State of Washington
Joint Legislative Audit and Review Committee (JLARC)

Performance and Outcome Measure Review: Employment Security Department

Report 04-3

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The Joint Legislative Audit and Review Committee (JLARC) carries out oversight, review, and evaluation of state-funded programs and activities on behalf of the Legislature and the citizens of Washington State. This joint, bipartisan committee consists of eight senators and eight representatives, equally divided between the two major political parties. Its statutory authority is established in RCW 44.28.

JLARC staff, under the direction of the Committee and the Legislative Auditor, conduct performance audits, program evaluations, sunset reviews, and other policy and fiscal studies. These studies assess the efficiency and effectiveness of agency operations, impacts and outcomes of state programs, and levels of compliance with legislative direction and intent. The Committee makes recommendations to improve state government performance and to correct problems it identifies. The Committee also follows up on these recommendations to determine how they have been implemented. JLARC has, in recent years, received national recognition for a number of its major studies.

Overview

This report reviews the performance measurement system of the Employment Security Department, focusing both on the measures themselves and the agency's use of those measures. This review focuses on measures related to Employment Security's **job-search requirements** and other **return-to-work** initiatives for Unemployment Insurance (UI) claimants. Our overall conclusion is that some areas of Employment Security have substantive measures that are used effectively, but the overall system is still in its early stages of development and implementation.

Study Background

JLARC's 2003-05 work plan includes an examination of issues pertaining to the state's fiscal reporting, accountability, and performance tracking systems. As part of this effort JLARC is conducting performance and outcome measure reviews of a number of state agencies. Through these reviews, JLARC will assess the accountability of state government to the public.

Employment Security's Performance Measures

About 87 percent of Employment Security's 2003-2005 biennial budget comes from federal revenue, made up of UI taxes on Washington businesses. Due to the extensive reporting requirements associated with these funds, federal measures have, historically, driven Employment Security's performance measurement system.

In addition to the measures reported to the Department of Labor, Employment Security uses performance measures outlined in its Strategic Business Plan, *ad hoc* measures developed by regional and local managers, and measures reported to the Office of Financial Management in the agency's budget submission.

Employment Security's Performance Measurement System

Employment Security is developing a new performance measurement system with the following components:

- **The Senior Leadership Team** is comprised of the Commissioner and the eight division heads. This team meets weekly to discuss agency-related issues and quarterly to go over fiscal reporting and performance measures.

- A **strategic business plan** for the agency describes the agency's mission, goals, and performance measures. The plan, which the Senior Leadership Team produces, also outlines strategies for meeting these goals.

- **Training and support for the development, use, and reporting of performance measures** has been provided to the Senior Leadership Team.

- **A new performance measure reporting system**, due to be implemented by April 2004, will make it easier for managers to retrieve information and create reports on performance measures.

Areas of Concern

- **Employment Security's Job Search Review Monitoring Program is missing a key outcome measure:** the number of UI claimants found to be out of compliance with job-search requirements.

- **The agency does not have any efficiency measures related to employment service delivery or outcomes**. Efficiency measures are a key accountability tool for assessing operational efficiency.

- **Some measures are not substantive.** They do not offer insight into the agency's performance and have little value for internal management.

- **Many of the agency's measures do not have meaningful targets.** Targets can be tools for program evaluation and motivation for staff.

- **The roles and responsibilities for the performance management system are unclear.**

- **Many measures are not disaggregated at the local level,** so they are not useful to regional or local managers for internal management.

- **The development of measures tends to be a "top-down" process** that does not always involve the input of local offices and front-line staff.

- **Employment Security does not use its internal or external website to report performance measures** and related information to its staff, stakeholders, or the public.

Recommendations

To address the issues noted above, Employment Security should take the following steps:

1. **Clearly outline the components of the performance measurement system and the roles and responsibilities of senior management and each division;**

2. **Create a formal system of developing performance measures** that includes input from staff at various levels of the agency;

3. **Develop substantive measures with meaningful targets** and create efficiency measures when possible; and

4. **Report performance measure information** on the internal and public Employment Security websites.

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CHAPTER ONE – BACKGROUND

INTRODUCTION

The 2003-05 work plan for the Joint Legislative Audit and Review Committee (JLARC) includes an examination of issues pertaining to the state's fiscal reporting, accountability, and performance tracking systems. As part of this effort, JLARC is conducting performance and outcome measure reviews of a number of state agencies. The first two have been completed for the ten major environmental programs in the Department of Ecology and for vocational rehabilitation services within the Department of Labor and Industries.[1, 2]

JLARC selected the Employment Security Department to be part of this series of performance and outcome measure studies. These performance and outcome measure reviews will assess whether state agencies have effective measures for evaluating their performance and establishing budget and policy priorities. Through these reviews, JLARC will help assess the accountability of state government to the public.

Requirements for state agency performance measurement and assessment activities flow both from statute and from directives issued by the Office of the Governor. In 1996, the Legislature amended the state's Budgeting and Accounting Act to require all state agencies to engage in strategic planning and related performance activities.[3] Then, in 1997, Governor Gary Locke issued Executive Order 97-03, which requires state agencies to "utilize the tools of strategic business planning and performance measures to establish their priorities and measure their progress toward their stated goals." Additional information about Washington's performance measurement system and an overview of performance measurement is included in **Appendix 3**.

Employment Security Department Review

This review of the **Employment Security Department** focuses on performance measures related to **return-to-work initiatives for unemployment insurance claimants**. The decision to look at Employment Security was partially attributable to previous JLARC studies of the agency. In 2001, JLARC conducted a study evaluating the effectiveness of the Employment Security Department's call centers.[4] The Department implemented the call centers after advocating that a switch to telephone-based claims processing would improve timeliness, reduce costs, and make decisions more consistent. These centers promised to improve the process by which people applied for and received unemployment insurance benefits while still connecting claimants to re-employment programs. JLARC recommended that Employment Security collect and track

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[1] Joint Legislative Audit and Review Committee, Performance and Outcome Measure Review: Department of Ecology Case Study, September 2003, Publication # 03-9.
[2] Joint Legislative Audit and Review Committee, Performance and Outcome Measure Review: Labor and Industries' Vocational Rehabilitation Services to Injured Workers, October 2003, Publication # 03-11.
[3] Chapter 317, Laws of 1996.
[4] Joint Legislative Audit and Review Committee, Evaluation of Employment Security Department Call Centers, September 26, 2001, Publication # 01-10.

performance measures related to the job-search requirement. JLARC then conducted a follow-up review in 2003.[5] At that point, Employment Security tracked general process information about UI claimants. However, the agency still did not have clear information on whether or not those receiving unemployment benefits were meeting the requirements to look for work. In light of the findings concerning the development of performance measures for the job-search program, JLARC decided to conduct a performance and outcome measure review of the Employment Security Department.

This JLARC study reviews Employment Security's job-search requirements and related return-to-work efforts directed at unemployed workers collecting UI benefits. The focus is on how the divisions of Unemployment Insurance and WorkSource Operations use performance measures for external reporting and internal management.

Report Structure

Chapter Two is an overview of Employment Security and its Unemployment Insurance (UI) and WorkSource Operations Divisions. The chapter discusses changes in the way the UI Division provides benefits to claimants and monitors job-search requirements for these claimants. Chapter Two also describes the activities of WorkSource and the funding sources that support return-to-work initiatives.

Chapter Three explains the federal environment for measuring performance. It outlines Employment Security's performance measurement system and then discusses the specific measures used by the agency.

Chapter Four gives JLARC's general findings about Employment Security's performance measures.

Finally, Chapter Five outlines JLARC's conclusions and recommendations.

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[5] Joint Legislative Audit and Review Committee, Follow-Up on Evaluation of Employment Security Department Call Centers, January 8, 2003.

CHAPTER TWO - EMPLOYMENT SECURITY

OVERVIEW OF EMPLOYMENT SECURITY

The Washington State Legislature created the Employment Security Department in 1937 to provide both financial assistance and re-employment services to unemployed workers. As part of its mandate, the agency is further charged with "supplementing basic employment services, with special job-search and claimant-placement assistance designed to assist unemployment insurance claimants to obtain employment." State law further instructs Employment Security to use the most efficient and effective means of service delivery (RCW 50.62.030).

Employment Security states its mission as follows:

> *To help people succeed throughout their working lives. The Department carries this out by supporting workers during times of unemployment, by connecting job seekers with employers who have jobs to fill and by providing business and individuals with the information and tools they need to adapt to a changing economy (Employment Security Strategic Business Plan, 2003).*

The Employment Security Department meets its statutory mandate through eight major administrative units **(Exhibit 1)**. This study focuses on two of these divisions, Unemployment Insurance (UI) and WorkSource Operations, and their efforts to get unemployed workers back in the labor market.

Exhibit 1 – Employment Security Department Organizational Chart
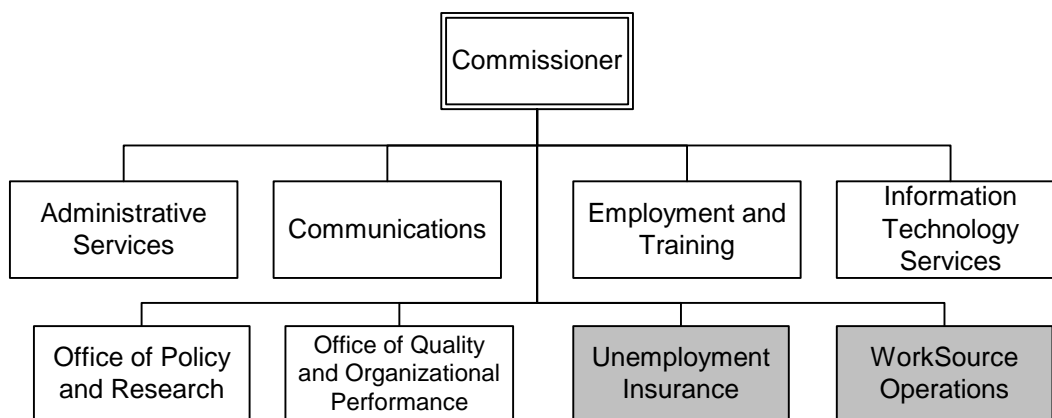
Source: Employment Security Department.

The agency's 2003-2005 biennial budget is approximately $532 million and it maintains about 2,140 FTEs.[6] The UI Division makes up approximately 20 percent of the agency's total budget and the WorkSource Operations Division is 25 percent of the funding. Together, the two divisions have approximately three-fourths of the agency's staff.

Unemployment Insurance Division

The UI Division administers unemployment insurance benefits. Its mission is to serve the state workforce and business community through the timely and equitable payment of benefits and the collection of taxes and overpayments. The purpose of the program is to promote economic security for individuals, their families, and their communities, and to assist employers in maintaining a stable workforce.

Since 1998, the Unemployment Insurance Division has undergone several significant changes. In that year, the Legislature approved SSB 6420, which effected the following changes:

- Approved the UI Division's move to call centers,

- Required the Department to ensure that UI claimants register for job searches, and

- Required Employment Security to implement a job-search monitoring program.

The creation of call centers significantly changed the process of applying for unemployment insurance and left the UI Division with the responsibility of creating a system to ensure that claimants were actively looking for employment. Prior to call centers, unemployed workers were required to apply in person at "unemployment offices" (Job Service Centers). These offices, in addition to housing UI programs, exposed individuals to re-employment services such as job referral information, employment search workshops, and individual re-employment counseling.

To ensure that UI claimants are still actively seeking work, claimants are now responsible for keeping a job log after their fifth week of receiving benefits. These logs must contain a detailed list of the UI claimant's employer contacts or documented in-person job-search activity at the local re-employment center. The UI Division created a **job-search review program** to enforce this requirement. As part of this review, a small percentage of claimants are randomly selected by computer and sent a letter informing them that they must report to their local office where their log is examined *for the week in question*. If staff find non-compliance with the job-search requirements (by failing to report, not making enough employer contacts, or providing false contact information) claimants may lose their benefits for that week.

SSB 6097 (2003) revised the requirements for job-search monitoring. Under this legislation, UI claimants can record three documented in-person job-search activities at the local re-employment center, three employer contacts in their job log, or a combination of the two. In addition, the agency must review job logs from previous weeks for claimants who failed to meet the job-search requirement for the week reviewed. Then, for each week a claimant is found not in compliance, that claimant "shall be liable for repayment of all such benefits under 50.20.190" (SSB 6097). Finally, the UI Division must begin monitoring job-search efforts of Washington's

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[6] Employment Security cannot easily give budget data by division because the agency's accounting system tracks budgetary information by fund source. Employment Security intends to move to the state's accounting system by July 2004, which should allow the agency to track budgetary information by administrative unit.

UI claimants who live in other states. Employment Security is developing a process to implement these new 2003 requirements.

WorkSource Operations Division

The WorkSource Operations Division provides re-employment services in local WorkSource offices around the state. Additional services are provided by affiliate offices and through the internet. These offices house a number of re-employment services and other programs designed to help unemployed workers, low-income wage earners, or individuals looking to change careers. The WorkSource offices rely on a number of partners – from the Department of Social and Health Services to local community colleges and universities – to provide a one-stop delivery system for clients to access employment and training services.

The WorkSource centers provide four types of re-employment services for job seekers:

1. **Self-Service** – Job seekers and employers conduct their own searches with no staff intervention at local WorkSource delivery sites. WorkSource gives these customers access to computers and provides Internet-based tools such as job listings posted through America's Job Bank, WorkSource Washington website, and Job Seeker Listings for employers, which include resumes of registered job seekers.

2. **Facilitated Self-service** – This is a service for job seekers and employers who need assistance learning how to use the computers and other self-service tools provided by the WorkSource office. Once customers learn how to use resources and tools, they can then work independently.

3. **Group Services** – This service focuses on providing groups of job seekers with the skills necessary to find and secure their own jobs. To accomplish this task, WorkSource created six different training modules in its Job Hunter Workshop Series. The topics in this series are Effective Job-Search, Skills and Abilities Analysis, Knowing Yourself, Interviewing, Employment Applications and Resumes, and the Job Market.

4. **One-on-one Services** – Here employers and the job seekers are given individual attention based on a request or identified need. For example, job seekers are screened and referred to job openings and employers receive individual attention when listing job openings.

In an effort to expose UI claimants to Labor Exchange, Employment Security's UI and WorkSource Operations Divisions collaborate under the state-funded Claimant Placement Program (CPP). CPP uses a profiling system to identify new UI claimants who are most likely to exhaust their regular unemployment insurance benefits so staff can focus re-employment services on those claimants.

Employment Security scores claimants based on a formula that takes into account characteristics such as last job held and the current job market. The higher the score, the more likely that claimant will not find a job and, as a result, will exhaust his or her benefits. Every week, front-line staff take the profile list and work from the highest score downward. "Profiled" claimants receive a letter stating that they must attend mandatory Job Search Orientation or risk losing benefits. During orientation, claimants receive information about the resources, programs, and services available to them at the WorkSource office and about requirements for continued receipt of UI benefits.

CHAPTER THREE – EMPLOYMENT SECURITY'S PERFORMANCE MEASURES

FEDERAL ENVIRONMENT FOR MEASURING PERFORMANCE

About 87 percent of Employment Security's 2003-2005 biennial budget comes from federal revenue, which is composed of UI taxes on Washington employers. This fund is administered by the U.S. Department of Labor and comes to Washington State with specific requirements for measuring and reporting on performance. The requirements related to federal funds tend to limit the usefulness of these measures as a management tool within Employment Security. However, these federal measures have dominated Employment Security's performance measurement system.

Appendix 4 contains examples of federal measures for return-to-work initiatives for UI claimants reported to the U.S. Department of Labor. The majority of these measures are simply counts of the number of UI claimants and of services they received from Employment Security. In addition, these measures are reported only as state-level information and are not disaggregated by region or office.[7]

EMPLOYMENT SECURITY'S PERFORMANCE MEASUREMENT SYSTEM

Employment Security stated during JLARC's review that the agency is in the process of implementing a new performance measurement system which has been in the works for the last year. The performance measurement system in place prior to the development of this new model served to report information only to the federal government and top agency administrative staff. Employment Security staff anticipate that their new system will help the divisions integrate their work and more effectively use and report performance measures. This section outlines the components of Employment Security's new system.

Senior Leadership Team

One component of the performance measurement model designed by the agency involves the regular meeting of the Senior Leadership Team. This team is made up of the Commissioner, the Deputy Commissioner, and the eight division managers. The Senior Leadership Team meets weekly to discuss current agency business, and the team intends to meet quarterly to discuss fiscal reports and performance measure related to the agency's Strategic Business Plan.

Strategic Business Plan

The Senior Leadership Team developed the Strategic Business Plan, which includes measures outlined in the Governor's Performance Agreement, several significant federal measures, and

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[7] Employment Security stated that the system used to report information to the U.S. Department of Labor often does not allow them to break down information by region or local office.

measures developed by the divisions.[8]   Along with stating the agency's mission, goals, and related performance measures, the Strategic Business Plan outlines Employment Security's financial plans, including a status report on federal, state, and local funding sources.   The Strategic Business Plan offers an appraisal of the external environment related to policy and financial issues, the labor-market and economic outlook, and the status of the relationships among major partners.

Quality and Organizational Performance

Employment Security recently established its Office of Quality and Organizational Performance (OQOP) to provide training and organizational support for the development, use, and reporting of performance measures.   In addition, OQOP was created to manage staff development workshops, administer the employee recognitions program, and conduct quality improvement activities such as the "Mystery Shopper Program."[9]   OQOP is also responsible for staff training programs and maintaining information on performance measures on OQOP intranet website.

New Performance Measure Reporting System

Employment Security is implementing a new performance measurement tracking and reporting system referred to as the Performance Management and Accountability System (PMAS).   The new system is inclusive of all the measures identified in Employment Security's Strategic Business Plan.   The system is intended to allow managers easier access to performance measurement data.   Agency staff also stated that managers will be able to create easily understandable charts and graphs using performance measurement information within the system. The agency plans to train all top agency leadership to use this new system within their divisions.   Ultimately, the intent is to provide all staff with training and access to this performance management system. Employment Security plans to make this tool operational in phases with the program being fully implemented agency-wide by April of 2004.

Performance Measures

Employment Security uses four sets of performance measures:

1. **Measures reported to the U.S. Department of Labor (DOL)** are closely tied to funding and make up the majority of performance measures that Employment Security collects. For example, Employment Security reports to DOL the number of claimants who received employment services and the number of claimants served who get a job. These federal measures are reported back to Employment Security as roll-ups of statewide data and do not show regional or local results. For this reason the federal measures are limited in their usefulness as management tools.

2. **Employment Security's Business Plan** contains three subsets of performance measures.

   - One subset includes the measures Employment Security created to manage its eight divisions. For example, to ensure effective service to claimants, the UI Division

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[8] The measures within the Strategic Business Plan come from Operation Plans developed by each of the eight divisions. In turn, the eight divisions included in their plans strategies for meeting targets.

[9] The Mystery Shopper Program is intended to improve Employment Security's customer service and training, and reward staff for providing good customer service. The program is contracted out to a market research company who hires and trains individuals to act as customers and then to report on the quality of service they received.

measures the number of monitored agents' calls that receive a passing score for customer service.

- The Strategic Business Plan also includes 24 performance measures from the Director's Performance Agreement with the Governor. Most of these measures are customer service and innovation measures. For example, one performance measure tracks the percent of job-search clients who enter full- and part-time employment within 90 days.

- Employment Security's Strategic Business Plan contains the two measures reported quarterly to the Office of Financial Management (OFM). One measure tracks the percentage of first unemployment insurance payments made within 14 days; the other tracks the number of WorkSource customers who enter employment following receipt of re-employment services.

3. **Front-line managers develop their own performance measures** to monitor key aspects of their performance that are not included in the federal requirements or in the Strategic Business Plan. WorkSource managers use the division's database system to obtain the information needed to develop local-level performance measures. These *ad hoc* measures tend to be more detailed. For example, one regional manager tracks what specific services clients are referred to each week. The manager was also able to track the number of job referrals[10] each staff member made by type of employer.

4. Finally, **the OFM biennial budget submittal** also includes performance measures. The budget submittal contains federal measures, strategic business plan measures, and measures specifically related to proposals in the budget.

For the purposes of this report, we asked Employment Security to provide us with a list of performance measures related specifically to return-to-work initiatives for UI claimants. Employment Security's listing consisted of two kinds of measures:

- Those used by the UI Division to monitor the job-search review program, and

- Measures used by the WorkSource Operations Division to monitor UI claimants receiving re-employment services.

Exhibit 2 on the following page shows the list of measures that Employment Security provided to JLARC.

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[10] A referral informs employers about job seekers.

Exhibit 2 – Employment Security's Performance Measures Related to
Return-to-Work Initiatives

Measure	Level	Type
Unemployment Insurance Division		
Number of job-search review interviews scheduled	Local	Output
Number of interviews conducted	Local	Output
Number of interviews conducted per staff per week	Local	Efficiency
Number of claimants failing to report for interviews	Local	Output
Number of interview results that local offices do not report by the end of the week (examples of interview results are not reporting for the interview or not complying with job-search requirements)	Local	Output
Number of job-search logs submitted by UI claimants for verification	Local	Output
WorkSource Operations Division		
Number of UI claimants who enter employment after participating in re-employment activities	Local	Outcome
Percent of benefits used by UI Claimants receiving re-employment services (A lower percent demonstrates better performance because it means that claimants are using fewer benefits before getting a job)	State	Outcome
Of profiled UI claimants who receive employment services, the number who are referred to job openings	State	Output
Of profiled UI claimants who receive employment services, the number and percent that get jobs	Local	Outcome
Orientation attendance rate for profiled claimants who are required to attend the orientation	Local	Output
Attendance rate at other voluntary job-search workshops for those who attended the Orientation and Job Search Preparation workshop	Local	Output

Source: Employment Security Department.

Unemployment Insurance Division Measures

The measures that the UI Division uses for monitoring the job-search review contained several output measures and one efficiency measure. In our review of these measures, we found them to be deficient in two key areas:

1. **The UI Division does not report the percentage difference between the targeted number of interviews to be conducted and the actual number of interviews conducted.** The UI Division tracks the number of services conducted and some rates of services in the Job Search Monitoring Program. However, the Division does not calculate the percentage of interviews conducted versus the targeted number of interviews per FTE. The percent of targeted interviews conducted could be used by the Division to compare the performance of offices and regions with each other and over time to determine which offices and regions are consistently surpassing or failing to meet the target.

2. **The UI Division does not track the number of UI claimants who were interviewed and did not fulfill their job-search requirements**. This is important since the purpose of the job-search review is to monitor whether UI claimants are meeting their requirements to search for work. Beginning in January 2004 the Division plans to track the number of UI claimants who were interviewed and did not fulfill their job-search requirements.

WorkSource Operations Division Measures

The list of measures that the WorkSource Operation Division uses includes a mix of output and outcome measures. These gauge the percentage of UI claimants who return to work after receiving services, the percent of benefits used by UI claimants, and the workshop attendance rates of claimants. In reviewing the performance measures for the WorkSource Operations Division, we found two areas that need better measurement:

1. **There are no efficiency measures included in the list of measures for WorkSource**. An example would be a measure that tracks the cost of providing a Job Hunter workshop compared to the attendance rate.

2. **The attendance rates of the workshops in the four Employment Security regions are rolled up into one measure**. There is no way to know which of a region's workshops are heavily attended versus those that are underutilized. For example, a regional manager may want to know how well-attended the resume writing workshop is in his or her region versus the Knowing Yourself workshop. If the measure was disaggregated into the separate workshops for each office, a manager could determine which of the two workshops is better attended and assign resources accordingly.

CHAPTER FOUR – REVIEW OF EMPLOYMENT SECURITY'S PERFORMANCE MEASURES

GENERAL FINDINGS: MEASURES RELATED TO RETURN-TO-WORK INITIATIVES FOR UI CLAIMANTS

Our overall assessment of Employment Security's measures related to return-to-work initiatives for UI claimants is that the agency has a few good performance measures but the majority of their measures are not as substantive as they could be. For example, WorkSource's outcome measure of the rate of UI claimants who have received one or more employment services and have entered employment is a good measure for determining whether the agency is meeting its goal to get claimants off assistance and back to work.

However, the majority of the other measures were simply counts of claimants and the services received by those claimants. These measures could not be used to track the progress of the agency over time or used to compare the performance of regions or offices with each other. In addition, some performance measures are not disaggregated enough to be used as management tools by regional managers or local office staff.

Monitoring Program Missing Key Outcome Measure

A key outcome measure for the Job Search Review Monitoring Program is not tracked. Under RCW 50.20.240, Employment Security is mandated to monitor job-search activities of UI claimants. The Washington Legislature enacted the law because of concerns that claimants would not be exposed to the re-employment programs at the WorkSource offices once the state no longer required them to apply for UI in person. The Legislature wanted to ensure that UI claimants were continually looking for work and that Employment Security was still playing a proactive role in facilitating that process.

As part of their monitoring process, Employment Security staff must verify that a sample of claimants has been making at least three job contacts a week. Employment Security tracks the following output measures: (1) the number of claimants who attended their interviews; (2) the number excused from interviews; and (3) the number who did not report. However, it does not yet track the key outcome measure: the number of claimants found to be out of compliance with job-search requirements.[11]

No Efficiency Measures Related To Employment Service Delivery Or Outcomes

According to OFM, efficiency measures show "the relationship between inputs (dollars or staff) to output or outcomes." Efficiency measures are important because they can provide managers a way to compare the amount of effort and expenditures put into various activities in relation to

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[11] The UI Division plans to begin tracking this measure in January 2004 in response to the new Job Search Review requirements under SSB 6097 (2003).

what they get out of them. Managers can then use this information to be more efficient with their resources.

JLARC found that Employment Security did not have many efficiency measures. Currently, the UI Division uses one efficiency measure to track the number of interviews conducted per staff person. This measure reflects the relationship between inputs (staff) and outputs (interviews). We did not find any efficiency measures for the WorkSource Operations Division. One possible measure related to return-to-work initiatives for UI claimants could include the Job Search workshop cost per UI claimant participant.

Some Measures Not Substantive

JLARC found measures that did not offer insight into how well Employment Security was operating or how to best manage agency resources. For example, WorkSource tracks the orientation attendance rates of profiled claimants. Profiled claimants must attend an orientation workshop to discuss job-search strategies and to inform claimants of other workshops available at WorkSource. When we discussed the value of this measure, top management said that since WorkSource has begun measuring the orientation rate the number has gone up. WorkSource managers, however, were unable to explain what local programmatic changes took place to cause the number to increase.

In addition, a majority of the measures, as mentioned earlier, only reflect a count and cannot be used to compare performance between offices or regions or to track progress over time. For example, WorkSource tracks the number of profiled claimants receiving employment services who are referred to job openings by staff. This measure is not substantive because it does not indicate if the number of referrals is increasing or decreasing in relation to the total number of profiled claimants receiving employment services. In addition, the performance of different offices cannot be compared because the number of profiled claimants varies from area to area.

Targets

The lack of substantive measures also leads to difficulties in setting meaningful targets. Performance measure targets establish the specific performance goal for a given measure within a set time period. As such, targets set the standard for what is considered an acceptable level of performance. Targets can serve both as a tool to evaluate performance and as a motivator to help improve performance.

Some of Employment Security's measures do not have meaningful targets while others do not have targets at all.[12] For example, Employment Security wants to maintain or exceed its target of 63,300 unemployment insurance claimants who enter employment after participating in re-employment activities. This target could be more meaningful if it showed the relationship between the number of UI claimants served who entered employment and the entire UI claimant population.

In addition, Employment Security managers stated that some measures do not have targets because the agency has no control over the number of UI claimants who use re-employment services from year to year. Again, Employment Security could set targets for the **percentage** of UI claimants it wishes to serve each year. For example, Employment Security could create a

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[12] Employment Security states that it sets targets using federal standards, historical trend data, or relevant research.

target for the percentage of UI claimants who attend at least one Job Search workshop within the first ten weeks of receiving benefits.

HOW PERFORMANCE MEASURES ARE USED

Our conclusion is that while performance measures are used in various parts of the agency, they are not used in a consistent or systematic way throughout the entire organization. One situation where measures are used effectively is within the UI Division. The administrative team in this Division asks its managers to work with staff on creating budgets and proposing new initiatives. Then the administrative team looks over the budget and initiative proposals and uses performance measures to prioritize proposals. The UI Division Director meets weekly with her administrative team to discuss performance measures, targets, and strategies for improvement that individual managers are responsible for accomplishing. For example, when a call center is not meeting its performance measure related to wait time of customers on the phone, the UI Division Director will meet with the manager of that call center to discuss the reasons for the poor performance. If the center has had an increase in the volume of calls, then the UI Division Director will try to redirect resources to improve the performance of the call center.

Though we did find cases where performance measures were effectively used, we did not find that measures were consistently used to manage agency wide. However, we did find evidence that Employment Security is working to improve its overall performance measurement system.

Performance Measurement Process Unclear

Employment Security established its Office of Quality and Organizational Performance (OQOP) 18 months ago with the intention of helping train staff on the development and use of performance measures. Before the creation of this new office, staff development and external performance reporting was done by the Administrative Services Division. Other performance-related activities were being conducted by the Office of Policy and Research which tracked performance measures intended for internal management. It was apparent during our interviews that Employment Security has not developed a clearly articulated plan for the performance measurement system process outlining the roles and responsibilities for the division managers and staff.

This lack of an explicit plan has confused managers about the agency's process for developing and maintaining its overall system. For example, JLARC found that agency managers often do not know to involve the Office of Quality and Organizational Performance in meetings and discussions that relate to the agency's performance measures. At the same time, the Research and Policy Division continues to offer operational support to front-line staff in WorkSource related to performance measures.

Measures Not Disaggregated To Local Level

JLARC found that some measures that would be useful for management purposes are only available at the statewide level. Disaggregating the numbers could provide individual offices a means to monitor their own performance and compare themselves to other offices. For example, Employment Security tracks the number of claimants who are referred and report to job-search workshops. Employment Security reports to the local offices the number of claimants who attended their workshops, but does not indicate which workshops the claimants attended. In some cases, local offices have taken it upon themselves to collect and use this more detailed data.

However, these offices cannot compare their results to other offices if those offices do not collect or calculate the data in the same way.

Development Of Measures Is A Top Down Process

Finally, we observed that top managers have primary responsibility for developing performance measures. Our interviews with staff confirmed that there is a disconnect between management and staff when it comes to the development of performance measures. Local office managers and front-line staff seem to have little input into which measures are used to track progress and what targets should be set to gauge success. Some regional managers and individual offices have worked to develop their own performance measures. For example, one region, with funding from its local Workforce Development Council, hired a person to extract data from Employment Security's database. Specifically, they collect data on the referrals and services provided by each staff member. This region also measures re-employment, the type of work job seekers find, their employer, their hourly wage, and the number of hours worked per week. Providing a systematic way for front-line staff to provide input into performance measures used at the administrative level may lead to measures that better illustrate the work the agency performs.

Reporting Of Performance Measures

Performance measures serve two goals: improving efficiency in agency operations and informing those inside and outside of the agency about the work being conducted. To meet these goals, performance measures must be readily accessible and presented in a way that can be easily understood. One way of doing this is making them available on the Internet. Employment Security does not report a full list of the agency's performance measures internally on its intranet site or externally on its public Internet website.[13]

Currently, the only place where Employment Security's performance measure information is available on the Internet is through agency "Performance Progress Reports," accessible through OFM's website. We note, however, that there are only two measures for Employment Security in the OFM report, and they do not cover all the activities conducted by the agency.[14]

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[13] There are some performance measure related data reported within the divisions on the intranet site.

[14] One measure tracks the percentage of first unemployment insurance claims within 14 days, and the other measures tracks the number of WorkSource customers who enter employment following receipt of re-employment services.

CHAPTER FIVE - GENERAL CONCLUSION AND RECOMMENDATIONS

Employment Security's performance measurement process for job-search and re-employment efforts is still in the early stages of development and implementation. As Employment Security has begun to put into place some key components of a performance measurement system:

- The Senior Leadership Team develops and monitors performance measures.

- The Strategic Business Plan outlines the initiatives and performance measures that the agency uses to monitor its efforts.

- The Office of Quality and Organizational Performance provides technical assistance throughout Employment Security in developing and implementing this system.

- The Performance Management and Accountability System is intended to allow the agency to communicate its progress toward reaching targets both internally and externally starting in April 2004.

JLARC makes the following recommendations to assist Employment Security in these early stages of implementing its new performance measurement system.

RECOMMENDATIONS

Recommendation 1

To ensure the ongoing development and implementation of Employment Security's measurement system, the agency should clearly outline the components of this system and the roles and responsibilities of senior management and each division.

Legislation Required:	No
Fiscal Impact:	Minimal
Reporting Date:	September 1, 2004

Rationale/Explanation: Continued confusion among management and staff about how best to develop and support performance measures could result in a disconnected performance measurement system that does not help the agency report its progress or manage its work. Employment Security needs to decide how best to support the agency's performance management system and then make that process clear to its managers.

Recommendation 2

Employment Security should involve staff at all levels in developing, using, and reporting on its performance measures.

Legislation Required:	No
Fiscal Impact:	Minimal
Reporting Date:	September 1, 2004

Rationale/Explanation: Staff could have greater ownership of and accountability for performance measures and their targets. In addition, getting more staff input may lead to performance measures that more accurately reflect the actual work the agency performs.

Recommendation 3

Employment Security should develop substantive measures with meaningful targets and develop more efficiency measures.

Legislation Required:	No
Fiscal Impact:	Minimal
Reporting Date:	September 1, 2004

Rationale/Explanation: The more substantive the measure and meaningful the target, the more useful that measure becomes as a management tool. In addition, by developing efficiency measures the agency will be able to show the relationship between inputs and outputs or outcomes. Efficiency measures can give a clearer picture of the cost-effectiveness of programs and activities.

Recommendation 4

To promote accountability, Employment Security should provide performance measure information on both its internal and public websites.

Legislation Required:	No
Fiscal Impact:	Minimal
Reporting Date:	September 1, 2004

Rationale/Explanation: A primary purpose of performance measurement is to promote accountability. For that to occur, performance-related information needs to be both accessible and presented in a way that is understandable. Employment Security could use performance measures to show job seekers, employers, and other stakeholders how well the agency is performing on key areas of interest for those groups.

AGENCY RESPONSES

We have shared the report with the Employment Security Department and the Office of Financial Management and provided them an opportunity to submit written comments. Their written responses are included as **Appendix 2**.

ACKNOWLEDGEMENTS

We appreciate the assistance provided by Employment Security staff in conducting this review. In particular, we would like to thank staff at the Unemployment Insurance and WorkSource Operations Divisions.

Thomas M. Sykes, Legislative Auditor

This report was provided to members of the Joint Legislative Audit and Review Committee in January 2004, and was presented to the Committee at its January 7, 2004, meeting. Because the Committee did not have a quorum at the January 7th meeting, however, a formal vote to approve the report for distribution was delayed until the Committee's April 2004 meeting. On April 21, 2004, this report was approved for distribution by the Joint Legislative Audit and Review Committee.

Senator Jim Horn, Chair

APPENDIX 1 – SCOPE AND OBJECTIVES

STUDY BACKGROUND

In its 2003-2005 Work Plan, JLARC decided to examine issues pertaining to the state's fiscal reporting, accountability, and performance tracking systems. As part of this effort JLARC will conduct Performance and Outcome Measure Reviews of a number of key state agencies. The purpose of the reviews is to ensure that state agencies have effective measures in place for assessing and continuously improving performance, and to help establish budget and policy priorities. Through these reviews, JLARC will help demonstrate the accountability of state government to the public. Performance reviews of these measures have been completed for the ten major environmental programs in the Department of Ecology and for vocational rehabilitation services within the Department of Labor and Industries. The Employment Security Department and the Office of Trade and Economic Development were selected as the next agencies in this JLARC Review process.

EMPLOYMENT SECURITY DEPARTMENT

The Employment Security Department's mission is to help people succeed throughout their working lives by supporting workers during times of unemployment, by connecting job seekers with employers who have jobs to fill, and by providing businesses and individuals with the information and tools they need to adapt to a changing economy. To accomplish this mission, the Department operates eight coordinated divisions responsible for unemployment insurance and job-search activities. Employment Security's 2003-2005 biennial budget is approximately $532 million with 87 percent from the federal state trust fund, and the remaining balance from local and state resources.

STUDY SCOPE

This study will review the Employment Security Department's performance measurement system, concentrating on the measures used to monitor the job search efforts required of unemployment insurance claimants.

STUDY OBJECTIVES

(1) Determine whether the Department's performance measures are consistent with both statutory mandates (including RCW 43.88.090) and internal strategic plans.

(2) Review the process followed by the Department in developing its performance measures, including the extent of involvement of employees, employers, and other stakeholders, and if appropriate, other agencies that may operate related programs.

(3) Determine whether the Department's performance measures provide substantive information that enables assessment of the agency's performance in all key areas related to the job-search requirements. Determine if the measures are reliable, timely, and cost-effective.

STUDY OBJECTIVES (Continued)

(4) Assess the extent to which the agency makes substantive use of its performance measures in terms of:

- a. Managing resources in an efficient and effective manner;

- b. Making operational improvements to the job search process;

- c. Assessing its performance compared to external standards or benchmarks;

- d. Assisting in its budget planning, development, and allotment processes, and;

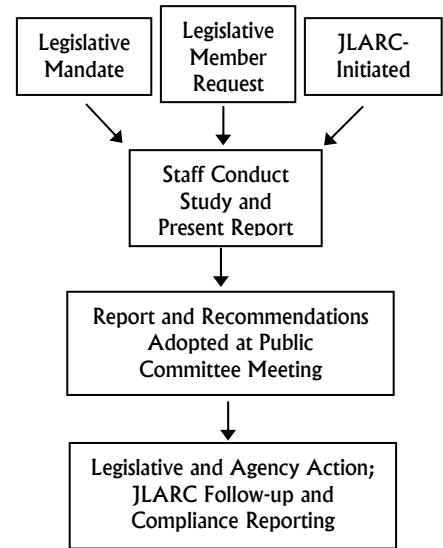- e. Reporting on performance to employers, claimants, the Legislature, and the public.

Timeframe for the Study

Staff will begin work in September 2003 and will present a preliminary report at the JLARC meeting of December 3rd, 2003.

JLARC Staff Contact for the Study

Heather Moss   (360) 786-5174   moss_he@leg.wa.gov
Isabel Muñoz-Colón (360) 786-5179   munoz_is@leg.wa.gov

JLARC Study Process

Legislative Mandate → Staff Conduct Study and Present Report

Legislative Member Request → Staff Conduct Study and Present Report

JLARC-Initiated → Staff Conduct Study and Present Report

Staff Conduct Study and Present Report → Report and Recommendations Adopted at Public Committee Meeting → Legislative and Agency Action; JLARC Follow-up and Compliance Reporting

Criteria for Establishing JLARC Work Program Priorities

➤ Is study consistent with JLARC mission? Is it mandated?

➤ Is this an area of significant fiscal or program impact, a major policy issue facing the state, or otherwise of compelling public interest?

➤ Will there likely be substantive findings and recommendations?

➤ Is this the best use of JLARC resources: For example:

> ➢ Is the JLARC the most appropriate agency to perform the work?

> ➢ Would the study be nonduplicating?

> ➢ Would this study be cost-effective compared to other projects (e.g., larger, more substantive studies take longer and cost more, but might also yield more useful results)?

➤ Is funding available to carry out the project?

APPENDIX 2 – AGENCY RESPONSES

- Employment Security Department

- Office of Financial Management

STATE OF WASHINGTON

EMPLOYMENT SECURITY DEPARTMENT

PO Box 9046 • Olympia, WA 98507-9046

December 12, 2003

Mr. Thomas M. Sykes
Legislative Auditor
Joint Legislative Audit and Review Committee
506 16th Avenue SE
Olympia, Washington 98504-0910

Dear Mr. Sykes:

Thank you for giving the Employment Security Department the opportunity to comment
on your Performance and Outcome Measure Review of our department's reemployment
activities.

We will adopt your recommendations.

*Recommendation 1: To ensure the ongoing development and implementation of
Employment Security's measurement system, the agency should clearly outline the
components of this system and roles and responsibilities of senior management and
each division.*

Legislation Required: No

Fiscal Impact: Minimal

Reporting Date: September 1, 2004

Agency Response: Concur

We agree with your recommendation.

Employment Security has had a centralized performance reporting system for some time,
however, we recognized well over a year ago that our performance management system
needed significant improvement. In part this was in order to give better information to
agency staff and managers to assist them to make good management decisions. It was
also important to help the agency be more effective in responding to the increasing focus
on performance outcomes by the Legislature, the Governor and the Office of Financial
Management.

As a result, we are in the process of implementing our new Performance Management and Accountability System. The lead in this effort is the Office of Quality and Organizational Performance, working in conjunction with staff in each of the divisions. We believe that we can use the development and implementation of this system to clearly identify roles and responsibilities of senior managers in each division.

The new Performance Management and Accountability System uses measures identified in the agency's Strategic Business Plan. We have already established some clear roles in the process of rolling out this new system. We identified point people in each division and in local regions who were trained to identify meaningful measures and how to write better performance measures, in a common performance management language. This process will be extended to WorkSource system operators in local WorkSource Centers over the next year.

The agency's Senior Leadership Team has agreed to review performance quarterly, and may adopt more frequent reviews over time. They have also agreed that budgets will be aligned with plans identified in the agency's Strategic Business Plan over the next year. The Senior Leadership Team also selects key measures form the Strategic Business Plan to include in our agency's performance agreement with the Governor.

We agree with your recommendation, particularly as it relates to measuring reemployment performance. The reemployment process is a multi-division effort and can benefit from greater clarity of roles and responsibilities. We will achieve this goal by the September 1, 2004 reporting date you suggested.

Recommendation 2: Employment Security should involve staff at all levels in developing, using, and reporting on its performance measures.

Legislation Required: No

Fiscal Impact: Minimal

Reporting Date: September 1, 2004

Agency Response: Concur

We concur with the recommendation that we should include staff at all levels in developing, using and reporting on performance measures in our reemployment effort. This recommendation addresses two issues.

One issue is how to use agency performance measures to achieve key goals, using key measures to motivate and focus staff effort all the way from line staff in TeleCenters and

local WorkSource offices up to top management. A second issue involves taking advantage of the experience of staff in many levels of the organization when measures are developed.

We agree that both of these issues should be addressed and we will work to adopt this recommendation.

Employment Security already has some key measures in programs that are used both by managers and by local staff to focus program efforts. For example, a key measure for our WorkFirst program is "Job Search to Work in 90 Days". This measure is posted on the intranet web site by office. All WorkFirst managers and staff know what the measures are and how their office is doing compared to other offices. The targets are set compared to prior targets. Managers and staff know how they are doing compared to the same month in the previous year.

In our Unemployment Insurance Division, we also use some key measures in this way. For example, our measure "First Pay Timeliness" is broken out by TeleCenter, distributed monthly to all managers, and posted in each TeleCenter so that all staff are aware of current status. Another example is "Non-monetary Determination Timeliness"—this measure is distributed, posted and disseminated in TeleCenters and adjudication sites. It is compared both to the federal standard and to the performance at other sites.

We agree that we will benefit from extending this model to our reemployment programs, and recognize the value they will provide toward increasing staff responsibility and accountability.

It is worth noting, however, that many of the measures Employment Security utilizes are federally mandated. While we have some flexibility to add measures and to ensure that they are used most effectively for management purposes (such as ensuring comparisons between office performance or prior period performance) the agency's federal measures themselves are a given. Many of our federal reemployment measures allow us to set targets. However, in our Unemployment Insurance Division, we do not have this flexibility, as all measures operate with federal targets, with the exception of Job Search Monitoring.

We have made efforts at developing new measures with extensive staff involvement. We recently completed a process for developing Claimant Placement Program performance measures and targets over and above those in the Division-wide business plan. A large team representing staff at all levels of the service delivery system worked for five months to develop the measures and targets. The recommended measures and targets for the second half of the program year (January 1, 2004 through June 30, 2004) should be approved this month and communicated to field offices around the state before the end of December for implementation January 1, 2004. The same inter-agency team will meet quarterly to review how well we are meeting the identified targets and will begin

discussions in April for targets for the next program year. One additional goal of this effort next year will be engagement of more staff in the process of setting performance measures.

Another current example of involvement of staff at various levels of the organization can be seen in the current target-setting effort in our Job Search Monitoring program. We are currently engaged in an effort to adjust targets in this program to respond to changes in the law enacted in 2ESB 6097 during the 2003 legislative session. Local offices are currently held accountable for the number of interviews they conduct per FTE. Local office managers and staff use the monthly management report to determine how to schedule interviews in order to meet their targets. In setting new targets, we have involved regional staff, selected offices (both administrators and line staff), and additional input from additional line staff. These new targets will themselves be adjusted with experience over time.

Recommendation 3: Employment Security should develop substantive measures with meaningful targets, and develop more efficiency measures.

Legislation Required: No

Fiscal Impact: Minimal

Reporting Date: September 1, 2004

Agency Response: Concur

We agree with the recommendation that we should develop more substantive reemployment measures and set meaningful targets and that we should develop more efficiency measures for reemployment services.

We also agree that additional efficiency measures need to be developed to measure our reemployment activities. You have already recognized the efficiency measure for Job Search review, "conducted interviews per FTE". We do agree that such measures have not been used consistently, nor have they been in use generally by all reemployment staff. We will develop one or more efficiency measures intended for management purposes and shared through the agency by September 2004.

Our Job Search Review Program is adding two substantive measures to the monthly report beginning in January. One is "the number of claimants reporting for the Job Search Interview with completed Job Search logs" and the other is "the number of claimants reporting for the interview with incomplete logs". Those with incomplete logs will be scheduled for a review of all weeks of unemployment benefits claimed.

Our WorkSource Operations Division is finalizing an efficiency measure for reemployment services that will track the cost per entered employment by state, region and individual WorkSource office.

The federal Department of Labor is also creating a new efficiency measure, 'cost per job order hire' and we will incorporate this measure when the it is adopted. There may be additional efficiency measures needed for management of the WorkSource system and we will work to develop them.

Recommendation 4: To promote accountability, Employment Security should provide performance measure information on both its internal and public websites.

Legislation Required: No

Fiscal Impact: Minimal

Reporting Date: September 1, 2004

Agency Response: Concur

The agency agrees with the recommendation what we provide performance measure information on both our internal intranet, available to agency staff only, and on relevant public Internet sites. We believe that much of the work needed to post performance data should be completed by September 2004.

Performance data is currently available in various sites on the agency's intranet, through our shared case management software, Services Knowledge Information Exchange System (SKIES), and through regular e-mailings to regional and local office managers. However, there is not a central site on our agency intranet nor on the agency's Internet site that contains all the measures and the data relating to them that is organized for easy access by agency staff and by the public.

Employment Security is currently rebuilding and redesigning its web presence. The new site will use a portal format that will be easier to navigate, update and modify. A revised Unemployment Insurance Internet website will be launched in January, 2004. Suitable locations already exist within this new design to present performance measure information. Likewise, a redesign of the agency's intranet website will begin in February, 2004. The Job Search Review Report will be posted on this website.

Many WorkSource Operations performance measures and results are available to field staff and management within the department. Of the thirteen measures currently being tracked, seven are available on the intranet, two available through our SKIES shared case
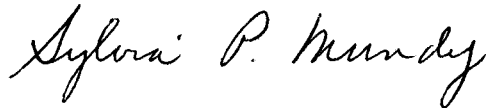
management software, and two distributed via e-mail. While information is available internally, the fact that it is not all available uniformly in a single area makes it more difficult than necessary for agency staff to access.

We will ensure that these measures are available in a single easy-to-access area on our agency intranet and on our external Internet site.

In conclusion, we want to thank you again for giving us the opportunity to comment on your report. We also want to thank you for your efforts in writing this report. We are committed to improving the focus, clarity and effectiveness of our performance management system as part of our efforts to ensure that Employment Security meets the highest standards for service quality.

Sincerely,

DR. SYLVIA P. MUNDY
Commissioner

SPM:sh

OFFICE OF FINANCIAL MANAGEMENT

Insurance Building, PO Box 43113 • Olympia, Washington 98504-3113 • (360) 902-0555

December 10, 2003

RECEIVED

TO: Tom Sykes, Legislative Auditor
            Joint Legislative Audit and Review Committee

DEC 1 1 2003

FROM: Marty Brown, Director *MB*

JLARC

SUBJECT: JLARC PRELIMINARY REPORT (EMPLOYMENT SECURITY)

Thank you for the opportunity to review and respond to the Joint Legislative Audit and Review Committee's preliminary report entitled, "Performance and Outcome Measure Review: Department of Employment Security's Unemployment Insurance Job Search Requirements."

The Office of Financial Management agrees with the conclusions of the report that the Department does not have a fully developed and implemented performance measure feedback system in place. In general, we believe JLARC's recommendations outline appropriate next steps the Department can take to begin to address current weaknesses in its performance measurement system.

RECOMMENDATION	OFM POSITION	COMMENTS
Recommendation 1: To ensure the ongoing development and implementation of Employment Security's measurement system, the agency should clearly outline the components of this system and the roles and responsibilities of senior management in each division.	Concur	
Recommendation 2: Employment Security should involve staff at all levels in developing, using and reporting on its performance measures.	Concur	
Recommendation 3: Employment Security should develop substantive measures with meaningful targets, and develop more efficiency measures.	Concur	
Recommendation 4: To promote accountability, Employment Security should provide performance measure information on both its internal and public websites.	Concur	

Again, thank you for the opportunity to provide comment on this report.

APPENDIX 3 – WASHINGTON'S PERFORMANCE MANAGEMENT SYSTEM

PERFORMANCE MEASUREMENT – A QUICK OVERVIEW

Over the past decade, the public sector has placed significant emphasis on performance measurement as part of the broader concept of *managing for results*. Indeed, a recent report noted that it has become "one of the most intensively adopted of public-sector reforms in the last decade," with virtually every state government now requiring that government regularly plan and report on performance issues.[15]

The Governmental Accounting Standards Board (GASB) notes that performance measures provide information that decision-makers can use for such activities as setting goals and objectives, allocating resources, and monitoring and evaluating results. GASB describes the ultimate purpose of performance measures this way:

> *Through the measurement, analysis, and evaluation of performance data, public officials can identify ways to maintain or improve the efficiency and effectiveness of activities and provide the public with objective information on their results.[16]*

In Washington, the Office of Financial Management (OFM) notes in its *Budget Instructions* and other materials that three main types of performance measures are particularly significant:

1. *Outcome Measures report the results of the service being provided. In its 2005-07 budget instructions, OFM identified three different types of outcome measures to describe the levels of impact it is measuring. Outcome measures are the most significant because they indicate the impact on the problem or issue the program was designed to achieve. OFM's examples include the following:*

   a. *public education: 4th grade reading test scores;*

   b. *public health: percentage of the population treated who are now free of the target disease; and*

   c. *economic development: number of jobs of a certain income level created by firms receiving assistance.*

2. *Output Measures indicate how much work has been completed. OFM's examples include:*

   a. *number of products completed or services delivered;*

   b. *caseloads or headcounts in such areas as entitlement programs, corrections, or education; and*

   c. *number of maintenance projects completed.*

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[15] The Maxwell School of Citizenship and Public Affairs, *Paths to Performance in State and Local Government*, Government Performance Project, 2002.
[16] See the Governmental Accounting Standards Board's *Performance Measurement for Government* website: http://www.seagov.org/perfmeasures/index.html.

3. _Efficiency Measures_ show the relationship between inputs (dollars or FTEs) to output or outcome. OFM's examples include

   a. cost per case completed; and

   b. number of investigations completed per FTE.

The types of measures and definitions noted by OFM above are consistent with those cited in other sources (e.g., the GASB) and used in other jurisdictions (e.g., Texas[17]).

WASHINGTON'S FRAMEWORK FOR PERFORMANCE MEASUREMENT

Requirements for state agency performance measurement and assessment activities flow both from statute and from directives issued by the Office of the Governor.

Statutory Requirements

The Legislature amended the state's Budgeting and Accounting Act in 1996 to require all state agencies to engage in strategic planning and related performance assessment activities.[18] RCW 43.88.090 lays out specific requirements:

- Agencies must define their mission, establish measurable goals, and develop clear strategies and timelines for achieving their goals.

- Agencies must establish program objectives for each major program in their budget.

- Agencies must have a process for continuous self-assessment for each program and activity.

- Agency budget proposals must integrate performance measures that objectively determine whether a program has achieved its goals.

Executive Branch Directives

In 1997, Governor Gary Locke issued Executive Order 97-03, relating to "Quality Improvement." Under this Executive Order, agencies are to develop and implement a quality improvement program, designate a person responsible for quality improvement within the agency, and establish a steering committee for quality-related activities. The order directs agencies to "utilize the tools of strategic business planning and performance measures to establish their priorities and measure their progress toward their stated goals," and to report the results of their quality programs to the governor on a quarterly basis.

The Office of the Governor also has instituted Annual Performance Agreements with cabinet-level agency directors and annual agency self-assessments as performance assessment tools.

In the summer of 2002, the Office of the Governor implemented a new budgeting strategy termed _Priorities of Government_ (POG). The process involved identifying ten primary goals across all of state government against which all spending recommendations could be measured.

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[17] Texas State Auditor's Office, _Guide to Performance Measure Management 2000 Edition_, December 1999, SAO No. 00-318.

[18] Chapter 317, Laws of 1996. The amendments enacted were one part of what had been a broader-based measure passed by the Legislature. Governor Mike Lowry vetoed most of the original measure's other provisions, which primarily dealt with creation of a new legislative committee on performance review.

The governor likely will follow this process for the 2005-07 Biennium.[19]   Although this budgeting process does not supersede the strategic planning and performance assessment requirements established in the Budgeting and Accounting Act, it may affect how they are implemented.

Role of the Office of Financial Management

As the governor's budget office, the Office of Financial Management (OFM) is the "point agency" for centralized activities related to state agency performance assessment. It issues biennial "Budget Instructions," which detail the format and overall requirements related to state agency budget submissions, including the statutory requirements referenced above.

The Budgeting and Accounting Act charges OFM with the responsibility of providing professional and technical assistance to agencies in their strategic planning and performance assessment activities. For a period of time, OFM did have a designated staff-person assigned to this role, but has not assigned a specific employee to this function since July 2002.

JLARC PERFORMANCE AND OUTCOME MEASURE REVIEWS – GENERAL THEMES[20]

In September 2003, JLARC members asked staff to develop overall observations from the four completed performance and outcome measure reviews. Although these observations are based on a sample of state government agencies, they provide a foundation for future JLARC efforts in this area. Understanding how our public agencies define and keep track of their performance gives JLARC a means to inform the Legislature and Washington's citizens of whether and how public agencies are efficient and effective in their activities.

Background

We have carried out four Performance and Outcome Measure Reviews since August 2003 at the Committee's direction—

- All ten major program areas within the *Department of Ecology* (03-9);

- The performance-based contracting at the *Department of Labor and Industries'* vocational rehabilitation services (03-11);

- The economic development and international trade programs at the *Department of Community, Trade and Economic Development* (04-1); and

- The return-to-work initiatives for unemployment insurance claimants at the *Employment Security Department* (04-2).

At the completion of these reviews, staff has compiled general areas of observation centered around the following three questions:

1. *What are good practices in developing effective performance measures?*

2. *What are the steps in creating an effective performance measurement system?*

3. *What role does agency leadership play in the effective use of these measures?*

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[19] The 2003-05 Operating Budget (Chapter 25, Laws of 2003, 1st Ex. Sess.) includes a proviso that directs OFM to report to pertinent legislative committees on the "…ten general priorities of government upon which the 2005-07 biennial budgets will be structured."

[20] In response to the committee's request, this section of the appendix was added prior to the release of the proposed final report.

1. What Are Good Practices in Developing Effective Performance Measures?

In these four reviews, we tried to assess the effectiveness of individual performance measures and identified several good practices to follow.

- *Measures should reflect key agency activities.* An effective performance measurement system should adequately reflect *all key* activities on which an agency expends its resources—staff, contractors, services. Having measures for all key areas gives a more complete picture of an agency's overall performance. When key features of what an agency carries out on behalf of Washington's citizens are missing from its performance tracking, accountability is weakened.

- *Efficiency measures should be tracked.* The Office of Financial Management has identified three major types of performance measures: outcome, output, and efficiency. While outcome measures indicate actual results of public spending and output measures indicate workload, *efficiency measures* can clearly indicate performance on a cost or time basis. Are we getting improved results from the expenditure of scarce dollars: *more outcomes, better results, and at less cost?* Such indications are key in a good set of accountability practices. Efficiency measures were not very evident in these four JLARC reviews.

- *Targets should be based on baselines and benchmarks.* Performance targets establish results to be achieved within a specific time period. Meaningful targets are based on existing performance data, as well as industry standards or benchmarks. Targets can be useful in providing realistic yet ambitious performance goals for a public agency to aim to accomplish. Individual programs within agencies should know how much of a given agency target they are responsible for achieving.

- *Measures should generally reflect a public agency's scope of control.* Performance measures should reflect an outcome over which an agency or program clearly has measurable influence. For example, growing new jobs and increasing employment is an overall goal for all of those state agencies focused on the health of the Washington economy. Yet any set of agency activities cannot be said to foster large portions of job creation in the state. An individual agency should then claim credit only for those new jobs directly linked to that agency's efforts—assistance to local businesses, fostering job training in a particular skill area, assisting the growth of a particular export-based industry.

- *Appropriate levels of detail should be available.* Developing measures that reflect a wide scope of an agency's work is helpful, but also important is to be able to drill down to various levels of detail within performance measurement data. For example, CTED distinguishes between "Puget Sound" and "non-Puget Sound" impacts for two of its international trade performance measures and notes what services are provided in rural (versus urban) counties. Such detail would be useful in other areas, such as determining specific types of trade assistance provided by CTED or identifying impacts of return-to-work training offered by the Employment Security Department.

2. What Are the Steps in Creating an Effective Performance Measurement System?

Defining an appropriate collection of measures is only the first step toward an effective performance measurement system. Any public agency should have an overall system that incorporates input from all levels of staff and, at the same time, reflects the agency's external environment and input from its stakeholders. We found the following steps reflective of an effective performance system.

- *Measures and associated roles and responsibilities should be clearly defined.* A good performance measurement system will define its measures clearly, unambiguously, and directly, so that ordinary citizens can understand those accountability measures for a particular public agency. Also important is to clearly define roles and responsibilities of agency managers and staff at all levels for achieving performance targets. For example, within the context of a set of performance measures, the Unemployment Insurance Division's director within Employment Security has clearly outlined to managers and staff their roles and responsibilities for reporting performance measures and meeting the targets associated with those measures.

- *Performance measures should be linked to an agency's strategic plan.* Performance measures should reflect upon and help carry out an agency's goals, mission, and statutory mandates. Positive achievements in performance can help ensure that the agency is fulfilling its roles and responsibilities as intended by the Legislature. For example, staff and managers in each of the ten programs in Ecology develop performance measures aligned with Ecology's overall mission and goals.

- *Development and use should include input from staff.* Any effective and dynamic performance measurement system requires input from staff at all levels of an agency. Including staff may lead to measures that better reflect the performance of major agency activities and the availability of existing data. For example, the Water Resources Program within Ecology asked for input from frontline staff for developing measures and appropriate, yet ambitious, targets for their permitting process.

- *System should take into account agency's operating environment.* A performance measurement system should incorporate input from external stakeholders. Such a process could help create measures that address the concerns of legislators, stakeholders, and the general public interested in how an agency conducts its activities and invests its human and financial resources. For example, CTED recognizes the complex set of influences from other entities in Washington focused on economic development when developing its own goals and performance measures.

3. What Role Does Agency Leadership Play in the Effective Use of Performance Measures?

After looking at how performance measures have been developed, improved upon, and used to manage key agency practices, we have concluded that agency leadership in this arena is critical and helps distinguish a robust system from one that meets minimal expectations. Agency executives need to continually improve the system, use the performance data for internal management, and share performance data with staff and stakeholders. Following are key observations about the effective use of performance measures.

- *Performance measures should be used as a key management tool.* One of the values of a performance measurement system comes from its use for internal management purposes. Performance data can serve many management purposes. At Ecology, both top agency leaders and individual program managers use performance measures extensively. The agency uses measures as part of personnel evaluations, to shape program budgets, and to highlight the practices of regions and/or offices performing at or above standards. Since staff at all levels have bought into this process, all share in documenting both individual and program improvements throughout the agency.

- *A performance measurement system should be an agency priority.* Consistent emphasis and support of performance measurement from agency executives is crucial to the success of creating and using performance measures. Specifically, measures need to be a visible and important part of the agency. In Ecology, performance measurement and assessment activities have the strong and active support of top agency management who regularly use and discuss these measures and their connection to the agency's major and substantive activities.

- *A performance measurement system should be continuously improved.* The agency must continue to re-evaluate the performance measurement system and the agency's needs for performance data, as well as share best practices on performance measurement. Agencies should regularly review their measures to determine if they are the right measures, if they yield the necessary information, and if they are useful to managers and staff. CTED has many elements of a strong performance measurement system, but lacks a focused effort to improve the system. Best practices and results in one part of the agency are not regularly shared with other parts.

- *Performance information should be communicated externally.* To help promote public accountability, performance data should be readily accessible in a way that can be easily understood. None of the four agencies reviewed by JLARC have a central place for reporting performance measures on their website to make it available to stakeholders and to the state's citizens. Improving the accessibility and transparency of performance information could improve accountability by giving citizens access to information about how their public dollars are being spent and what is being achieved through these expenditures.

APPENDIX 4 – FEDERAL PERFORMANCE MEASURES

**Employment Security Department's Federal Reporting Requirements
Related to Return-to-Work Initiatives**

Measure	Level	Type
Unemployment Insurance Division		
Currently, **none** of the federal reporting requirements for UI are related to re-employment of UI claimants.		
WorkSource Operations Division		
Number of UI claimants who received Labor Exchange services	State	Output
Number of UI claimants who received Labor Exchange services and who entered employment	State	Outcome
Of UI claimants profiled as most likely to exhaust their benefits:		
Number selected to receive services, including those who are immediately referred to services and those put on a waiting list	State	Output
Number referred to employment services	State	Output
Number exempted from mandatory employment services	State	Output
Of UI claimants who have been profiled as most likely to exhaust their benefits and who have been referred to services and are receiving services:		
Number reporting to employment services	State	Output
Number attending Orientation and Job Search Preparation workshop	State	Output
Number attending job-search workshops or job clubs	State	Output
Number receiving job-placement services and referrals to employers	State	Output
Number receiving assessment services to determine job-search service needs	State	Output
Number receiving job-search counseling	State	Output
Number referred to education and training programs	State	Output
Number enrolled in self-employment program	State	Output
Number who have exhausted their UI benefits	State	Outcome
Average UI compensation duration	State	Outcome
Average UI benefits paid	State	Outcome
Total wages earned in the period before becoming unemployed	State	Outcome
Number employed	State	Outcome
For those who are employed, the total wages earned in the period before becoming unemployed	State	Outcome
Number employed in different industry	State	Outcome
Total wages earned in quarter (3-month period) for those who are employed	State	Outcome

Source: Employment Security Department.