



OFFICE OF THE LEGISLATIVE AUDITOR

STATE OF MINNESOTA

Workforce Development Services

February 2005

Major Findings:

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

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

Major Recommendations:

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

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

Report Summary

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

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

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

Authority for Governing Workforce Development Services is Unclear and Diffuse

Workforce development services operate under a complex governance structure imposed by federal law in which authority for some important decisions is unclear. For example, laws do not clearly say who has authority to close or relocate a workforce center. Recently, this has created significant problems for both state and local officials as

state staff have been removed from certain centers due to budget cuts. In areas where a local workforce council has chosen to keep open a center and staff it primarily with local employees, DEED has lost some control over how services are delivered. In addition, DEED cannot ensure consistency or coordination throughout the statewide network of workforce centers. On the other hand, local areas have been forced to disrupt their service plans when state staff were removed from centers. Local councils spent considerable time deliberating over a workforce center's location, only to have the state overrule their decisions.

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

The Legislature should clarify in law that DEED is responsible for setting minimum statewide standards to define workforce centers and their services, but local workforce councils have authority for opening, closing, or relocating particular workforce centers. Local workforce councils are in a better position than the state to make these decisions because they have a unique understanding of local needs and are authorized by law to set policy for local workforce services. At the same time, DEED's involvement is necessary to ensure consistency in workforce centers around the state and equitable access to workforce services for residents regardless of where they live. The Legislature should also direct the entities required to provide workforce development services to more fully exchange annual funding and spending information. Budget data on state-run programs disaggregated by workforce area will enable local councils to make informed decisions about workforce center closures. Comprehensive data on statewide funding will allow the state to estimate the costs and

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

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

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

benefits of public investments in workforce services.

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

Workforce Development and Economic Development Are Not Adequately Coordinated

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

Few Employers Use Certain Workforce Center Services

The Minnesota Job Bank is perhaps the most popular and visible service among Minnesota's workforce center services. Yet,

the 3,480 employers posting jobs in the job bank during the second quarter of 2003 represented only 1 in 14 employers actively hiring at that time. Even fewer employers used other workforce center services.

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

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

Effectiveness of Certain Workforce Development Services Cannot be Fully Assessed

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

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

Some programs have performance measures, but the measures are flawed. Many measures rely on an unemployment database

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

that lacks timely data, preventing the development of current information on performance. Plus, measures designed for a particular program do not allow evaluating a workforce center's overall performance in providing workforce development services.

Minnesota Has Met or Exceeded Many Federal Performance Standards

The federal government set performance measures for the major workforce development programs, including 17 measures for the federal programs serving adults, youth, and dislocated workers. For program years 2001, 2002, and 2003, the state has achieved its negotiated goals for these programs. Over that period, actual performance on the programs statewide increased for most of the 17 measures.

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

Training Services Did Not Consistently Relate to Occupations in Demand

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

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

The full evaluation report, *Workforce Development Services* (#pe05-06), includes three agency responses and is available at 651/296-4708 or:
www.auditor.leg.state.mn.us/ped/2005/pe0506.htm

Summary of Agencies' Responses:

Commissioner Matt Kramer for the Minnesota Department of Employment and Economic Development (DEED), Chair Cynthia Leshar for the Governor's Workforce Development Council (GWDC), and Chair Larry Buboltz for the Minnesota Workforce Development Council's (MWCA) Operations Committee each wrote letters in response to the report. Commissioner Kramer said that DEED "supports most of the findings" of the report and is "already well underway in implementing many of its recommendations." Although the commissioner agreed with the division of responsibilities between state and local officials recommended in the report, he suggested that the Legislature need not get involved because the department has already begun taking action.

Chair Leshar said the report's recommendations on governance and service delivery are "consistent with past GWDC analyses." She stated that the report will complement the GWDC's Workforce Center Business Plan, which the council will soon release.

Chair Buboltz said that many of the report's recommendations are "being addressed in partnership" between DEED and the MWCA, but he took issue with several points. Buboltz wrote that the report does not explain how staff within the workforce centers interface with the numerous economic development authorities in local areas. He expressed concern with the report's tone and said the analysis does not reflect that "Minnesota's system . . . is consistently one of the best in the country." Buboltz objected to the report's method of determining occupations in demand. He also said that the recommendation to monitor whether services helped people find jobs may be "financially burdensome for local areas." The Legislative Auditor's Office felt the MWCA's letter misrepresented certain points in the report and added a response explaining those points.