
¹⁷ 20 *CFR* sec. 666.420(b) (2000).

¹⁸ See, for example, *Workforce Investment Act: Additional Actions Would Further Improve the Workforce System*, Statement of Sigurd R. Nilsen, Director, Education, Workforce, and Income Security Issues, Government Accountability Office, Testimony before the Subcommittee on Higher Education, Lifelong Learning, and Competitiveness, Committee on Education and Labor, House of Representatives, June 28, 2007 (GAO-07-1051T), 15; General Accounting Office, *Workforce Investment Act: Labor And States Have Taken Actions To Improve Data Quality, But Additional Steps Are Needed* (GAO-06-82) (Washington, D.C.: General Accounting Office, November 2005), 13-15. For historic background on manipulation of program enrollment information in earlier federal programs such as the Comprehensive Employment and Training Act of 1973 and the Job Training Partnership Act of 1982, see Burt S. Barnow and Jeffrey A. Smith, “Performance Management of U.S. Job Training Programs,” in Christopher J. O’Leary, Robert A. Straits, and Stephen A. Wandner, eds., *Job Training Policy in the United States* (Kalamazoo, MI: W.E. Upjohn Institute, 2004), 43-47.

with no negative effect on the workforce service area's performance measures.¹⁹ Some (but not all) workforce service areas clearly have a practice of processing program exits on the last days of each quarter, as illustrated by the examples in Figure 2.5. Five workforce service areas processed over 15 percent of their program exits on the last days of each quarter between January 2007 and June 2009. Participant exits for independent service providers contracted directly by DEED also exhibited this pattern of disproportionately processing program exits at the end of each quarter. DEED administrators told us that no policy discourages workforce service areas from reporting all exits on the last days of a quarter.

Figure 2.5: Timing of Workforce Program Exits Within Quarters for Two Workforce Service Areas, January 2007 to June 2009

Service providers can report clients' service dates in ways that increase the providers' chances of meeting performance targets.



NOTE: Chart shows percentage of individuals exiting the federal and state Dislocated Worker programs, the Adult program, and Youth programs. Each column represents a three-day period.

SOURCE: Office of the Legislative Auditor, analysis of Department of Employment and Economic Development individual-level participant data.

- (2) *The federal performance measures have not distinguished among individuals with differing capabilities.* A workforce program currently receives no greater credit when an ex-offender with limited schooling gets a job than when a skilled tradesperson with a college degree gets a job. Thus, the performance measures have rewarded workforce programs that enroll individuals with the strongest potential for finding employment, and they have penalized programs that enroll individuals who may be the most in need of their services. The Government Accountability Office has repeatedly highlighted its concerns that the

¹⁹ An individual would automatically remain in the program if the service provider provides or schedules an additional program service (such as an appointment with an employment counselor) within 90 days of the previous service.

The federal measures create incentives for local providers to serve clients who appear most likely to succeed.

federal performance measures led to selective enrollment.²⁰ In June 2009, the U.S. Department of Labor indicated that it planned to adjust the federal performance measures to take into account individual participant characteristics, such as prior work history, educational attainment, and barriers to employment.²¹

One workforce service area director told us candidly that her agency avoided enrolling individuals in the Adult program if they appeared unlikely to succeed. She noted that this practice made it more difficult to enroll Minnesota Family Investment Program recipients in the program. A different director commented that the performance measures for the Adult program “beg” local programs to selectively enroll only the most employable individuals. He said that his workforce service area does not have selective enrollment as a policy, but that it “should probably start.” A DEED administrator confirmed that no federal or state policy prohibits selective enrollment of only the most employable individuals.

- (3) *The federal performance measures show short-term outcomes only.* Programs do not report on the performance of their participants more than nine months after they leave the program.
- (4) *The federal performance measures do not compare the outcomes of participants and nonparticipants.* States and workforce service areas are assessed on whether they meet targets that are negotiated with the U.S. Department of Labor. However, these targets are not tied to research-based expectations of how successful individuals might be at finding jobs without assistance from the programs. It could be possible for a state to meet its targets, and yet individuals participating in its workforce programs would have no better employment outcomes than individuals who do not participate.

For example, suppose that 86 percent of participants are employed within one year of enrolling in a program for laid-off workers. It is impossible to use that figure to evaluate the program without knowing the percentage of laid-off workers returning to the workforce within a year without participating in a program.

Some workforce service area directors rely primarily on the federal performance measures to evaluate programs and service providers. However, directors that

²⁰ See *Workforce Investment Act: Labor Has Made Progress in Addressing Areas of Concern, but More Focus Needed On Understanding What Works and What Doesn't*, Statement of George A. Scott, Director, Education, Workforce, and Income Security, Government Accountability Office, before the Subcommittee on Higher Education, Lifelong Learning, and Competitiveness, Committee on Education and Labor, House of Representatives, February 26, 2009 (GAO-09-396T), 5-6; *Workforce Investment Act: Additional Actions Would Further Improve the Workforce System*, 17; General Accounting Office, *Workforce Investment Act: Improvements Needed in Performance Measures to Provide a More Accurate Picture of WIA's Effectiveness* (GAO-02-275) (Washington, D.C.: General Accounting Office, February 2002), 14-16.

²¹ The department's intent is to create a measurement that would recognize that participants' backgrounds affect their ability to find and retain jobs. Employment and Training Administration, U.S. Department of Labor, *Training and Employment Guidance Letter No. 09-08, Change 1*, June 5, 2009, 5.

use the measures in this way shared many of the above concerns about the limitations of the performance measures—one director even characterized the federal measures as one of the biggest impediments to the effective delivery of workforce programs.

In contrast, other workforce service area directors reported paying little attention to the federal performance measures beyond providing the numbers for federal reporting. For example, the Southeastern workforce service area helped develop a return-on-investment measure that it uses as its primary internal assessment tool. Another workforce service area director said that the workforce council in his area asks for the information gathered for the federal reports to be reconfigured and summarized in a different way, and it uses that data to assess its contractors.

Although the federal performance measures are flawed, it is important that the state meet its targets because of their link to federal funding.

Performance on the Federal Measures

Although we have concerns about the sufficiency of the federal performance measures for the Adult, Youth, and Dislocated Worker programs, it is important that the state meet its targets because of the connection between performance and federal funding. Similarly, eligibility for federal incentive grants also depends on the state meeting federal measures of performance for adult basic education.

Performance Results for Adult, Youth, and Dislocated Worker Programs

We examined the state's efforts to meet its performance targets and found that:

- **On a statewide basis, Minnesota's Adult, Youth, and Dislocated Worker programs have met over 90 percent of their federal performance targets in all but one year since 2002.**

As described earlier, the federal government has required states to set 15 specific targets each year.²² Since 2002, Minnesota has met at least 14 of its targets in every year except 2005, as Table 2.5 shows. Although lower performance reduces a state's chances of receiving incentive grants, the U.S. Department of Labor does not apply any funding penalties if a state meets at least 80 percent of every target. Minnesota has not fallen below the 80 percent threshold on any statewide target since 2001.

Although local workforce service areas negotiate their performance targets with DEED, these negotiations take place after the state's targets have been set. Thus, any significant reductions in one workforce service area's performance target would have to be offset by increases in the targets for the same measure in other areas. In practice, only a couple of workforce service areas have been able to negotiate more favorable targets in recent years; most accept the state's targets as their own, even if local circumstances make them difficult to meet. As a result, individual workforce service areas have shown more variation in meeting their targets than the state as a whole, as shown by Table 2.6 in comparison with

²² All of the measures reported by Minnesota are listed in Table 2.4. The total of 15 targets is arrived at by counting the adult measures twice, once for the Adult program and once for the Dislocated Worker program, as well as the four youth measures.

Table 2.5. Some workforce service areas have averaged meeting less than 10 of the 15 targets between 2002 and 2008, while others have averaged more than 13. Such variation is not surprising, particularly in smaller workforce service areas where a handful of positive or negative results can have a large impact on the measured outcome.

Table 2.5: Federal Performance Targets Met by Minnesota’s Adult, Dislocated Worker, and Youth Programs, 2002 to 2008

Program Year	Targets Met (Out of 15)
2002	14
2003	14
2004	14
2005	11
2006	14
2007	15
2008	14

Over the past seven years, Minnesota has met most of its statewide targets for the federal Adult, Youth, and Dislocated Worker programs.

NOTES: Minnesota met the 80 percent federal threshold for all targets in all years shown. Years listed are “program years,” and program year 2008, for example, includes the period July 1, 2008 through June 30, 2009.

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

We also examined the actual performance scores over the past decade without regard to the targets to determine if trends appeared over time. Conclusions from this examination are somewhat tenuous because changes introduced in 2006 by the U.S. Department of Labor prevent a true “apples-to-apples” comparison for years before and after that date. Speaking very generally, performance scores at the state level have increased slowly but steadily throughout the 2000s. At the local level, scores showed much more variation, but most workforce service areas also showed gradual increases over time for the key measures of the Adult and Dislocated Worker programs, the entered employment rate and the employment retention rate. Local performance on youth measures fluctuated much more dramatically.

Performance Measures and Results for Adult Basic Education

By law, performance measures for adult basic education (ABE) programs must focus on educational gain, employment, and postsecondary education.²³ The National Reporting System, an accountability system created by the U.S. Department of Education’s Division of Adult Education and Literacy, developed and revised the ABE performance measures for these factors.

²³ *Workforce Investment Act*, sec. 212(b)(2)(A).

Table 2.6: Average Number of Federal Performance Targets Met and Total Targets Missed By Workforce Service Areas, Program Years 2002 to 2008

Workforce Service Area	Average Targets Met (Out of 15)	Total Times Below 80 Percent of a Target (Out of 105 over 7 years)
1 Northwest	12.3	5
2 Rural MN CEP	12.7	2
3 Northeast	13.9	0
4 Duluth	10.9	6
5 Central	11.3	4
6 Southwest	13.6	4
7 South Central	12.1	5
8 Southeast	9.7	9
9 Hennepin-Carver ^a	9.1	19
10 Minneapolis	12.1	3
12 Anoka	12.7	4
14 Dakota-Scott ^a	10.0	13
15 Ramsey	12.4	3
16 Washington	10.9	18
17 Stearns-Benton	13.9	1
18 Winona	9.1	23 ^b

NOTES: The state avoids funding penalties if it meets at least 80 percent of each negotiated statewide target. If a workforce service area does not meet the 80 percent threshold, its low performance must be offset by higher performance in other workforce service areas for the 80 percent threshold to be met statewide. Prior to program year 2006, the state needed to meet the 80 percent threshold for all fifteen measures to avoid funding penalties; starting in 2006, funding penalties were based only on the ten measures highlighted in Table 2.4. For simplicity of presentation, we have listed all measures for all years in this table. No workforce service area is numbered 11 or 13. CEP means concentrated employment program.

^a Scott County moved from Workforce Service Area 9 to Workforce Service Area 14 in 2005.

^b Eleven of the instances in which Winona fell below 80 percent of a target occurred in 2002 alone; DEED later concluded that local data entry problems in that year caused the low scores.

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

States are required to report on 11 measures of educational gain and a separate measure of completing a diploma or equivalent degree, as shown in Table 2.7.²⁴ Measures of “educational gain” identify the percentage of students who advanced to the next of six levels within a year.²⁵ The National Reporting System defines six levels for English as a Second Language ranging from beginning literacy to

²⁴ The National Reporting System also defines optional measures, such as reduction of public assistance, citizenship, voting, and community involvement. No performance standards are set for these measures, and states’ performance on them is not considered when determining eligibility for incentive awards.

²⁵ “Educational gain” includes improvements in literacy skills in reading, writing, and speaking English; numeracy; problem solving; English-language acquisition; or other literacy skills.

Table 2.7: Performance Measures and Results for Minnesota Adult Basic Education, 2007 to 2009

	2007			2008			2009		
	Target	Actual	Difference	Target	Actual	Difference	Target	Actual	Difference
11 Measures of Educational Gain									
<i>English as a Second Language^a</i>									
Beginning Literacy	36%	42%	6	46%	51%	5	44%	52%	8
Beginning Low	35	49	14	37	59	22	50	59	9
Beginning High	35	45	10	37	51	14	46	54	8
Low Intermediate	38	40	2	43	44	1	42	45	3
High Intermediate	36	40	4	42	42	0	42	44	2
Advanced	22	19	-3	23	21	-2	22	23	1
<i>Adult Basic Education^b</i>									
Beginning Literacy	25	36	11	37	50	13	38	58	20
Beginning	29	41	12	37	46	9	42	51	9
Low Intermediate	35	39	4	37	45	8	40	43	3
High Intermediate	38	29	-9	35	36	1	31	37	6
Low Adult Secondary ^c	38	29	-9	30	35	5	30	39	9
Diploma Completion Measure									
Receipt of Secondary Diploma or GED	43	64	21	61	67	6	66	70	4
Additional Measures^d									
<i>Employment</i>									
Entered Employment	45	61	16	65	60	-5	64	54	-10
Retained Employment	60	75	15	75	73	-2	77	74	-3
<i>Postsecondary</i>									
Placement in Postsecondary Education or Training	45	48	3	38	59	21	53	61	8
Overall Result^e			97			96			77

NOTE: Performance is reported only for clients who have received 12 hours or more of instruction.

^a The six levels are a set of functioning levels for non-native English speakers who are acquiring English. The National Reporting System defines the levels according to abilities in listening and speaking, reading and writing, and functional work skills. A complete description of each level can be found at: http://www.nrsweb.org/foundations/implementation_guidelines.aspx

^b In this instance, Adult Basic Education refers to the set of literacy levels for native English speakers. The National Reporting System defines levels according to abilities in reading and writing, numeracy, and functional workplace skills.

^c Adult secondary education includes two levels—low and high. Completion of the high level is the attainment of a secondary credential or passing general educational development (GED) tests, and learners completing that level are reported in a separate measure—receipt of a secondary diploma or GED diploma.

^d Performance is reported only for clients who identified this as a goal for seeking instruction.

^e Overall result is the cumulative total of the difference between the target and actual for each measure. If a state has a positive number, it has exceeded its performance target.

SOURCE: Office of the Legislative Auditor, analysis of Minnesota Department of Education's Adult Basic Education program, "NRS Targets and Results," http://mnabe.themlc.org/Accountability_and_NRS.html, accessed December 7, 2009.

advanced and six levels for Adult Basic Education ranging from beginning literacy through high adult secondary.²⁶

In addition to those 11 measures, states are required to report certain clients' employment outcomes and placement in postsecondary education. The two employment measures—entered employment and retained employment—are similar to measures of the federal programs for adults and dislocated workers.²⁷ ABE reports results only for participants who have identified employment as their goal for seeking instruction, which is a small portion of their total participants.

Performance targets for each measure are negotiated between the Minnesota Department of Education's ABE program and the U.S. Department of Education. The latter determines whether a state meets its performance targets based on its combined results on all measures. More specifically, for each measure, the difference between the actual and target is calculated. Then the difference for each measure is added, and if the sum is positive, the state has exceeded its targets. States that do not meet performance targets are not eligible for the Workforce Investment Act incentive grant but are not subject to other penalties.

Minnesota's Adult Basic Education program met its combined performance targets in each of the three years we examined.

From fiscal year 2007 through 2009, Minnesota's overall performance targets for ABE increased each year. Minnesota ABE exceeded its overall targeted performance level each year. This is demonstrated in Table 2.7 by the positive overall result, which is the cumulative total of the difference between the actual and target on each measure. On the two employment measures, ABE surpassed the targets in 2007; however, it fell short of targets in 2008 and 2009. Yet, because it surpassed its targets on most other measures, the state is said to have met its combined performance goals for those years.

Performance Measures for Independent Providers

About 18 service providers, mostly nonprofits in the Twin Cities metropolitan area, solicited and received state funding that the Legislature appropriated directly to them to offer their own workforce programs and services in fiscal year 2010. Table 2.8 lists the agencies and programs that received direct appropriations for fiscal year 2010. As part of this evaluation, we interviewed three nonprofit organizations that offer workforce services, two of which received direct appropriations for fiscal year 2010.

²⁶ In this instance, Adult Basic Education refers to literacy skill levels of native English speaking adults. While Adult Basic Education has six levels, the sixth level is not reported because learners attain it by completing a GED or secondary diploma—which is counted in a separate measure on diploma completion.

²⁷ ABE's measures are also similar to the three so-called "common measures" for the Workforce Investment Act Youth program: educational level gains, diploma or its equivalent degree completion, and placement into employment or postsecondary education.

Table 2.8: Workforce-Related Programs and Organizations Receiving Direct Appropriations from the Legislature, Fiscal Year 2010

- Advocating Change Together
- Interpreters for deaf and hard-of-hearing students in Intermediate School District 287 VECTOR Transition Services^a
- Lifetrack Resources
- Lutheran Social Services
- Metropolitan Economic Development Association^b
- Minneapolis summer youth employment
- Minnesota Alliance of Boys and Girls Clubs
- Minnesota Department of Labor and Industry apprenticeship program and prevailing wage enforcement^c
- Minnesota Diversified Industries, Inc.
- MN WORKS!
- Nonprofit organization selected to administer a demonstration project for adults at risk of reentering correctional facilities
- Northern Connections in Perham
- Opportunities Industrialization Center programs
- Ramsey County Workforce Investment Board's "Building Lives" program
- Rise, Inc., for the Minnesota Employment Center for People Who are Deaf or Hard of Hearing
- Rural Policy and Development Center^b
- St. Paul summer youth employment
- Twin Cities RISE!

NOTES: Entities include those with appropriations from one or both of the state's General Fund and Workforce Development Fund. Other programs not listed here received appropriations that were allocated through DEED's request-for-proposal processes. Two other nonprofit agencies, the Indigenous Earthkeepers Program and the Southeast Asian Mutual Assistance organization, are not listed because they received appropriations that were vetoed by the Governor.

^a The law does not specifically name VECTOR Transition Services, but DEED said the language was so specific that it let a sole-source contract for the services.

^b Indicates agencies that are related more to economic development than workforce development.

^c Program does not receive appropriations through contracts with DEED.

SOURCES: [Laws of Minnesota](#) 2009, chapter 78, art. 1, sec. 3 and sec. 7, subd. 3(a) and (b); and Office of the Legislative Auditor, analysis of Department of Employment and Economic Development funding data.

Workforce-related grant recipients sign contracts with DEED for the funding. DEED administers the contracts, releases the state money to the grantees, and monitors their performance. When we reviewed how the performance of some of the grant recipients is measured, we found that:

- **No standard mechanism exists for measuring the effectiveness of services across providers that receive direct legislative appropriations. The providers' own measures do not allow comparisons with each other.**

Service providers that receive direct legislative appropriations develop their own measures of effectiveness.

The grant recipients we reviewed measure their own performance. Often, the measures they use are dictated by the predominant funding source (other than the direct appropriation) for the programs they provide. Although the organizations in our case studies calculated returns-on-investment for some of their programs, their methodologies differ, and the results are not comparable.

In addition, in their contracts with DEED, grant recipients list indicators for measuring their performance related to the grant. DEED's contract process requires grant recipients to develop workplans with outcomes and goals, but each recipient develops its own goals and expected outcomes. DEED does not wait for the grant recipient to complete its goals before releasing funding. It allows agencies immediate use of the resources appropriated by the Legislature. However, when DEED employees monitor a grant recipient, they typically compare its planned performance against actual results. DEED reserves the option of holding back future funding if an organization does not stay on track with its goals.²⁸ For certain contracts with grant recipients that provide services to people with disabilities, DEED requires compliance audits as part of its annual assessment of grantees' performance. If the compliance audit reveals that a grantee's disabled clients worked fewer hours than the grantee had reported throughout a year, the grantee is required to pay back the amount of the discrepancy.

The 2009 Legislature asked DEED to create a single accountability report that would be used for all workforce programs.

Legislators have been frustrated by the lack of comparable information on workforce programs, and the 2009 Legislature required DEED to develop a uniform accountability report for publicly funded workforce programs.²⁹ For each workforce program, including those funded with legislative appropriations, the department is to collect and report specific information. This includes the number of jobs affected by the program, the number of individuals no longer seeking unemployment compensation, and the program's return on investment.

In October 2009, DEED released its initial report.³⁰ The report groups programs with similar functions into one of ten groups and identifies indicators of program results for each group. It suggests phasing in the implementation of ongoing accountability reports. The first report that will include results of measuring programs' performance is expected in 2010.

In tandem with DEED's accountability report, the Governor's Workforce Development Council began in 2009 to develop a standard methodology to calculate returns-on-investment for workforce and training programs. It expects to publish its results in 2011 as part of its biannual report to the Legislature.

²⁸ For one agency, Twin Cities RISE!, state law specifies the amount to be paid once the agency either places a client in a job or a client retains employment for at least a year. See *Minnesota Statutes* 2009, 116J.8747. Even for this agency, DEED makes the appropriation available prior to the agency's completion of its goals.

²⁹ *Laws of Minnesota* 2009, chapter 78, art. 2, sec. 20.

³⁰ Department of Employment and Economic Development, *DEED Uniform Program Accountability Measures Proposal* (St. Paul, October 15, 2009).

RECOMMENDATION

DEED should adopt a set of standard approaches for reporting performance across programs.

Workforce programs are too complex to be measured in only one way; multiple complementary measures are needed.

The Legislature correctly viewed the lack of comparable measures for workforce programs as a key concern. The uniform accountability report required by the Legislature will help, however, we think it is too narrow. A comprehensive understanding of an employment program's success requires more than a single approach. Several different approaches are used, although few if any programs are measured by all of the approaches. We think the state should use all of them. Each approach has benefits, but none is complete by itself, and Table 2.9 summarizes their limitations. The uniform accountability report is a start toward obtaining comparable information. It does not, though, require comparing outcomes for clients with outcomes for similar people who did not participate in programs. Nor does it account for client satisfaction with the programs or whether providers met legal requirements.

Without comparable data from multiple approaches, legislators and others lack the necessary information to make informed decisions about employment programs. DEED and the Governor's Workforce Development Council should continue their work on accountability measures but expand their consideration to include summary data from multiple approaches. Developing and implementing multiple measures is a long-term project that will take more time than the department originally projected but will provide more useful information. Comparable data from multiple approaches are needed for all employment programs, regardless of whether they are offered by providers receiving direct appropriations or by providers within a workforce center. For the former, DEED should continue to determine what data are needed and then include those requirements in contracts with providers.³¹

DEED should also be responsible for reporting results to the Legislature. Reporting a more comprehensive set of information on workforce service providers will help ensure that (1) each grant recipient is adequately overseen and (2) the Legislature will be sufficiently informed about service provider effectiveness.

³¹ Chapter 3 addresses other concerns about the process used for selecting and monitoring independent providers that receive direct legislative appropriations.

Table 2.9: Approaches for Reporting Performance

Approach	Description	Limitations
Return-on-Investment	Compares costs per participant with a set of benefits gained from public investments in a program.	<ul style="list-style-type: none"> ✓ May not distinguish among individuals with differing capabilities^a ✓ May not account for what would have happened to clients had they not participated in the program^b ✓ Does not determine whether programs are meeting statutory obligations ✓ May use untenable assumptions, such as assuming that all participants who found jobs are still working five years later ✓ Methodologies may be inconsistent, which prevents results from being comparable
Performance Outcome Measures	Measures a program's effectiveness and efficiency in comparison with preset expected levels of performance, such as the percentage of clients expected to find a job.	<ul style="list-style-type: none"> ✓ May not distinguish among individuals with differing capabilities^a ✓ Can lead to selectively enrolling those program participants most likely to produce strong positive outcomes ✓ Does not account for what would have happened to clients had they not participated in the program^b ✓ Often limited to showing only short-term outcomes ✓ Does not determine whether programs are meeting statutory obligations
Customer Satisfaction Survey	Assesses perspectives of people who participated in a program. Can help identify how well certain populations' (such as communities of color) needs are being met or what about a program needs to change.	<ul style="list-style-type: none"> ✓ Does not measure cost-effectiveness or efficiency ✓ Does not determine whether programs are meeting statutory obligations ✓ Does not account for what would have happened to clients had they not participated in the program^b ✓ Relies on subjective opinions that may be influenced by a variety of factors, such as the economy or other personal circumstances
External Monitoring of Programs	Analyzes compliance with statutory and regulatory requirements. Identifies problems to be corrected. Describes how well programs are serving intended constituents.	<ul style="list-style-type: none"> ✓ Does not measure cost-effectiveness or efficiency ✓ Does not assess perspectives from representative samples of program clients ✓ Does not account for what would have happened to clients had they not participated in the program^b
Participant and Nonparticipant Comparisons	Demonstrates objectively whether clients would have succeeded without help from the program. Can analyze outcomes over a longer period of time than is typical.	<ul style="list-style-type: none"> ✓ Requires complex methodology ✓ Can limit but not entirely eliminate effects of selective enrollment ✓ Limited data may affect the ability to comprehensively match program participants with comparison group members ✓ Shows results only for programs from past years ✓ Does not determine whether programs are meeting statutory obligations ✓ Poses difficulties in drawing conclusions when analyzing population subgroups with small numbers of participants ✓ Restricted usefulness in making short-term program-management decisions

NOTE: Each approach has benefits but explains only part of a program's performance.

^a People lacking a high school diploma, for example, are likely to require more resources than others to become ready for employment.

^b In most cases, it is unrealistic to presume that no client would have ever found a job had they not participated in a program.

SOURCE: Office of the Legislative Auditor.

Funding and Organization

The delivery of workforce programs is a function of how the programs are funded and the complex organizational structure of the workforce system—with its multiple layers of agencies and numerous providers responsible for various programs. We examined the workforce system’s funding and organizational arrangements to determine how well programs were integrated and the extent to which programs might overlap.

LACK OF INTEGRATION

In analyzing how the funding and organization of workforce programs affect the delivery of services, we found that:

- **Fragmented authority and segregated funding for workforce programs lead to diffuse accountability and contribute to gaps in service.**

State agencies control certain workforce programs, local authorities control others, and nonprofit organizations control yet others.

Workforce programs are not well integrated, despite the intent of the Workforce Investment Act to develop a one-stop delivery system. State agencies control certain programs, local authorities control others, and nonprofit organizations control yet others. With no single entity in charge, no one is accountable for ensuring all needs are met. Further, it is difficult for clients, businesses, and policy makers to understand all the services that are available.

Workforce Investment Act provisions assign certain duties to each of Minnesota’s 16 local workforce councils but assign other responsibilities to the state, as Chapter 1 described. Workforce council duties include policy setting and oversight of the local workforce system. At the same time, the Workforce Investment Act assigns responsibility to the state for developing a five-year plan with statewide strategies for workforce investment. The state is also to assure nonduplication among programs and oversee continuous improvement of workforce center activities. The Department of Employment and Economic Development (DEED) also runs some workforce programs in workforce centers, independent of other programs overseen by local service area directors.

Funding requirements determine the services available. In fiscal year 2009, Minnesota expenditures of federal government dollars for employment and training totaled \$96 million (excluding money for unemployment insurance, public assistance employment services, and independent living for Vocational Rehabilitation and Services for the Blind programs). All of the expenditures were tied to particular programs, with the largest amount (\$36 million) directed to Vocational Rehabilitation Services. Local workforce service areas receive

funding for certain programs but do not control funding for all workforce programs provided in their areas.

Although the state administers many workforce programs, it must abide by federal requirements and policies on the use of the money. Minnesota could not, for instance, use federal money provided for the Vocational Rehabilitation program to pay for services to dislocated workers. We found that:

- **Federal laws limit the state’s ability to reform its workforce programs and address problems of divided authority or segregated funding.**

The state cannot independently change programs governed by federal law. Federal requirements also control the way related services, such as unemployment benefits, are delivered.

Diffuse Accountability

Fragmented authority and program-specific funding have contributed to problems with (1) workforce centers’ resource rooms and (2) programs that exist independently of the local workforce investment system that workforce councils oversee. The problems are explained below.

Resource Rooms and Reception Areas

- **Unclear authority and uncertain funding of workforce centers’ resource rooms and reception areas create inefficiencies.**

Staffing for resource rooms and reception areas is important because these areas are the first points of contact for visitors. As described in Chapter 1, the resource rooms offer services open to all, and more people use those services than enroll in programs based on eligibility. Furthermore, some resource room clients, such as those lacking computer skills, rely heavily on resource room staff because they are unable to use self-serve resources, such as the online job bank, on their own.¹

In the workforce centers’ resource rooms and reception areas within most workforce service areas, state staff work under the direction of DEED while local government or nonprofit agency staff work under local direction. This has created problems according to some workforce service area staff and workforce council members. When local service area employees have observed personnel issues that involved state staff, some have felt their ability to address the problem was limited. For example, two local directors reported observing poor customer service provided to members of certain minority communities but being constrained because the employees in question were not under their authority. DEED has a complaint procedure for such situations, but one service area director said the area received no reply after forwarding complaints to the

Resource rooms are important service areas in workforce centers, but divided staff supervision is an issue in some of them.

¹ A 2009 report from the Governor’s Workforce Development Council documented rising demand for resource room services amidst limited funding and fragmented staffing. See Governor’s Workforce Development Council, *Minnesota’s Workforce Centers Resource Area Study*, (St. Paul, January 15, 2009), 11-13.

subject's supervisor. At the same time, directors in other workforce service areas reported that state and local employees have worked well together.

Conflicts were also evident in 2009 when federal stimulus funding allowed DEED to send additional staff to several workforce centers. Several workforce service area directors told us that the job-search classes or workshops that these new state staff were instructed to provide duplicated or did not fit with classes already in place. Not all new staff brought skills that filled needs or complemented existing staff skills. DEED administrators disagreed with these statements, saying that most of the newly hired state staff were to work on job search skills solely with unemployment insurance claimants, which they did not view as duplicative with local efforts. A few workforce service area directors said that they were not involved with the hiring of new staff coming to their areas, nor even informed of who the new staff were or when they would start, despite having indicated interest in being involved. DEED had provided information to local service areas about how the new staff would be allocated; it had also invited local representation on the teams interviewing applicants for the new positions. In areas with multiple workforce centers, directors told us they helped determine which of their several centers would house the new staff.

Funding for staff in many workforce centers' resource rooms and reception areas is also an issue.

Funding for staff in resource rooms and reception areas is cobbled together from a variety of sources. In most cases, different workforce programs contribute some of their staff's time to work in the resource rooms. Consequently, some workforce centers have difficulty staffing reception areas or resource rooms because no single program's employees have time dedicated exclusively to these areas. In some centers, employment counselors take time from their client counseling duties to help staff the reception area, which some program managers view as a poor use of these professionals' time.

Further, no specific funding source covers the costs of all workforce centers' infrastructure. Instead, funding for workforce centers' common areas (largely rent for the resource rooms, shared equipment, and other shared space and supplies) is negotiated annually between the state and local programs and depends largely on which program staff are housed in the center.

Adding to the uncertainty of funding and staffing resource rooms and reception areas, the federal stimulus funds that improved staffing levels in 2009 were a one-time resource. Funding for these temporary positions is authorized only through September 30, 2010, and some local workforce personnel fear that staffing problems of old will likely reappear. Table 3.1 summarizes which service areas received new temporary staffing. The one-time federal stimulus funding has enabled all but three workforce centers to use "generalist" or "reemployment specialist" state staff to assist job seekers.² By contrast, prior to stimulus funding, 16 workforce centers did not have permanent Job Service staff (although some had Job Service staffing on a periodic basis).

² The three are in Austin, Cloquet, and Wadena.

Table 3.1: Workforce Centers with Temporary State Staff, by Service Area, 2009

Workforce Service Area	Number of Workforce Centers ^a	Centers Without State Staff Before 2009	Centers with New Reemployment Specialists ^b	Centers with New Generalist Staff ^c	Total New Positions (FTE)
1 Northwest	2	0	1	0	1.5
2 Rural MN CEP	8	5	3	3	6
3 Northeast	5	3	2	0	2
4 Duluth	1	0	1	1	2.5
5 Central	6	3	5	4	9 ^d
6 Southwest	3	1	3	0	1 ^d
7 South Central	3	0	2	2	4
8 Southeastern	6	3	4	2	6
9 Hennepin-Carver	2	0	2	2	11.5
10 Minneapolis	2	0	2	2	8
12 Anoka	1	0	1	1	6
14 Dakota-Scott	3	1	3	3	10
15 Ramsey	2	0	2	2	7
16 Washington	1	0	1	1	2
17 Stearns-Benton	1	0	1	1	2.5
18 Winona	1	0	1	0	1
Statewide	47	16	34	24	80

NOTES: The positions were funded with federal stimulus funding and authorized through September 30, 2010, but some were unfilled as of July 2009. Prior to this funding, 16 of 47 workforce centers did not have state staff assigned to resource rooms or reception areas, although some centers had state staff on an itinerant basis. No workforce service area is numbered 11 or 13. FTE means full-time equivalent. CEP means concentrated employment program.

^a Two Washington County workforce centers added late in 2009 are not included in this table.

^b Reemployment specialists are limited to providing services to unemployment insurance applicants, according to DEED administrators, but the position description includes responsibilities for serving other clients as well.

^c Generalist staff can provide any services, such as help with job searches, in the resource rooms.

^d Two new staff in the Central 5 workforce service area and one in the Southwest 6 workforce service area split their time among more than one workforce center in their respective areas.

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

One-time federal funding in 2009 added state staff to assist job seekers in most workforce centers.

Several organizations independent of the 16 workforce service areas receive direct legislative appropriations to offer specific workforce services.

Independent Workforce Programs

Public funds subsidize workforce and training services offered by two groups of organizations that operate largely independently of the 16 workforce service areas. The first group includes certain organizations, described in Chapter 2, that receive funding appropriated directly to them by the Legislature to offer workforce programs and services. For fiscal year 2010, about \$6.4 million budgeted from the Workforce Development Fund and \$1.3 million from the General Fund went to grant recipients specifically named in state law.³ Table 3.2

³ The General Fund amount includes appropriations to workforce development programs only. Programs administered by DEED, such as Rehabilitation Services or Minnesota Youth, also received direct appropriations from the Workforce Development Fund and the General Fund.

Table 3.2: Direct Legislative Appropriations to Workforce-Related Programs and Organizations, Fiscal Year 2010

Program/Organization	Independent Entity ^a	Workforce Development Fund	General Fund
Rehabilitation Services			\$ 8,800
Extended Employment services for persons with severe disabilities		\$ 6,830	5,627
Services for the Blind			5,897
Job Skills Partnership Program			4,562
Minnesota Youth program		3,500	
Centers for Independent Living			2,380
Opportunities Industrialization Center programs	✓	1,375	
Employment support services for people with mental illness			1,613
Minneapolis summer youth employment	✓	1,200	
Department of Labor and Industry apprenticeship program and prevailing wage enforcement	✓	1,029	
Youthbuild program		1,000	
Minnesota Alliance of Boys and Girls Clubs	✓	750	
St. Paul summer youth employment	✓	558	
Interpreters for deaf and hard-of-hearing students in Intermediate School District 287 VECTOR Transition Services ^b	✓	340	
Minnesota Diversified Industries, Inc.	✓		250
Lifetrack Resources	✓	200	100
Organizations assisting in the development of entrepreneurs and small businesses		189	
Rise, Inc., for the Minnesota Employment Center for People Who are Deaf or Hard of Hearing	✓	175	145
Nonprofit organization selected to administer a demonstration project for adults at risk of reentering correctional facilities	✓	150	
Twin Cities RISE!	✓	105	350
Advocating Change Together	✓		150
Lutheran Social Services	✓		150
Rural Policy and Development Center	✓	100	
Ramsey County Workforce Investment Board's "Building Lives" program	✓	100	
MN WORKS!	✓	75	
Northern Connections in Perham	✓	50	150
Metropolitan Economic Development Association	✓	50	105
Total		\$17,776	\$30,279

NOTES: Amounts are in thousands. Because the Governor vetoed appropriations of \$100,000 to each of the Indigenous Earthkeepers Program and the Southeast Asian Mutual Assistance organization, the table excludes them. The Legislature also transferred \$2.5 million from the Workforce Development Fund to the state's General Fund. Grants from funding provided by the federal American Recovery and Reinvestment Act are not included here.

^a Indicates organizations or programs that received appropriations without going through DEED's process of submitting requests for proposals.

^b The law did not name the specific provider for these services, but DEED administrators said the language was so specific that the contract was a sole-source contract with VECTOR.

SOURCE: *Laws of Minnesota* 2009, chapter 78, art. 1, sec. 3 and sec. 7, subd. 3(a) and (b).

lists the independent organizations, among other workforce and nonworkforce programs, receiving direct appropriations for fiscal year 2010 in the 2009 omnibus economic development law.⁴ As part of the evaluation, we interviewed three nonprofits in the Twin Cities area, two of which received direct legislative appropriations for fiscal year 2010.

The second group consists of three nongovernmental organizations that receive a portion of Workforce Development Fund resources allocated by the Job Skills Partnership Board to serve dislocated workers from small layoffs.⁵ The three are: Career Management Services, Quality Career Services, and the Minnesota Teamsters Service Bureau.⁶ For fiscal year 2010, the Job Skills Partnership Board allocated \$1.7 million to the three grantees, as Table 3.3 shows.⁷

We analyzed the selection and review of both groups in comparison with best practices and principles on state grants and contracting, which our office

Table 3.3: Allocations by the Job Skills Partnership Board to Independent Grantees for Serving Small Layoffs, Fiscal Years 2009 and 2010

Provider	2009			2010		
	Initial Funding	Subsequent Allocation	Total	Initial Funding	Subsequent Allocation	Total
Career Management Services	\$ 500	\$150	\$ 650	\$ 500	\$ 66.4	\$ 566.4
Quality Career Services	500	95	595	500	66.4	566.4
Teamsters Service Bureau	500	95	595	500	66.4	566.4
Total	\$1,500	\$340	\$1,840	\$1,500	\$199.2	\$1,699.2

NOTES: All amounts are in thousands. The Job Skills Partnership Board grants the initial funding on a yearly basis; if providers have higher-than-expected levels of demand later in the year, they apply to the board for subsequent funding.

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

⁴ *Laws of Minnesota* 2009, chapter 78, art. 1, sec. 3 and sec. 7, subd. 3.

⁵ As Chapter 1 described, the state's dislocated worker program is divided between services for small layoffs (fewer than 50 workers) and substantial layoffs (50 or more workers). The 16 workforce service area operators provide, or contract for, most services for small layoffs, with the exception of services by the three independent grantees.

⁶ Both Quality Career Services and the Teamsters Service Bureau are based in the Twin Cities but have agreements to provide services with specific unions or union locals around the state. Career Management Services is located in the Twin Cities and provides services largely to workers in metropolitan area companies that are members of Employers Association, Inc.

⁷ The allocations for small layoffs are separate from funds the three providers receive to serve workers in large layoffs, which they earn through a competitive bidding process. These providers' history of receiving grants for small layoffs dates back to the early 1990s when the Legislature first authorized "worker adjustment services" for dislocated workers. See *Laws of Minnesota* 1993, chapter 369, sec. 105.

previously recommended.⁸ We looked specifically at the principles for (1) selecting a service provider and (2) monitoring the contract with a provider. The principles call for a fair and open process to select contractors and a combination of monitoring the contracts and following up on the results of that monitoring. Table 3.4 lists the principles involved. Below we use these principles to analyze first the contractor selection process, followed by the contract monitoring process.

Table 3.4: Principles and Best Practices for State Contracts and Grants to Nonprofit Agencies

Activity	Principle or Best Practice
Selecting the Contractor	<ul style="list-style-type: none"> • Develop criteria to objectively evaluate how well potential contractors can meet the needs of the agency and state. • Select the best value for the state. • Publicize grants as broadly as possible, such as advertising them on agency websites, posting them in the State Register, mailing notices to target groups, and posting a notice on relevant Internet mailing lists. • Award grants through a competitive application process.
Monitoring the Contract	<ul style="list-style-type: none"> • Conduct at least one formal site visit of all grantees during the contract period. This site visit should include a review of the organization’s activities and services it provides. • Maintain expertise within the monitoring agency to effectively manage contractors. • Follow up on results of monitoring reviews, audits, and investigations.

SOURCES: Office of the Legislative Auditor, *State Grants to Nonprofit Organizations* (St. Paul, January 2007), 23 and Office of the Legislative Auditor, *Professional/Technical Contracting* (St. Paul, January 2003), 29.

Selecting Contractors

When we compared principles and best practices for selecting contractors against the selection process for organizations receiving direct legislative appropriations, we found that:

- **Direct legislative appropriations to specific grant recipients named in law bypass a best practices competitive process for selecting service providers.**

⁸ Office of the Legislative Auditor, *State Grants to Nonprofit Organizations* (St. Paul, January 2007), 23 and Office of the Legislative Auditor, *Professional/Technical Contracting* (St. Paul, January 2003), 29.

Naming grant recipients in law limits opportunities for other organizations to compete for the resources.

Competition is ordinarily one of the hallmarks of a fair and open process for selecting service providers, but direct legislative grants to specific organizations mean the grants are not awarded on a competitive basis. Only those named in law as grant recipients receive funding. Information about the grants is not made broadly available, limiting the chance for other governmental or nonprofit agencies to compete for those resources.

The appropriation process does not use objective criteria for evaluating how well grant recipients meet needs, and the recipients are not compared against other service providers. Thus, there is no evaluation to determine whether the funded services represent the best value for the state. Nor does the process determine whether the services offered by the providers help meet a workforce service area's overall needs. When no entity is responsible for ensuring that services are balanced among all populations' needs, the potential for gaps in service is heightened.

It is important to note that the grant recipients we interviewed serve clients who tend to have unique needs for which the providers have specifically designed services. For instance, Twin Cities RISE! provides long-term (an average 14 months) coaching and training for unemployed adults, primarily men from communities of color, who have significant challenges to employment, such as homelessness, criminal convictions, and chemical dependency. We are not suggesting that such services are unnecessary or ineffective. However, the noncompetitive selection process largely does not enable other potential contractors to make a case for serving populations in need.

In addition, direct appropriations to individual grant recipients indirectly affect other workforce services. To the extent that legislative appropriations to grant recipients come from the Workforce Development Fund, less is available to pay for the state's dislocated worker program. The \$6.4 million appropriated directly to grant recipients from the Workforce Development Fund in fiscal year 2010 represents a decision to spend that much less on the state dislocated worker program. At the end of 2009, DEED expected a \$3 million shortfall for serving dislocated workers around the state.

We also compared the principles and best practices for selecting contractors against the selection process for the three independent grantees providing services to individuals affected by small layoffs. We found that:

- **Allocations by the Job Skills Partnership Board for services to small layoffs bypass a best practices competitive process for selecting providers.**

Lacking a competitive process, the board cannot determine whether it is selecting the best value for the state. Information about the availability of the funding is not broadly publicized. Grantees do have to be certified by the Job Skills Partnership Board, but having once been certified, the three independent grantees receive funding without having to respond to requests for proposals.⁹ Although

⁹ Recertification is automatic as long as providers offer services, meet performance standards, and avoid ethical or legal lapses, according to Job Skills Partnership Board policy.

funding of the independent grantees is not automatic, and the Job Skills Partnership Board could decide against funding them in any given year, it has not done so.¹⁰ However, the three that are certified have an advantage over other possible service providers in that they do not compete against each other or other agencies for the resources.

RECOMMENDATIONS

The Legislature should not mandate grant recipients in law but instead allow the selection of recipients through a competitive process administered by DEED.

The Job Skills Partnership Board should establish an open and competitive process for awarding grants to providers of services to workers affected by small layoffs.

As our office recommended in 2007, awarding grants through a competitive process is optimal. When legislators appropriate funding directly to a service provider, or the Job Skills Partnership Board allocates small layoff funding noncompetitively, they circumvent best practices intended to award public funds in a fair and effective manner to the most qualified providers.

Avoiding legislative appropriations to specific grant recipients would require amending the Joint Rules of the House and Senate. Article II of the Joint Rules pertains to bills, and Rule 2.02 on appropriating money is the proper place for this amendment.

To the extent the Legislature concludes that certain workforce needs remain unmet, it should specify goals for meeting those needs but leave the decision on providers to a competitive selection process. If the Legislature continues to award grants directly to recipients named in law, it should rely on a more inclusive and comparable set of information to review recipients. As Chapter 2 recommended, the state needs a more comprehensive set of approaches to evaluate the performance of workforce programs. Results from those approaches would allow the Legislature to make more informed decisions.

Opening the Job Skills Partnership Board's process for selecting vendors may prove politically difficult due to the longstanding history of funding the three independent service providers. At the same time, all three have been involved in the competitive process established for grants to serve workers in large layoff events. We would anticipate that an amended process for awarding grants for small layoffs would be similar.

If the process is made competitive, the board should reconsider other aspects of awarding grants. For example, it may be appropriate for the board to offer grants for longer than the customary one-year period. This would provide continuity for clients who require services beyond a single year. It would, though, require

The Legislature should set goals for workforce services and let a competitive selection process determine the vendors best suited to meet the goals.

¹⁰ For a period of time in the early 2000's, the board did not fund Career Management Services.

changing the state law that governs the allocation of funds for dislocated workers.¹¹

Monitoring Contracts

Monitoring is intended to ensure that workforce programs comply with federal and state laws and regulations. DEED has developed monitoring guides and processes for this purpose. DEED policies call for on-site reviews, divided between fiscal reviews done annually and programmatic reviews done every other year.¹² Besides monitoring, DEED administers contracts with grant recipients and releases the state money to them. We compared the principles for monitoring state contracts with the process used to monitor recipients of direct appropriations from the Legislature. We found that:

- **Although DEED monitors recipients of direct legislative grants, its on-site monitoring has been inconsistent, legislators do not follow up on monitoring results, and DEED’s funding for monitoring is inequitable.**

Two of the three nonprofit organizations we interviewed indicated that DEED had not conducted on-site monitoring regularly. One organization told us there was a two-year period during which no on-site review was done. Another had an on-site monitoring visit in 2009 but had not been monitored on site for at least the previous five years, even though it received legislative appropriations every year.

Monitoring is weak for some organizations that received legislatively designated grants.

When legislators review funding requests, they do not routinely use results from the monitoring, which sidesteps effective practices for managing contracts. Grant recipients with a history of receiving direct appropriations have been included in the Governor’s budget. Others may be included in bills introduced by individual lawmakers. When legislative committees hear the budget bills and other legislation, they typically take testimony from the programs’ representatives and clients. While the testimony may include analyses of program costs and benefits, the analyses are not produced by independent third parties. Legislative staff report that they do not have sufficient information to question the assumptions underlying the analyses. In addition, methodologies used for producing the analyses are inconsistent, making it impossible to compare programs with one another.

We learned of one organization, which employs workers with disabilities, that received a 2009 legislative appropriation, despite having lost its DEED certification in 2008 as a provider of support services to help people with disabilities maintain their employment. Language in the 2009 omnibus economic development law provided little direction on how the state’s biennial appropriation of \$350,000 to this agency should be spent. It called only for the grant recipient to spend the money to provide “progressive development and

¹¹ See *Minnesota Statutes* 2009, 116L.17, subd. 2(c).

¹² Monitoring activities typically include a review of documents, such as local plans, financial status reports, and previous monitoring reports. This is followed by a site visit to interview program staff and, for program reviews, an analysis of a sample of case files.

employment opportunities for people with disabilities.”¹³ Through subsequent contract language, DEED staff are attempting to hold the grant recipient accountable by specifying detailed requirements that the recipient must meet.

Legislative appropriations have not typically reserved amounts for DEED’s administrative costs. As a result, the department has attempted to negotiate with some grant recipients to pay a portion of their grants to DEED to defray its oversight and monitoring costs.¹⁴ Only a few recipients have agreed to do so. Of 15 grant recipients in fiscal year 2010, 12 received precisely the amount appropriated, while 3 received somewhat less, as Table 3.5 shows. The three that received less than what was appropriated agreed to allow DEED to retain a share for its expenses. This method for funding DEED’s monitoring of grant recipients is unfair to the providers that agree to apportion a share of their grant for monitoring purposes.

Table 3.5: Legislatively Appropriated Grants and Administration Funding Negotiated by DEED, Fiscal Year 2010

Grant Recipient	Grants Appropriated ^a	Amount Negotiated for DEED’s Administration	Negotiated Amount as Percentage of Grant
Opportunities Industrialization Center programs	\$1,375,000	\$ 0	0 %
Minneapolis summer youth employment	1,200,000	50,000	4.2
Minnesota Alliance of Boys and Girls Clubs	750,000	20,000	2.7
St. Paul summer youth employment	558,000	27,900	5.0
Twin Cities RISE!	455,000	0	0
Deaf/Hard of Hearing VECTOR Interpreters	340,000	0	0
Rise Inc., for the Minnesota Employment Center for Deaf or Hard of Hearing	320,000	0	0
Lifetrack Resources	300,000	0	0
Minnesota Diversified Industries, Inc.	250,000	0	0
Northern Connections in Perham	200,000	0	0
Advocating Change Together	150,000	0	0
Demonstration Projects for High Risk Adults	150,000	0	0
Lutheran Social Services	150,000	0	0
Ramsey County Workforce Investment Board’s “Building Lives” program	100,000	0	0
MN WORKS!	75,000	0	0

NOTE: DEED means Department of Employment and Economic Development.

^a Grant amounts are totals from both the state’s General Fund and Workforce Development Fund.

SOURCE: Office of the Legislative Auditor, analysis of *Laws of Minnesota* 2009, chapter 78, art. 1, sec. 3, subd. 3 and Department of Employment and Economic Development funding data.

By contrast, we compared principles for monitoring contracts with the process DEED uses to monitor the three independent grantees that serve small layoffs

¹³ *Laws of Minnesota* 2009, chapter 78, art. 1, sec. 3, subd. 3(j).

¹⁴ Unlike other direct appropriations in 2009, a \$1.6 million appropriation for programs that provide employment support services to persons with mental illness contained a provision for spending up to \$77,000 for administration. See *Laws of Minnesota* 2009, chapter 78, art. 1, sec. 3, subd. 3(l).

and concluded that DEED's process meets the principles. Grants are awarded on a one-year basis, and DEED monitors the independent grantees at least annually. DEED also compares the providers and scores their small-layoff services on the basis of three criteria: percentage of clients who get a job, percentage who keep a job, and wage levels. Results for the last two years show the independent grantees compare favorably with the 16 workforce service area operators, as Table 3.6 shows. DEED also reviews the grantees' financial information and

Table 3.6: Performance of Independent Grantees Serving Small Layoffs, Compared with Service Providers Statewide, Fiscal Years 2008 and 2009

Provider	2008			2009		
	Getting a Job (Standard=84%)	Keeping a Job (Standard=89%)	Wages Earned for Two Quarters ^a	Getting a Job (Standard=86%)	Keeping a Job (Standard=90%)	Wages Earned for Two Quarters ^a
All providers statewide	89.6%	92.0%	\$17,720	89.6%	91.5%	\$18,590
Career Management Services	92.8	96.9	21,224	89.1	88.5	30,615
Quality Career Services	80.0	90.8	14,057	91.7	91.9	20,060
Teamsters Service Bureau	88.7	91.0	17,635	90.5	87.5	20,087

NOTES: Shaded cells indicate that the provider met or exceeded the standard. The federal government sets performance standards each year in negotiations with the state.

^a The measure of wages varies by geographic location, with standards set for each provider.

SOURCE: Office of the Legislative Auditor, analysis of data from the Department of Employment and Economic Development's *Dislocated Worker Program Scorecard for Formula July 2009* (St. Paul, August 2009).

presents results to the Job Skills Partnership Board. The process allows the board to follow up with the independent grantees throughout the year.

RECOMMENDATION

DEED should more consistently monitor recipients of legislative appropriations and develop an equitable way of funding its monitoring activities.

DEED's monitoring of recipients of direct legislative appropriations is important because it offers independent, third-party information about how well recipients adhere to their contracts. It is the one ongoing process for verifying that independent providers are complying with federal and state laws and regulations.

Because monitoring requires resources, DEED should develop a proposal to fund its monitoring activities and submit it to the Legislature. The department needs a more equitable way of funding monitoring expenses than negotiating with select grant recipients. One option is to reserve a portion of the administrative funding DEED receives from the Workforce Development Fund. This would, however, require reprioritizing the department's other uses of the allocation. While that

may somewhat diminish resources available for other purposes, the monitoring function is important and in the long run can help prevent inefficient use of the Workforce Development Fund.

Gaps in Service

Fragmented authority and program-specific funding have also contributed to the existence of populations for whom employment and training needs are not fully met. We concluded that:

- **Gaps in service occur because DEED’s workforce center programs are only partially integrated with other workforce-related programs and entities.**

Below we review the integration of workforce programs with (1) the unemployment insurance program DEED administers, (2) Minnesota State Colleges and Universities (MnSCU), and (3) adult basic education programs. We also present opinions of workforce service area directors and program managers on groups for whom existing programs leave gaps in service.

Unemployment Insurance

Although both the state’s unemployment insurance system and the workforce development system are administered by DEED, we found that:

- **Minnesota’s unemployment insurance system and workforce programs are not sufficiently integrated.**

Minnesotans seeking unemployment insurance benefits apply online or through a centralized call center.

Historically, those seeking unemployment insurance (UI) would apply at workforce centers. However this changed almost a decade ago. All UI customer service is now provided through a centralized call center in St. Paul.¹⁵ Over 80 percent of UI applicants now apply for benefits using the division’s Internet application process; the remainder apply via telephone. The process of applying for benefits is heavily automated. Those applying by computer do not speak with a UI representative at all; those applying by telephone speak with a representative only after progressing through a series of automated menus.

Under the Workforce Investment Act, all workforce centers must provide “information regarding filing claims for unemployment compensation.”¹⁶ Since the centralization of UI customer service in St. Paul, workforce centers have only had the ability to provide general information about the program and how to apply. Workforce center staff are not to offer individual-level customer service to UI applicants and do not receive the necessary training in current unemployment law and policy to evaluate individual circumstances. Visitors to workforce centers may use resource room computers to apply for unemployment

¹⁵ We use the term “customer service” to refer to assistance with an individual UI claim provided by a UI representative with access to an applicant’s account information.

¹⁶ *Workforce Investment Act*, sec. 134(d)(2)(I) and sec. 121(b)(1)(B)(xii).

Applicants for unemployment benefits still come to workforce centers for help when they have problems navigating the automated systems typically used to apply.

benefits, but there is no difference when applying between using these computers and those in a library or at a person's home.

The Workforce Investment Act also requires state unemployment insurance programs to participate in the operation of workforce centers.¹⁷ In Minnesota, participation at the local level is primarily in the form of funding; DEED's Unemployment Insurance Division pays for a portion of reception area staffing costs in each of the state's workforce centers.¹⁸ The Unemployment Insurance Division has also developed literature for distribution to workforce center visitors, participated in an intra-agency advisory team that addresses problems across the workforce center system, and participated in the "rapid response" teams that react to large layoff events.

Both UI administrators and workforce service area directors and program managers expressed frustration with the role that workforce centers play in the UI system. However, state and local staff were dissatisfied with the current arrangement for different reasons.

UI administrators told us that some workforce center staff try to provide individualized assistance to UI applicants without the necessary background or expertise to do so. UI claimants who act on out-of-date or otherwise incorrect information offered by well-meaning workforce center staff could jeopardize their benefits or appeal rights. UI administrators said they were puzzled why workforce center staff do not simply direct clients to contact the central UI call center to receive assistance with UI questions.

Another source of conflict is the role played by approximately 37 UI staff who provide specialized services in workforce centers under the Reemployment and Eligibility Assessment program, an initiative funded by a grant from the U.S. Department of Labor. The purpose of the grant is not to provide customer service to UI applicants, but rather to counsel individuals already receiving UI benefits who are at high risk of exhausting their benefits before finding employment. UI administrators told us that these staff may occasionally assist resource room staff when their program duties permit (for example, when a client misses an appointment). However, Reemployment and Eligibility Assessment program staff have neither the training nor the necessary access to individual-level data to provide the same customer service available through the central UI call center in St. Paul.

UI administrators are frustrated that some local workforce centers have attempted to use on-site Reemployment and Eligibility Assessment staff to solve clients' UI problems. Our site visits confirmed that Reemployment and Eligibility Assessment staff are frequently viewed by local workforce center directors and program managers as UI problem-solvers who should be assisting applicants. Several workforce center directors and program managers said that these staff should be allowed to help UI claimants or that they should be given sufficient access to individual accounts to assist individuals with their applications.

¹⁷ *Workforce Investment Act*, sec. 121(b)(1)(A)(ii) and sec. 121(b)(1)(B)(xii).

¹⁸ In addition, the Unemployment Insurance Division contributes funding to workforce centers that host Reemployment and Eligibility Assessment staff, described later in this section.

However, workforce center staff are not trained to provide assistance with unemployment insurance and are instructed to refer applicants to the call center.

Directors and program managers from most workforce service areas reported that their staff spent a significant share of their time interacting with visitors seeking assistance with UI benefits. For a DEED analysis, workforce centers counted all resource room visitors and telephone callers seeking UI assistance on two specific days in June 2009. Over one-fourth of all resource room visitors and nearly one-third of telephone callers on those days sought assistance with UI claims.¹⁹

According to the workforce center program managers we interviewed, many workforce center visitors erroneously believe that they can receive assistance with their individual UI claims at workforce centers. In a survey conducted by DEED's Unemployment Insurance Division in 2007, workforce center staff listed the questions they were most commonly asked about UI benefits. Three of the top five were questions about individual circumstances for which workforce center staff can offer only generic answers (e.g., Am I eligible? How much will I receive?). Staff at many workforce service areas told us that some visitors have become emotionally distraught or even belligerent when told that they could not receive face-to-face assistance but were instead told to use the Internet or telephone to contact the UI customer service center in St. Paul.

Although workforce center staff told us that most of their clients use the automated unemployment insurance system without difficulty, they described problems encountered by a relatively small number of applicants. These were often individuals lacking computer skills. In particular, individuals have sought assistance with dropped connections or have been locked out of the system because they could not navigate through the screens at an acceptable speed. Some resource room staff reported requests that they sit with individuals throughout the online application process to answer questions or aid them with basic computer functions. Applicants have also sought help at workforce centers after difficulties navigating the automated UI phone system.

Workforce center directors and program managers told us that the frequent requests for UI assistance reduce the amount of time workforce center staff can spend on their other responsibilities. UI contributions to workforce center revenue are relatively small; workforce center directors told us the amounts provided were inadequate to compensate for staff time needed to interact with UI applicants.

RECOMMENDATION

DEED's Unemployment Insurance Division should develop a process for workforce centers to refer clients needing unemployment insurance assistance directly to the division's customer service staff.

In our view, a breakdown occurs at the point when workforce center staff are to refer individuals to the UI call center for further assistance. At this point, the UI

¹⁹ The DEED study collected information on both UI-related and non-UI-related phone calls, but only on UI-related resource room visits. We calculated the proportion of resource room visitors seeking UI assistance through comparisons with other administrative records.

Efficiencies gained from using the central call center mean it is unlikely that unemployment insurance staff will be added in local workforce centers.

applicant and the workforce center staff person are having a person-to-person interaction; the next step is to advise the individual to interact with a computer system or an automated telephone system. The switch from a person-to-person to a person-to-machine interaction is unsatisfying for both the applicant and the workforce center representative. Some clients do not like to “talk” to computerized phone systems or use online services, especially after they have already explained their difficulties to a live individual. It is not surprising that workforce center staff often try to answer questions themselves or seek to refer the individual to the Reemployment and Eligibility Assessment staff person on site.

The Unemployment Insurance Division and workforce centers should collaborate to refer UI applicants directly from workforce center representatives to UI customer service representatives without going through the automated system.²⁰ Some workforce centers have already attempted such approaches informally. Program managers in one workforce service area told us their employees had learned several “tricks” to bypass as many automated prompts as possible to speak with a UI representative. As telecommunications technology improves and becomes less costly, it may become possible for workforce center personnel to arrange face-to-face conversations through an Internet connection between workforce center visitors and customer service staff in St. Paul.

We heard several suggestions that UI customer service staff be assigned to workforce centers, and a similar recommendation was made by the Governor’s Workforce Development Council in a January 2009 report.²¹ However, we do not believe such an approach is feasible. Unemployment Insurance Division administrators told us that the centralization of UI staff in St. Paul has allowed them to achieve efficiencies of scale that would not be possible with a decentralized staff. Customer service staff are cross-trained to handle many responsibilities and can be moved rapidly on and off of other tasks (such as appeal hearings) depending on call volume. Further, they noted that it is advantageous to have UI staff centralized for training purposes. Extensions of benefits and other changes to state and federal unemployment policy necessitate ongoing retraining to keep customer service staff up-to-date and ensure that the information they provide is accurate.

MnSCU

MnSCU offers instruction through either academic programs or continuing education and customized training operations. Academic programs are credit-based programs, in which students can earn an award, such as a certificate, diploma, or degree. The majority of training offered through continuing education and customized training operations, on the other hand, is noncredit

²⁰ We do not mean to suggest that applicants who appeal for help at workforce centers should simply bypass the queue of callers already waiting to speak to a UI customer service representative. The logistical details should be worked out among the agencies involved.

²¹ Governor’s Workforce Development Council, *Minnesota’s Workforce Centers Resource Area Study: A Report for the Minnesota Legislature with Recommendations for Workforce Centers Resource Areas and System Improvement* (St. Paul, January 2009), at: www.gwdc.org/pubs/01-23-09-report-sys_excel_cmt-resource_area_study-current_vers.pdf, 19.

instruction that does not result in a credential, although some courses may lead to an occupational license.²²

While some workforce clients may receive training through customized training and continuing education operations, workforce program providers receive credit on the federal “credential” performance measure only for clients who earn a credential or occupational skills license. Since the majority of MnSCU’s programs leading to a credential are offered through its academic programs, we examined the extent to which these programs accommodate the training and education needs of workforce clients. We found that:

- **MnSCU has been actively involved in addressing the training and education needs of laid-off workers, but additional action is needed.**

MnSCU is working with DEED, other agencies, and its own institutions to share information on laid-off workers and better assist them, yet issues remain. Many workforce program managers told us that MnSCU’s academic structure creates issues for clients, particularly laid-off workers, who seek training in programs leading to a credential. The academic calendar requires students to start most programs when semesters begin in the fall or spring.²³ Workforce program managers told us that workers laid off in January may have to wait until September to begin training. Many academic programs offered by MnSCU colleges take one to two years to complete. A couple of workforce program managers noted that some clients are unable to enroll in these programs because they would exhaust unemployment benefits before finishing their degrees. Also, several workforce program managers said high-demand academic programs may have limited enrollment, which forces students onto waiting lists and intensifies the time barrier for workforce clients. In some areas of the state, private training institutions offer programs in a shorter timeframe or online, but some program managers told us that their clients rarely have the personal resources available to afford private sector options.

Due to MnSCU’s academic calendar, some laid-off workers may have to wait months before beginning their training in a MnSCU program.

We learned of several MnSCU colleges that have adjusted academic programs to better meet the needs of laid-off workers. For example, Anoka Technical College redesigned three programs, including Information Technology, with an accelerated schedule that allows a student to complete the program in a shorter timeframe than a traditional program. Anoka Technical College also offers four programs with multiple start times throughout the year. Inver Hills Community College offers accelerated eight-week courses and certificate programs that begin as soon as a group of 18 students has registered. Central Lakes College, located in Brainerd and Staples, and Anoka Technical College have coordinated with workforce programs to add extra sections or expand capacity in program areas of high interest to workforce clients. MnSCU institutions also offer many short-term certificate programs in subjects such as welding, although MnSCU does not

²² Continuing education and customized training operations deliver training in occupational skills offered to the public; customized training also tailors programs to the needs of specific employers’ workers.

²³ MnSCU policy does allow colleges to request exceptions to the academic semester start date. MnSCU Board of Trustees, *Board Policies, Policy 3.34 Academic Semester Start Dates, Part 4 Exceptions to the Official System Start Dates* (St. Paul, June 21, 2006).

track how many enrollees are laid-off workers to determine how well these programs help workforce clients. In addition to these actions for colleges' academic programs, some MnSCU colleges have worked with workforce programs to offer short-term training opportunities for workforce clients and provide workshops and seminars on career exploration or job search skills.

While Office of the Chancellor staff provided us with examples of MnSCU colleges that have designed certain academic programs to respond to laid-off workers' needs, they were unable to detail the extent to which similar options are available throughout the MnSCU system. However, MnSCU recently hired a system director in part to work with others, including DEED, on addressing laid-off workers' needs. The director's job description specifies that the position's responsibilities include facilitating the development of credit and noncredit training programs to meet the needs of workforce clients and MnSCU students. Duties also include identifying gaps in educational programs. Since July of 2009, the system director has been conducting campus visits with customized training and continuing education leaders to document best practices for training dislocated workers and identify obstacles and solutions for meeting these workers' needs. But the director has not taken similar steps specifically for academic programs. To fully facilitate the development of academic programs that benefit laid-off workers, MnSCU's academic deans and instructors need to be involved.

RECOMMENDATION

The Office of the Chancellor should identify MnSCU colleges offering flexible academic programs that accommodate laid-off workers' needs and assist its other colleges in determining whether to offer similar programs.

The Office of the Chancellor has already committed staff and resources to improve MnSCU colleges' partnerships with workforce programs, but the emphasis of the system director has primarily been on communicating with the campuses' customized training and continuing education operations. We encourage the Office of the Chancellor to explore perspectives from personnel in colleges' academic programs. The Office of the Chancellor should assess which colleges' academic programs address laid-off workers' needs. In doing so, the Office of the Chancellor should document best practices used by colleges that already offer academic programs with accelerated schedules or multiple start times. It should share those practices with other colleges and encourage them to determine the feasibility of developing similar flexible options.²⁴

We recognize that MnSCU colleges face challenges in adapting academic programs for workforce clients' needs. For example, for classes to be financially viable, colleges need sufficient numbers of students to enroll. They have to follow systemwide policies and procedures for establishing or modifying academic programs. Also, colleges may need to invest intensive staff time and

²⁴ We are not suggesting that MnSCU offer flexible options for every academic program, but rather that colleges focus on programs related to occupations that are in demand by employers of workforce clients.

resources to provide support services, such as counseling or tutoring in academic reading skills, tailored toward certain laid-off workers. The Office of the Chancellor should work with colleges to address these challenges.

Adult Basic Education Programs

In the past two years, adult basic education (ABE) programs have increased their collaboration with workforce programs. A number of statewide initiatives, including those listed in Table 3.7, have prompted ABE consortia to develop courses focused on occupational readiness, such as classes that teach basic vocabulary and concepts as a prelude to a certified nursing assistant course. Several ABE consortia have partnered with workforce centers to offer work-readiness training, which provides instruction in skills needed at the workplace, such as communication and reading for information. A number of ABE consortia offer basic computer instruction to workforce center clients.

In addition to our interviews with workforce personnel, we spoke with a sample of ten ABE consortium managers around the state about their interactions with workforce programs. Although ABE programs and workforce programs have recently increased joint efforts, we found that:

- **Insufficient communication and the lack of statewide occupational-readiness programs hinder workforce clients from getting the adult basic education services they need.**

While strong partnerships exist between ABE and workforce programs in some areas, other workforce center personnel and ABE consortium managers told us coordination was hampered by inadequate communication. In particular, over half of workforce service areas contain four or more different ABE consortia, and some workforce service area directors noted this makes coordination with all of them challenging. Additionally, in some areas, early efforts at improving collaboration have stalled due to insufficient follow through. For example, several ABE consortium managers said they discussed with workforce center staff possible joint efforts, such as ways to improve referrals to ABE classes, but then little or nothing happened. Some workforce personnel and ABE consortium managers said that the workforce center partners are not aware of all that ABE offers, and some workforce staff are not referring all clients who could benefit from ABE services.

In some areas, communication about clients referred from workforce programs to ABE programs is insufficient. Aside from the reporting required for clients on public assistance, many ABE and workforce programs have no formal joint referral process. As a result, ABE managers said their staff may be unaware when clients are simultaneously enrolled in workforce programs. Having that information would allow instructors to provide the essential help clients need to move to the next step of their employment plan once they have finished ABE classes. Additionally, workforce programs and ABE use separate data systems.

Workforce centers and adult basic education programs have strong partnerships in some areas but not across the state.

Table 3.7: Major Initiatives to Improve Workforce Readiness for Low-Skilled Adults

Initiative	Lead Agency	Description
Transitions to Postsecondary Education and Training	Adult Basic Education (ABE)	Three-year effort to increase ABE programs' capacity to assist ABE learners to move into postsecondary education and employment training programs
Education and Training Collaborative	Department of Employment and Economic Development (DEED), ABE	Seventeen grants to offer pre-occupational skills training, internships for adults with limited skills, onsite basic skills instruction for incumbent workers, or pilot projects in work-readiness training
Minnesota FastTRAC (Training Resources and Credentialing)	ABE, DEED, Minnesota State Colleges and Universities (MnSCU)	Efforts to expand opportunities for low-skilled working adults to increase their basic and occupational skills by offering training opportunities that build on one another to move individuals along a career path
Vocational Rehabilitation	ABE, DEED	Grants to serve adults with disabilities by offering skills training programs in which components build on one another to move individuals along a career path
Most Recent Initiatives	Lead Agency	Description
Four Local Collaborative Projects	ABE, MnSCU, DEED, Department of Human Services	Projects, required by the 2009 Legislature, to jointly plan and coordinate employment, training, and education programs
2009 Workforce Investment Act Incentive Grants^a		
<ul style="list-style-type: none"> FastTRAC Training and Resource Institute 	ABE, MnSCU, DEED	Projects to provide professional development for staff, develop a forum for sharing curriculum among instructors, and establish an online system for students to access learning plans within certain careers and organize their education and training
<ul style="list-style-type: none"> Employment Readiness Credentialing System 	ABE, DEED	Efforts to increase programs' capacity to improve clients' work skills and demonstrate their employment skills to employers
<ul style="list-style-type: none"> Regional Transitions Conveners 	ABE	Staff offering technical assistance to ABE programs to identify gaps and improve coordination among ABE, workforce programs, and MnSCU to help transition ABE students into jobs or postsecondary training

^a A portion of the Workforce Investment Act incentive funding received in 2009 is planned to support the four local collaborative projects.

SOURCE: Office of the Legislative Auditor, analysis of data from the Department of Employment and Economic Development and the Department of Education's Adult Basic Education program.

Workforce center programs and adult basic education programs cannot easily share information about clients enrolled in both programs.

Neither ABE instructors nor employment counselors have data systems that reveal when a client is simultaneously enrolled, making it difficult to track a client's progress in each system.²⁵

At the same time, a few workforce service area directors and program managers told us some ABE programs are not innovating and adjusting programs sufficiently to offer occupational- or work-readiness training. Many ABE consortium managers agreed that an expansion of occupational-readiness classes and transition to postsecondary courses is needed. Several ABE consortium managers confirmed that some programs in their consortia, particularly smaller programs or those in rural areas far from a workforce center, lack prevocational programming.

In some areas, ABE programs and MnSCU colleges are not communicating sufficiently to facilitate students' transition from ABE to MnSCU. Some workforce program clients who do not have the necessary academic skills to start college programs may need to improve their proficiency in reading or math. In several areas, clients can improve these skills either by attending ABE classes or MnSCU developmental courses. A few workforce personnel and ABE consortium managers stated that some clients expend certain financial aid grants entirely on developmental courses. Where appropriate, workforce managers prefer clients attend ABE for basic skills instruction; however, most managers said the choice between ABE and MnSCU was made on a case-by-case basis.²⁶ Several ABE consortium managers told us they have initiated discussions with MnSCU college personnel to align their curricula with academic programs and expand transitions classes. However, initial discussions have not consistently led to results.

ABE and DEED have taken measures to improve communication through the use of Workforce Investment Act incentive grants received in 2009. They are awarding these funds for activities that are closely linked to the FastTRAC initiative involving MnSCU. Table 3.7 describes each activity.

RECOMMENDATION

The Department of Education's ABE program and DEED should continue to expand occupational-readiness training and facilitate communication among ABE consortia, workforce centers, and MnSCU colleges.

Despite ABE and DEED's progress over the last two years, some workforce areas have missed opportunities to better serve clients because of insufficient communication between ABE and workforce programs. Through their 2009 plans for the Workforce Investment Act incentive funds, DEED and ABE are taking important steps to increase communication and offer occupational-

²⁵ Challenges with data sharing among ABE, DEED, and MnSCU are among the issues being examined through the FastTRAC initiative, briefly described in Table 3.7. A data and information team has been created to identify data-sharing issues and possible solutions.

²⁶ It would not be feasible or appropriate for either ABE or MnSCU colleges alone to offer all basic skills instruction.

readiness courses through more ABE consortia. We support these efforts and, because funding for these efforts is necessary, we encourage ABE and DEED to continue to provide incentives for occupational-readiness classes in areas where such classes are lacking. Incentives should also focus on improving communication between ABE and workforce programs. This could include establishing referral processes or making data systems compatible.

The use of incentive funds and the FastTRAC efforts among ABE, DEED, and MnSCU are also focusing resources on improving the transition of low-skilled clients into postsecondary training. We encourage using resources for these services in all areas of the state. ABE and DEED should continue to evaluate what additional activities and incentives are needed to reach this goal.²⁷

Others Underserved

Beyond the gaps in service described above for people applying for unemployment insurance, involved with certain training services, or requiring basic skills education prior to training, there may be others who need services but are not served inside the existing workforce system. We asked directors and program managers in each of the 16 workforce service areas whether there are groups who do not receive the services they need. We found that:

- **Workforce service area directors and workforce program managers believe that the programs they offer do not allow them to fully serve certain groups.**

When asked about population groups that lacked sufficient employment and training services, the service area directors and program managers most often identified people for whom specific programs have not been designed. As one service area director put it, the underserved are those who do not “fit our funding streams.” Another compared the workforce programs to a “patchwork quilt” with each pattern defined by narrow eligibility criteria. People who do not fit those criteria are far less likely to receive one-on-one services and may avail themselves only of services available in the resource room or workshops that are open to all.

Among groups most frequently identified as having gaps in service were the underemployed and public-assistance recipients who need training. Table 3.8 lists the groups with service gaps that several service area directors and program managers mentioned. Some groups were frequently identified by directors and program managers in the ten workforce service areas outside the Twin Cities region. In those service areas, the following groups were among those most frequently identified as having gaps in service: residents who lack their own

Even though clients may need specialized help, if they do not meet eligibility requirements, they cannot receive the special assistance.

²⁷ The 2009 Legislature considered but did not pass legislation (H.F. 1850) to improve the coordination of a number of employment and training programs, including ABE, by moving their administration to MnSCU. We did not evaluate the merits of such a consolidation but are encouraged by the progress made short of reorganizing departments.

Table 3.8: Groups Frequently Identified by Workforce Personnel as Lacking Employment and Training Services, 2009

- People who do not qualify for workforce programs that serve only those meeting eligibility requirements
- People lacking transportation
- Underemployed workers in low-wage jobs who need supportive services, such as car repairs, to be able to advance their careers
- Self-employed or low-wage workers who need training
- Public-assistance recipients who want, but cannot afford, training services
- People enrolled in workforce programs that have insufficient resources to pay for training services
- Ex-offenders

NOTES: We asked the following question of directors and program managers in each of the 16 workforce service areas: “Are there gaps in services within [your] workforce service area? If so, what groups are not receiving the services they need?”

SOURCE: Office of Legislative Auditor, analysis of responses to questions asked during site visits to Minnesota’s workforce service areas.

transportation; those working multiple low-wage jobs, often with no benefits; and incumbent workers who need help advancing in their careers.

RECOMMENDATION

The Governor’s Workforce Development Council, together with local workforce councils and DEED, should design a process to identify local gaps in workforce services and explore how to fill them.

Minnesota needs a process in which workforce needs drive decisions about spending instead of one where available funding determines the services offered.

Minnesota would benefit from a process for identifying workforce needs that now go unmet. We envision a process in which workforce needs drive decisions about spending rather than the current system in which available funding determines the services offered. Because federal law limits changes to the workforce system, our recommendation would supplement, not replace, current programs. The process would determine workforce needs, compare competing proposals for filling those needs, and objectively select providers based on preset criteria. It would also require analyzing how to implement, pay for, and evaluate the services.

Working with workforce service areas and DEED, the Governor’s Workforce Development Council should lead the initial development of the process. Because the council has some members who do not directly deliver workforce services to clients, it has less of a self interest than service providers and could frame a process that is not focused exclusively on the existing workforce system. The council should propose statewide parameters for implementing the process. We think it will be important to rely on a competitive approach for selecting

A process to meet unfilled workforce needs should use a competitive approach for selecting service providers.

service providers. Therefore, one of the parameters might require objective criteria for comparing potential providers. Another might be a provision to hold workforce councils accountable for considering the full scope of workforce needs in their areas. Other parameters could ensure DEED involvement in the workforce councils' deliberations and require DEED to provide oversight and ongoing monitoring once a process is in place.

Another important parameter will be the process for identifying unmet workforce needs, and we think both local and state perspectives should help define these needs. Local workforce councils should identify unmet needs in their areas. Because council members have a policy-making role and typically do not deliver services directly, they can look beyond existing programs and identify populations for whom services are lacking. Some councils already do this, and certain council chairs expressed frustration over their inability to target money to needs they have identified. Furthermore, the councils have members, including employers and representatives of local workforce and community-based organizations, who are knowledgeable about workforce issues. At the same time, the Legislature has a history of identifying unmet workforce needs and appropriating funds for services to meet those needs. This legislative prerogative will likely continue, but we think the Legislature should set goals and leave the selection of specific providers to a competitive process.

Addressing the gaps in service identified through this process will require funding. One option would be to draw from future incentive grants (or a portion of them) awarded by the U.S. Department of Labor. In the past, the state has distributed incentive awards based on a statewide theme, such as increasing low-skilled adults' occupational skills. This approach is sound but need not be the only one. Using incentive grants to address unmet local needs would fit federal criteria for the grants.²⁸ A second funding option is the state's Workforce Development Fund, the use of which would require legislative approval. With either option, the process should ensure that proposed services and providers are compared with one another to select the best value for the public.

POTENTIAL FOR OVERLAP

Having multiple providers of workforce programs in one geographic area suggests a potential for services that duplicate one another. Yet, we found that:

- **Employment and training providers appear to offer similar services, but their efforts generally do not overlap because they tailor services to different populations.**

Workforce centers in the "one-stop delivery system" house multiple providers that offer both mandatory and permissible services. Some of the partners required by federal law offer services, such as information on job openings, that

²⁸ The main criteria are: (1) services that go beyond those normally delivered with conventional funding; (2) services for needs that are likely to result in improving state systems of employment and training; (3) comprehensive and coordinated services authorized by different programs; and (4) activities that facilitate innovative workforce and education program policies, while supporting long-term economic recovery.

Minneapolis is an example of a workforce service area that contracts with multiple workforce service providers to meet the needs of numerous different cultures and communities.

duplicate what providers outside the workforce centers offer. For instance, in the Hennepin-Carver, Minneapolis, and Ramsey County workforce service areas in 2009, more than 40 separate providers offered “intensive” services, such as one-on-one employment counseling, to adults and dislocated workers.²⁹ Many, but not all of them, receive public funding to provide these services.

Even though providers offer the same services, most providers either (1) target their services to particular segments of the population, such as people who do not speak English as their native language or (2) make services available in locations where their targeted clients tend to reside. They have expertise with services customized to particular clients and develop contacts with employers who hire their clients. For example, Minneapolis contracts with certain agencies that offer intensive services for non-native English speaking populations. One is CLUES (Comunidades Latinas Unidas En Servicio), which works with Spanish-speaking clients. Further, while in theory it could be more efficient to centralize such services, intensive services are an intrinsic part of a continuum of services and are not easily separable from services that precede them.

Potential for duplication also exists based on services for clients meeting specific eligibility criteria. For example, the Workforce Investment Act Adult program offers services to low-income adults who have been unable to find jobs using core services alone. In the Hennepin-Carver, Minneapolis, and Ramsey County workforce service areas, about 23 agencies received funding in 2009 for Adult program services. It is possible that fewer agencies could provide the services in a more efficient manner. Nearly all of these 23 agencies, however, provide the services under contract to a county or city with oversight authority. The counties and city involved determine how many providers are needed to serve potential customers, or groups of customers, within their own service areas. In addition, they reap the benefits of having competition among multiple providers. In Minneapolis, for example, the city contracts with nine agencies for Adult program services based on the various populations it needs to serve. The city has a five-year master contract with qualified providers, and it grades providers quarterly. Minneapolis determines whether to renew or change contracts based on grades the providers earn.

We also found that:

- **Nonprofit organizations we reviewed do not appear to duplicate workforce services offered for adults and dislocated workers.**

We interviewed three nonprofit organizations that provide employment and training services in the seven-county metropolitan area. They aim their programs at populations that the organizations believe are underserved by other workforce

²⁹ This does not include the community rehabilitation providers that may also provide “intensive” services to people with disabilities; nor does it include Veterans Employment Services, which may provide intensive services.

programs.³⁰ For instance, Lifetrack Resources received \$300,000 in fiscal year 2009 to provide employment services for immigrants and refugees. No other state or federal workforce development program is specifically targeted to immigrants or refugees who have been in the U.S. for more than five years, although the Department of Human Services manages a program for new refugees. In another example, Twin Cities RISE! received federal appropriations specifically for its program focused on men transitioning out of incarceration or at risk of gang involvement. When we interviewed managers of programs in workforce centers around the state, several said ex-offenders are underserved by current workforce center programs.

³⁰ Many nonprofit organizations offer employment services for people with disabilities, but we did not analyze the extent to which these services might be duplicative. Duplication is less of an issue because DEED's Rehabilitation Services program contracts for many services with community-based rehabilitation providers that are reimbursed only after the provider meets certain goals, such as an expected number of job placements.

Service Areas and Workforce Centers

In this chapter, we briefly discuss two issues that have been the subject of many conversations among state and local workforce program administrators and other stakeholders over the years: the appropriate size of workforce service areas and whether workforce centers should be located on campuses of the Minnesota State Colleges and Universities (MnSCU) system. We first review the configuration of workforce service area boundaries and then examine the merits of locating workforce centers on MnSCU campuses.

WORKFORCE SERVICE AREA BOUNDARIES

As described in Chapter 1, Minnesota is divided into 16 separate workforce service areas. The geographically largest areas cover thousands of square miles; the smallest are confined to a single city or county. As allowed under the Workforce Investment Act, most of the current workforce service area boundaries were carried over from the previously existing areas under the Job Training and Partnership Act of 1982.¹ Thus, these boundaries have stayed constant for over a decade with only two changes since the 1998 passage of the Workforce Investment Act: the St. Paul and Ramsey County workforce service areas merged in 2000, and Scott County left the Hennepin-Scott-Carver workforce service area in 2005 to become part of the Dakota workforce service area (now Dakota-Scott). In both instances, boundary changes were the result of locally initiated and negotiated decisions.

Legislators and other stakeholders have periodically expressed interest in reconfiguring the boundaries of the service areas. Legislators required the Governor's Workforce Development Council to assess workforce service area boundaries in 2004.² In 2007, the commissioner of the Department of Employment and Economic Development (DEED) held a series of listening sessions around the state to consider changes to boundaries.

In our examination of Minnesota's workforce programs, we concluded that:

- **There is no compelling reason for the state to alter workforce service area boundaries.**

¹ *Workforce Investment Act*, sec. 116(a).

² Governor's Workforce Development Council, *Report to the Minnesota Legislature: Findings and Recommendations on Minnesota's Workforce Service Areas* (St. Paul, February 2004), www.gwdc.org/pubs/wsa-study.pdf.

Since 2000, two locally initiated mergers of workforce service areas have occurred in Minnesota.

Many of the state's workforce councils have examined the possibility of merging with neighboring workforce service areas or otherwise changing boundary lines at one point or another since the passage of the Workforce Investment Act. In two cases, as described above, these discussions led to boundary changes initiated at the local level. The Stearns-Benton and Central Minnesota workforce councils have both expressed interest in making changes along their common boundary, but each side wants a different configuration. Other workforce councils have considered realigning boundaries but decided against it, in some cases due partly to the opposition of local elected officials. In our view, the Governor and DEED should continue to follow the lead of local stakeholders with regard to boundary issues.

Because most workforce boundaries have remained constant for many years, workforce centers and workforce councils have developed valuable relationships with employers, nonprofits, MnSCU campuses, and local elected officials. These relationships improve the services that workforce centers are able to provide. For example, one workforce service area director told us that he has developed extensive contacts with local employers so that they usually tell him about layoffs in advance, allowing him to prepare to offer services. A director from another workforce service area described a program through which local community service agencies offer workshops in partnership with the workforce center, thus increasing the overall availability of services. She told us that this effort would not have been possible without her personal knowledge of the nonprofit agencies in the area. Any persuasive argument for changing workforce service area boundaries would have to show how disruptions to these relationships would be worth the benefits that might be gained.

A merger of workforce service areas would not reduce staff significantly unless workforce centers closed as part of the consolidation.

It is unclear how changing workforce service area boundaries would benefit workforce program clients. Theoretically, there might be some gains in efficiency if a smaller workforce service area were to join a neighboring larger one because administration could be consolidated. However, the overall staffing reductions would be limited unless workforce centers closed as part of a consolidation. Further, the total amount of money available for workforce programs statewide would not change regardless of the configuration of workforce service areas.

In addition, boundary lines have not prevented neighboring service areas from working together. For instance, the two smaller workforce service areas in Winona County and Duluth have close working relationships with the larger workforce service areas that surround them. The Winona County and Southeastern workforce service areas have jointly applied for grants and have worked together to address urgent needs, such as the catastrophic flooding in 2007. The Northeast and Duluth workforce councils have held joint meetings and collaborated with a Northwestern Wisconsin agency on "Northland Works," a project to disseminate information about area careers. In another example of workforce service areas working across boundary lines, the Stearns-Benton, Central Minnesota, and Southwest areas work together under a memorandum of understanding to share training resources.

LOCATING WORKFORCE CENTERS ON MNSCU CAMPUSES

Locating a workforce center on a MnSCU campus can allow staff from the center and college to work together efficiently.

While federal law requires the availability of workforce programs and services through the workforce centers, neither federal nor state law grants explicit authority to any particular state or local entity to decide the location of workforce centers. Currently, 6 out of the 49 workforce centers are located on MnSCU campuses. Legislators have been interested in whether locating more workforce centers on MnSCU campuses would be beneficial to workforce clients and yield efficiencies for programs. We interviewed workforce service area directors, managers of workforce programs, and a small number of MnSCU administrators to review the advantages and disadvantages of locating workforce centers on campus. We concluded that:

- **Locating workforce centers on MnSCU campuses can be beneficial for certain workforce clients, but the benefits are not automatic and largely depend on local conditions.**

At some on-campus workforce centers, workforce personnel we interviewed said that the location makes using workforce services and attending classes more convenient for workforce customers receiving training at that school. Some workforce program managers noted that the arrangement exposes workforce center clients to an academic environment and encourages them to further their education. A few program managers also said that being on campus allows workforce center staff to work efficiently with college staff to plan training for clients. For example, the workforce center located at St. Cloud Technical College has undertaken numerous joint activities with the college, such as coordinating events for dislocated workers.

Despite these advantages, other directors and program managers cautioned that locating workforce centers on MnSCU campuses does not guarantee benefits. One program manager at a MnSCU-based workforce center stated that while locating the workforce center on campus appeared advantageous initially, its implementation had not actually resulted in better programs. MnSCU administrators noted that colleges and workforce centers need to do more than just share a location; they need to integrate programs and services, such as bringing college instructors into pertinent workforce center workshops to explain the skills, education, and other demands required to enter particular professions.

However, campuses that lack adequate space are not good locations for workforce centers.

Some MnSCU campuses have little available space, making it difficult or undesirable to locate a workforce center there. For example, the current proposal to locate the Rochester workforce center on the Rochester Community and Technical College campus has been delayed indefinitely because of insufficient space. Furthermore, issues with limited space forced the adult basic education program to move from the workforce center located at St. Cloud Technical College. To accommodate workforce centers on college campuses, several colleges would require resources, perhaps through state bonding, to fund an expansion.

Moving workforce centers to a MnSCU campus may reduce clients' access to the centers. Workforce centers now located near their client base, or near other services that clients may need, could ill-serve their clients by moving. Workforce service area directors said that certain campuses, as one example Dakota County Technical College, are not easily accessible by public transportation. Also, many program managers raised concerns that some clients would not visit on-campus workforce centers because college settings intimidate them, although others said this can be overcome. Two workforce service area directors noted that the number of clients visiting workforce centers on campus declined after the centers relocated there.

Some workforce personnel were concerned that a location on campus would give an unfair advantage to MnSCU as a training provider in ways that might not necessarily serve the interests of workforce clients. Workforce personnel suggested that program staff in centers on campus might give preference to collaborating with that MnSCU college over other training providers in the area, including other MnSCU institutions. One program manager said that the convenience of being on campus might cause some employment counselors to recommend the college's programs to clients instead of programs offered by other nearby training providers that might better serve the clients' needs.

A workforce center already conveniently located for its clients may find moving to be detrimental for them.

Previous reports that have examined the location of workforce centers found that local service providers need to have a central role in these decisions. A 2001 DEED and MnSCU report analyzing possible locations of workforce centers on campus emphasized that a relocation decision must be based on whether it improves services.³ It concluded that local providers and local officials are best prepared to make those determinations. Additionally, our 2005 report on workforce development examined the issue of authority over location decisions.⁴ At that time, we recommended that DEED be responsible for setting minimum standards for workforce centers, but that local workforce councils make decisions on the siting, opening, and closing of workforce centers. Workforce councils, under federal law, set the strategic direction and policy for local workforce service areas. Their familiarity with their clients' needs and understanding of local conditions and stakeholders' concerns make them well-suited to make decisions about locating centers for the populations they serve.

DEED currently has a policy establishing standards for workforce centers to ensure that centers comply with applicable laws, regulations, and policies.⁵ In January 2010, it also established draft policies that require those providing workforce services at the workforce center to work with the local workforce

³ Department of Economic Security and Minnesota State Colleges and Universities System, *A Study on Potential Co-Location of WorkForce Centers on MnSCU Campuses* (St. Paul, January 2001), 25.

⁴ Office of the Legislative Auditor, *Workforce Development Services* (St. Paul, February 2005), 31.

⁵ Department of Employment and Economic Development, "Minnesota WorkForce Center System Certification and Site Visit," *Workforce Investment Act Policies* (St. Paul, undated).

council on location decisions.⁶ It grants the authority for final decisions to the entity that holds the center's master lease.

RECOMMENDATION

Local workforce councils should have the authority to make decisions about siting most workforce centers.

We affirm the findings from our 2005 report. We believe that decisions on workforce center locations should rest with local workforce councils. At the same time, their decisions must comply with the standards DEED has set for workforce centers.

We agree with DEED's draft policy that all entities delivering services in workforce centers should be consulted about location decisions. Problems could arise if local workforce councils made changes without discussing proposals with DEED or other service providers. DEED or other entities may need to ensure that locations allow them to adhere to certain requirements, such as work rules in labor agreements. For example, in one on-campus workforce center, because campus buildings are closed on the weekend, county workers are unable to work the overtime hours allowed by their labor contracts. Therefore, the process for making decisions about siting should involve discussion and negotiation among all relevant providers.

For centers housing a majority of DEED staff, we agree with DEED's draft policy that if consensus cannot be reached, DEED, as the master leaseholder, should make the final decision. However, DEED should change its policy to give local workforce councils final authority over workforce center location decisions when the majority of workforce center employees are not state staff.

⁶ Department of Employment and Economic Development, "Determining the Location of a Minnesota WorkForce Center (DRAFT)," *Workforce Investment Act Policies* (St. Paul, January 7, 2010) and Department of Employment and Economic Development, "Determining the Master Leaseholder of Minnesota WorkForce Centers (DRAFT)," *Workforce Investment Act Policies* (St. Paul, January 7, 2010).

List of Recommendations

- DEED should periodically perform a long-term statistical analysis comparing workforce program participants and nonparticipants and report its findings to the Legislature and the public. (p. 33)
- In its customer satisfaction survey, DEED should track clients' satisfaction with the outcomes of workforce services. (p. 42)
- DEED should adopt a set of standard approaches for reporting performance across programs. (p. 55)
- The Legislature should not mandate grant recipients in law but instead allow the selection of recipients through a competitive process administered by DEED. (p. 65)
- The Job Skills Partnership Board should establish an open and competitive process for awarding grants to providers of services to workers affected by small layoffs. (p. 65)
- DEED should more consistently monitor recipients of legislative appropriations and develop an equitable way of funding its monitoring activities. (p. 68)
- DEED's Unemployment Insurance Division should develop a process for workforce centers to refer clients needing unemployment insurance assistance directly to the division's customer service staff. (p. 71)
- The Office of the Chancellor should identify MnSCU colleges offering flexible academic programs that accommodate laid-off workers' needs and assist its other colleges in determining whether to offer similar programs. (p. 74)
- The Department of Education's ABE program and DEED should continue to expand occupational-readiness training and facilitate communication among ABE consortia, workforce centers, and MnSCU colleges. (p. 77)
- The Governor's Workforce Development Council, together with local workforce councils and DEED, should design a process to identify local gaps in workforce services and explore how to fill them. (p. 79)
- Local workforce councils should have the authority to make decisions about siting most workforce centers. (p. 87)

February 9, 2010

Mr. James R. Nobles
Legislative Auditor
First Floor, Centennial Office Building
658 Cedar Street
St. Paul, MN 55155

Dear Mr. Nobles:

Thank you for the opportunity to respond to major findings and recommendations as a result of the audit of Minnesota's Workforce Programs.

Major Finding 1: Accountability for the workforce programs is diffuse due to fragmented authority and funding that is segregated by programs. Federal laws limit possible changes.

No recommendations were cited.

DEED acknowledges the fragmentation of the federal Workforce Investment Act (WIA) of 1998 and has strived to provide financial incentives to local areas to more fully integrate their programs. Although WIA legislation requires mandatory partners to participate in the one-stops, it provides no requirement that other partners set aside any resources to help pay for the infrastructure of the one-stops. Minnesota has more fully integrated its services than most states. There are no stand alone Wagner-Peyser offices in Minnesota. Rehabilitation Services and State Services for the Blind have integrated their delivery system into the one-stops as far as their federal legislation allows.

DEED, in collaboration with National Association of State Workforce Agencies (NASWA), is currently working with congressional delegation on the next iteration of re-authorizing the Workforce Investment Act. The Minnesota Workforce Council Association (MWCA) is also working on significant changes to the federal legislation. DEED and MWCA agree on the need for separate funding for the one-stop infrastructure and changes to each programs authorizing legislation that will allow more integration of services.

Major Finding 2: Workforce Center programs are only partially integrated with unemployment insurance, adult basic education, and some training programs, leaving some clients without the help they need.

Recommendation:

- *The Governor's Workforce Development Council, along with workforce councils and DEED, should develop a process to identify and address local gaps in workforce services.*

- *DEED's Unemployment Insurance Division should develop a process for workforce centers to refer clients needing unemployment insurance assistance directly to the division's customer service staff.*
- *The Office of the Chancellor should identify MnSCU colleges offering flexible academic programs that accommodate laid-off workers' needs and assist its other colleges to determining whether to offer more such programs.*
- *The Department of Education's ABE program and DEED should continue to expand occupational-readiness training and facilitate communication between ABE consortia, workforce centers, and MnSCU colleges.*

DEED is committed to improving services to all populations. DEED is currently planning two lean process improvement events (Kaizen events) with Workforce Center staff to map current processes for customers filing for unemployment insurance and to assist UI applicants to receive the workforce services necessary for them to return to employment. DEED will sponsor and plan further Kaizen events to identify gaps in services. Participation from local partners will be critical to this process. DEED recognizes the need for further integration and has made significant progress with adult basic education in the past two years. DEED will continue to integrate processes to better serve customers to the extent that federal regulations and financial resources allow.

DEED has requested a list of MnSCU academic programs leading to a degree or acknowledged credential/certificate that has accelerated programs and/or multiple start dates. Adult learners need more frequent start dates than an academic semester and more flexible schedules such as nights, week-ends, etc. The adult learner also needs more flexible programming such as on-line learning. Sixty percent of Minnesota adults lack a post-secondary credential. This is potentially the largest future customer of the MnSCU system. Without a post-secondary credential, Minnesota's business will not be competitive in the global economy and many Minnesota workers will remain in low wage jobs.

DEED agrees that closer coordination between adult basic education, workforce centers, and the MnSCU system is the most efficient way to address the diverse needs' of adults who need remedial education, occupational training, and supports such as child care, transportation, etc. in order to obtain a credential that leads to competitive employment. DEED will continue to facilitate the process through its regional administrators and provide financial incentives to the extent the budget permits. DEED will also encourage ABE and MnSCU to contribute financial resources or in-kind matching with staff and/or facilities. DEED also encourages MnSCU and ABE to work out articulation agreements that allow adults to move seamlessly from one system to the other.

Major Finding 3: Legislative appropriations to independent workforce program providers bypass a competitive selection process and weaken oversight.

Recommendation:

- *The Legislature should not direct workforce grants to specific providers but should allow them to be selected through a competitive process.*
- *The Job Skills Partnership Board should establish an open and competitive process for awarding grants to providers of services to workers affected by small layoffs.*

DEED has concerns on the amount of direct appropriations granted by the legislature from the Workforce Development fund. The Workforce Development fund originated out of a great need after the 1980 recession to assist dislocated workers who lost their jobs through no fault of their own. The fund was intended to provide training to up-date worker skills so they could return to employment at a similar wage. Over the years direct appropriations have increased which has resulted in insufficient resources during the current recession for its original intent—to serve dislocated workers. DEED would support a competitive process for select workforce programs.

DEED disagrees that the Job Skills Partnership Board should establish a competitive process for awarding grants to providers of services to workers affected by small layoffs. Small lay-offs do not require a WARN notice so DEED's Rapid Response does not know the lay-offs occurred. Only DEED Unemployment Insurance (UI) system can consistently identify workers from small lay-offs and UI and Wagner-Peyser staff have the legal right to access UI applicant information. UI and Wagner-Peyser staff call applicants into workforce centers to orient them to services. Wagner-Peyser staff determines eligibility for dislocated worker services and refers applicants to partners in the workforce centers. Without this mechanism, dislocated workers could easily not be identified and offered services.

Major Finding 4: The Department of Employment and Economic Development (DEED)'s monitoring of providers receiving legislative appropriations is inconsistent and not funded fairly.

Recommendation:

- *DEED should more consistently monitor recipients of legislative appropriations and develop an equitable way to fund its monitoring.*

DEED has a monitoring unit intended to monitor all of our federal and state grants. However, grants that are directly appropriated from the legislature do not appropriate administrative funds to provide oversight for DEED to fulfill this function. DEED is left on its own to negotiate an oversight budget with each grantee. Some grantees refuse. Therefore, it is very difficult if not illegal to provide oversight of a state program with federal funds. This could result in disallowed cost. DEED walks a narrow line to provide the consistent monitoring and oversight activities afforded to the federal partner programs.

Major Finding 5: Federal performance measures are inadequate to assess the quality of workforce programs.

Recommendation:

- *DEED should adopt a set of standard approaches for assessing workforce program outcomes, including periodic comparisons of workforce program participants and non participants.*

DEED recognizes the short comings of the federal performance standards. The Minnesota Legislature passed a bill last session that requires Minnesota Department of Employment and Economic Development (DEED) to identify and apply a uniform return on investment measurement on all programs. DEED, in collaboration with the Governor's Workforce Development Council (GWDC) is currently exploring and assessing methodologies to apply to evaluate impact of program participation. DEED also recognizes that weighting factors may also be needed to compensate for the diverse populations served by state and federal programs.

DEED agrees that federal performance standards are inadequate as they limit follow-up measures to six months after exiting a program. Long-term statistical analysis coupled with a control group is the best way to determine impact over time. DEED is considering a statistical analysis of services as well to see which activities have the greatest impact on long-term employment and wage gain. DEED would assure the analysis was made public.

Major Finding 6: Workforce program clients generally achieve better job and wage outcomes than similar people who filed for unemployment insurance but did not participate in workforce programs.

- *DEED should periodically perform a long-term statistical analysis comparing workforce program participants and non-participants and report its findings to the Legislature and the public.*

DEED appreciates the more longitudinal analysis conducted by the legislative auditors and would like continue such analysis to identify which type of services provide the greatest gain for the participants of our programs and assess how we can deliver these services to a broader audience.

Major Finding 7: Most workforce clients we surveyed felt favorably about services they received, but substantially fewer felt the services helped them find jobs or connect with employers.

James Nobles
February 9, 2010
Page 5

Recommendation: In its customer satisfaction survey, DEED should track clients' satisfaction with the outcomes of workforce services.

DEED will alter its customer satisfaction survey to measure satisfaction with outcomes as well as services. DEED will continue to evaluate more effective ways to connect workforce participants to employers.

Additional Finding: Changing workforce service area boundaries or locating workforce centers at colleges is not automatically beneficial.

This finding is consistent with DEED's policy on these issues. It continues to be important for local workforce service areas to consider whether the current service area definitions best align with labor markets and the service needs of employers and workers. We agree that decisions on alignment are best made locally; however, the agency would take action if the performance measures for a workforce service area declined over a period of time and corrective action did not occur, or if federal legislation requires a change in designation.

We also agree that workforce center location decisions should be made on a case by case basis.

In closing, I commend the auditors for an accurate review of a very complex and difficult system in which to maneuver. DEED and the local workforce system strive hard to make the system as integrated as possible to the customer despite the lack of integration in federal legislation. DEED will continue to strive to make it better and will work with our federal partners to pass new federal legislation that better serves the worker.

If you have any questions or need additional information, please contact Bonnie Elsey at bonnie.elsey@state.mn.us or 651-259-7563.

Sincerely,



Dan McElroy
Commissioner



February 8, 2010

Mr. James Nobles, Legislative Auditor
Centennial Building, Room 140
685 Cedar Street
Saint Paul, Minnesota 55155-1603

Mr. Nobles,

Thank you for allowing us the opportunity to comment on the February 2010 report entitled *Workforce Programs*.

Overall, the Minnesota Workforce Council Association (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 and articulated it well for the purposes of this document. The report outlines many issues in a well-organized, comprehensive manner.

As you are aware, the MWCA, an organization of local elected officials, workforce board chairs, and local workforce service area directors represents the cooperative efforts of the sixteen area workforce councils across the state. Each area council provides leadership and direction for local workforce development programs, which are tailored to meet the specific needs of their communities. Because OLA procedures allowed for review of the report by a limited number of representatives of the Association (rather than the full membership), this letter reflects the views of those who participated. We are comfortable, however, that the comments to follow would be shared by the vast majority of our Association members.

We appreciate your affirmation of the important role played by local elected officials and local boards, as outlined in the federal Workforce Investment Act and state statute. We see this as a critical element to the successful implementation of workforce development initiatives across the state.

After reviewing the report, MWCA representatives were in full agreement with the analysis and recommendations regarding:

- The challenges of integration between Unemployment Insurance and other Workforce Programs;
- The lack of funding to address the needs of universal customers in the WorkForce Centers;
- The recommendation regarding the role of the board in determining Service Area boundaries and siting of WorkForce Centers;
- The pros and cons of co-location with MnSCU Campuses; and
- The challenge to MnSCU to further assess service to low-skill, low-income, and unemployed workers.

The OLA suggestions regarding these issues seem both useful and workable.

In regard to the other recommendations, we offer the following comments.

- We support the recommendation that the Governor's Workforce Development Council lead a process to identify and address local gaps in workforce services; we believe this entity is the right convener for this type of assessment. We strongly agree that the local boards should play a leadership role in addressing gaps in services. We encourage the Legislature or other Administrative entities to consider providing funds directly to local areas to address the gaps identified.
- MWCA representatives agree that better evaluation of all programs would be helpful, in order to draw comparisons regarding the services delivered by different workforce intermediaries. We feel strongly, however, that the WIA Title IB programs in particular are held to the most stringent performance measures of any of the programs outlined in the report.

We would hope any additional analysis would not duplicate what is already being measured, create great additional administrative burdens, or provide disincentives to effectively serve those with significant barriers to employment. We also anticipate changes at the federal level to the Workforce Investment Act, as it is currently up for reauthorization; therefore we would advocate that any major changes to performance measures be delayed to avoid increased discrepancies between state and federal law. Finally, we would welcome the opportunity to be involved in the creation or review of any new measures being proposed for implementation.

Again, on behalf of the MWCA review team, we would like to reiterate our appreciation to the OLA for what we feel is an accurate and thorough representation of the programs administered by the local workforce providers and overseen by the local workforce boards. We are hopeful that this report will contribute to a greater understanding of Minnesota's complex Workforce System. Thank you for the opportunity to review the report.

Sincerely,



Catherine Weik
Chair, Minnesota Workforce Council
Association



Jerry Vitzthum
Chair, Minnesota Workforce Council
Association Operations Committee



**Minnesota
STATE COLLEGES
& UNIVERSITIES**

OFFICE OF THE CHANCELLOR
JAMES H. McCORMICK
Chancellor

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February 8, 2010

Mr. James R. Nobles, Legislative Auditor
Office of the Legislative Auditor
100 Centennial Office Building
St. Paul, MN 55155

Dear Mr. Nobles:

Thank you for the opportunity to review your evaluation report, *Workforce Programs*. We have reviewed those sections of the report which deal specifically with our system. First, our office has been documenting and will continue to document all efforts our colleges have made to serve laid-off workers in the most efficient, effective and timely ways, and we will be sharing these findings systemwide. This will include communicating with our presidents and their staff who deal with credit and noncredit instruction.

Second, through our work with the Joyce Foundation-sponsored FastTRAC (Training, Resources and Credentialing) initiative with DEED and the Minnesota Department of Education's ABE Program, we expect a number of strong programs to be implemented statewide to provide career laddering opportunities for low-wage, low-skilled adults into postsecondary education and beyond.

Third, regarding locating WorkForce Centers on our campuses, we strongly endorse a model for decision-making that includes broad consultation with local leaders. We certainly support improved services and integration of resources where possible.

We know that for Minnesota to compete successfully in a global economy, we must do our best across agencies and organizations to maximize the skills, abilities, and aspirations of Minnesota residents. We look forward to using your report to continue improving and building upon our state's reputation as a national leader for workforce innovation and service.

Sincerely,

James H. McCormick
Chancellor

STATE UNIVERSITIES

Bemidji State University
Metropolitan State University
Minnesota State University,
Mankato
Minnesota State University
Moorhead
St. Cloud State University
Southwest Minnesota
State University
Winona State University

STATE COLLEGES

Alexandria Technical College
Anoka-Ramsey Community
College
Anoka Technical College
Central Lakes College
Century College
Dakota County Technical
College
Fond du Lac Tribal
& Community College
Hennepin Technical College
Iver Hills Community College
Lake Superior College
Minneapolis Community
& Technical College
Minnesota State College-
Southeast Technical
Minnesota State Community
& Technical College
Minnesota West Community
& Technical College
Normandale Community
College
North Hennepin
Community College
Northeast Higher Education
District
Hibbing Community College
Itasca Community College
Mesabi Range Community
& Technical College
Rainy River Community
College
Vermilion Community
College
Northland Community
& Technical College
Northwest Technical College*
Pine Technical College
Ridgewater College
Riverland Community College
Rochester Community
& Technical College
St. Cloud Technical College
Saint Paul College
South Central College

* Northwest Technical College
is aligned with Bemidji
State University.

Forthcoming Evaluations

Natural Resource Land, February 2010
Public Libraries, March 2010

Recent Evaluations

Agriculture

"Green Acres" and Agricultural Land Preservation Programs, February 2008
Pesticide Regulation, March 2006

Criminal Justice

Public Defender System, February 2010
MINNCOR Industries, February 2009
Substance Abuse Treatment, February 2006
Community Supervision of Sex Offenders, January 2005
CriMNet, March 2004
Chronic Offenders, February 2001
District Courts, January 2001

Education, K-12, and Preschool

Alternative Education Programs, February 2010
Q Comp: Quality Compensation for Teachers, February 2009
Charter Schools, June 2008
School District Student Transportation, January 2008
School District Integration Revenue, November 2005
No Child Left Behind, February/March 2004
Charter School Financial Accountability, June 2003
Teacher Recruitment and Retention: Summary of Major Studies, March 2002
Early Childhood Education Programs, January 2001

Education, Postsecondary

MnSCU System Office, February 2010
MnSCU Occupational Programs, March 2009
Compensation at the University of Minnesota, February 2004
Higher Education Tuition Reciprocity, September 2003

Energy

Biofuel Policies and Programs, April 2009
Energy Conservation Improvement Program, January 2005

Environment and Natural Resources

Watershed Management, January 2007
State-Funded Trails for Motorized Recreation, January 2003
Water Quality: Permitting and Compliance Monitoring, January 2002
Minnesota Pollution Control Agency Funding, January 2002
Recycling and Waste Reduction, January 2002

Financial Institutions, Insurance, and Regulated Industries

Liquor Regulation, March 2006
Directory of Regulated Occupations in Minnesota, February 1999
Occupational Regulation, February 1999

Government Operations

Capitol Complex Security, May 2009
County Veterans Service Offices, January 2008
Pensions for Volunteer Firefighters, January 2007
Postemployment Benefits for Public Employees, January 2007
State Grants to Nonprofit Organizations, January 2007
Tax Compliance, March 2006
Professional/Technical Contracting, January 2003
State Employee Health Insurance, February 2002
State Archaeologist, April 2001

Health

Financial Management of Health Care Programs, February 2008
Nursing Home Inspections, February 2005
MinnesotaCare, January 2003
Insurance for Behavioral Health Care, February 2001

Human Services

Personal Care Assistance, January 2009
Human Services Administration, January 2007
Public Health Care Eligibility Determination for Noncitizens, April 2006
Substance Abuse Treatment, February 2006
Child Support Enforcement, February 2006
Child Care Reimbursement Rates, January 2005
Medicaid Home and Community-Based Waiver Services for Persons with Mental Retardation or Related Conditions, February 2004
Controlling Improper Payments in the Medicaid Assistance Program, August 2003
Economic Status of Welfare Recipients, January 2002

Housing and Local Government

Preserving Housing: A Best Practices Review, April 2003
Managing Local Government Computer Systems: A Best Practices Review, April 2002
Local E-Government: A Best Practices Review, April 2002
Affordable Housing, January 2001

Jobs, Training, and Labor

Workforce Programs, February 2010
E-Verify, June 2009
Oversight of Workers' Compensation, February 2009
JOBZ Program, February 2008
Misclassification of Employees as Independent Contractors, November 2007
Prevailing Wages, February 2007
Workforce Development Services, February 2005
Financing Unemployment Insurance, January 2002

Miscellaneous

Economic Impact of Immigrants, May 2006
Gambling Regulation and Oversight, January 2005
Minnesota State Lottery, February 2004

Transportation

State Highways and Bridges, February 2008
Metropolitan Airports Commission, January 2003