



OFFICE OF THE LEGISLATIVE AUDITOR

STATE OF MINNESOTA

Evaluation Report Summary / February 2010

Workforce Programs

Major Findings:

- Accountability for workforce programs is diffuse due to fragmented authority and funding that is segregated by program. Federal laws limit possible changes.
- 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.
- Legislative appropriations to independent workforce program providers bypass a competitive selection process and weaken oversight.
- The Department of Employment and Economic Development (DEED)'s monitoring of providers receiving direct legislative appropriations is inconsistent and not funded fairly.
- Federal performance measures are inadequate to assess the quality of workforce programs.
- 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.
- 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.

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

Key Recommendations:

- DEED should adopt a set of standard approaches for assessing workforce program outcomes, including periodic comparisons of workforce program participants and nonparticipants.
- 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 referring to its customer service staff those workforce center clients who have difficulty navigating its automated systems.
- 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.
- The Legislature should not direct workforce grants to specific providers but should allow them to be selected through a competitive process.
- DEED should more consistently monitor recipients of legislative appropriations and develop an equitable way to fund its monitoring.

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.

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

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.

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.

The 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.

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

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

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

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.

Summary of Agency Responses

In a letter dated February 9, 2010, Minnesota Commissioner of Employment and Economic Development (DEED) Dan McElroy said that DEED strives to integrate workforce programs, despite the lack of integration in federal law. DEED is planning to explore how to better assist unemployment insurance applicants and help them return to employment. The department agrees with the need for closer coordination among workforce centers, adult basic education, and the MnSCU system. It "recognizes the shortcomings of the federal performance standards" and would like to pursue OLA's recommendation to analyze programs' long-term results. DEED supports OLA's recommendation for a competitive process to select service providers in lieu of direct legislative appropriations to certain organizations. But it disagrees that the Job Skills Partnership Board should use a competitive process for selecting vendors to serve workers in layoffs of fewer than 50 people.

In a February 8, 2010 letter, Catherine Weik, chair of the Minnesota Workforce Council Association, and Jerry Vitzthum, chair of the association's Operations Committee, said the evaluation is an "accurate and thorough representation" of programs administered locally. They support the recommendation that the Governor's Workforce Development Council lead a process to identify gaps in workforce services and encourage the state to consider providing funds directly to local workforce service areas to address the gaps. In addition, they emphasize that the programs they oversee are held to stringent performance measures and suggest avoiding changes to performance measures until after the reauthorization of the federal Workforce Investment Act.

In a February 8, 2010 letter, James McCormick, chancellor of the Minnesota State Colleges and Universities (MnSCU) system, wrote that MnSCU will continue to document its colleges' efforts to serve laid-off workers, including both credit and noncredit instruction. He expects an ongoing initiative with DEED and the state's adult basic education program to yield new career training opportunities for low-wage and low-skilled adults.