



January 21, 2009  
2:00 p.m. – 3:30 p.m. EST  
or conclusion of business  
Performance Committee Teleconference  
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Agenda Posted on Website

## **AGENDA**

### **MEETING OF THE PERFORMANCE COMMITTEE**

- 1. WELCOME AND INTRODUCTIONS..... Chairman, Don Gugliuzza**
- 2. PROGRAM YEAR 2008 AND BEYOND PERFORMANCE  
INCENTIVES POLICY RECOMMENDATION...Chair/Charles Williams**
- 3. PROGRAM YEAR 2008 – 2009 PERFORMANCE INCENTIVES  
POLICY RECOMMENDATION .....Chair/Charles Williams**
- 4. OTHER IDEAS AND NEXT STEPS..... Chairman Don Gugliuzza**

# **PROGRAM YEAR 2008 AND BEYOND PERFORMANCE INCENTIVES AWARD POLICY**

## **BACKGROUND:**

The WFI Board directed that incentives for the 2006-2007 program year were to be based on the basic methodology outlined in the State's previous incentive award policy using current measures where available. Additionally, a RWB/State-staff—Performance Incentive Workgroup was established to develop recommendations for a revised incentive award policy for 2008 and beyond based on the Balanced Scorecard and its measures. The working group drafted initial recommendations which were distributed for input. Original plans called for the working group's recommendations and comments to be forwarded to the WFI board for final action. However, due to WFI Board transition, restructuring, and other priorities, neither the Board nor a subgroup of Board members has been able to take action to draft a revised incentive award policy. However, much of the intent of RWB/State staff incentive working group's recommendations was included in the Program Year 2007 - 2008 performance incentives distribution methodology. The instrument for capturing the performance for incentives is the Balanced Scorecard 2.0. (Performance Incentives Workgroup Recommendations are enclosed as ATTACHMENT 1.)

With new WFI Board appointments and reorganization of the board's committees, the incentive award policy for Program Year 2008 and beyond has been assigned to the Performance Committee.

## **RECOMMENDATIONS:**

- 1. Recommend that the Performance Committee direct WFI Staff to arrange a Balanced Scorecard 2.0 SWOT meeting prior to the February Partner's Meeting**
- 2. Recommend that the Performance Committee direct WFI Staff to establish a Balanced Scorecard 2.0 task force of AWI/RWB/Economic Development practitioners to establish performance objectives for Balanced Scorecard 2.0, additionally, to develop draft work products for the Performance Committee's review.**

**The Incentive Award Policy will be developed after development of Balanced Scorecard 2.0 performance instrument.**

## **PROGRAM YEAR 2008 – 2009 PERFORMANCE INCENTIVES POLICY**

### **BACKGROUND:**

The WFI Board a RWB/State-staff working group was established to develop recommendations for a revised incentive award policy for Program Year 2008 and beyond based on the Balanced Scorecard and its measures. The Performance Incentive Workgroup drafted initial recommendations which were distributed for input. Original plans called for the working group's recommendations and comments to be forwarded to the WFI board for final action. Due to WFI Board transition, restructuring, and other priorities, neither the Board nor a subgroup of Board members has been able to take action to draft a revised incentive award policy. With new WFI Board appointments and reorganization of the board's committees, the incentive policy for Program Year 2008 and beyond has been assigned to the Performance Committee. As a result of circumstances, program year 2008 - 2009 is half over without a revised incentive award policy. Therefore the following is recommended for Program Year 2008 – 2009 Performance Incentives. (Program Year 2007 – 2008 Performance Incentives methodology is enclosed as ATTACHMENT 2)

### **RECOMMENDATION:**

**Due to timing and redesign of the performance instrument—Balanced Scorecard 2.0, and development of a new incentive policy, it is recommended that the Workforce Readiness and Performance Council recommend to the WFI Board of Directors or Executive Committee that the amended incentive award policy and methodology that was used for distribution of the 2007-2008 incentives be carried forward for the 2008-2009 Program Year performance.**

# ATTACHMENT 1

## Balanced Scorecard/Incentive Policy Working Group

### Draft Report

#### Working Group Recommendations

March 25, 2008

#### Incentives for Composite Rankings:

This issue was not directly addressed in the regional survey conducted by the Balanced Scorecard/Incentive Policy Working Group but it was part of the Balanced Scorecard approach approved by the WFI board. As approved, the Balanced Scorecard Report summary page displays composite rankings for all measures within a funding area: Wagner-Peyser, WIA, and Welfare Transition. As it relates to incentives, the issue is whether financial incentive awards should be tied wholly or in part to these composite rankings.

#### Working Group Recommendation:

Continue an approach based only on the individual measures and do not use the composite rankings for incentives.

#### Amount of Incentive Award:

There has been a long-standing discussion as to whether the size of region or their share of formula funds should be taken into account in determining the amount of the incentive awards based on level of performance. After considerable discussion, the WFI board phased in an approach based totally on equal shares, as the previous policy. However, the argument continues to be made that the large regions more greatly impact the total statewide outcome due to their size and that this fact should be considered in some manner.

Regional Survey Results: 17 of 19 respondents in the regional survey supported the continuation of the approach that awards incentives in equal shares.

#### Working Group Recommendation:

Continue to award incentives in equal shares based on the approach outlined in the recommendations below.

#### Benchmarks:

Regional Survey Results: 16 of 19 respondents were in favor of establishing a benchmark approach. Since that time, the Working Group members have discussed various options for establishing benchmarks including approaches based on the goals established for the federal measures as well as other alternatives for establishing statewide benchmarks and various formulae options for calculating the incentive awards.

#### Working Group Recommendation:

Use the prior year's state average as the benchmark for each measure.

Divide the incentive funds equally among the measures to be rewarded. Award  $\frac{1}{2}$  the funds in equal shares to all RWBs that meet the benchmark. For each measure, award the second  $\frac{1}{2}$  of the funds in equal shares up to a cap of \$125,000 per RWB to those RWBs who exceed the benchmark by 5% or more.

Should no RWB's performance exceed the benchmark by 5% or should there be left over funds due to the \$125,000 cap, award the unearned funds in equal shares to those RWBs that meet the benchmark.

Note: There was also a consensus among the working group that we need to establish a criterion to define a "statistical tie" in order to avoid the situation that has come up in the past where an RWB misses a cut by a fraction

of a percentage point. Based on its review, the Working Group recommends that the calculations be rounded to the nearest 1/10.

## **ATTACHMENT 1**

### **Reward for Improvement:**

Regional Survey Results: 10 of 19 respondents were not in favor of rewarding improvement; 8 respondents were in favor of rewarding improvement in some way; and 1 respondent was not sure. Since that time, the working group continued to discuss the pros and cons of the issue. The Working group looked at various possibilities for allocating incentive dollars to reward improvement and they also discussed the possible options for defining the level of improvement necessary to qualify for an improvement incentive.

### **Working Group Recommendation:**

No improvement award should be developed for the current 2007-2008 Program Year. The issue of whether or not to reward improvement in addition to rewarding the outcomes for each individual measure should be deferred and referred to WFI Board to consider as an option beginning next year. In making its decision the WFI Board should consider the availability of funds and the relative importance of reserving a portion of the incentive funds to reward improvement vis-à-vis reserving all the incentive dollars to reward the balance scorecard measures.

### **Threshold Indicators:**

Regional Survey Results:

12 to 14 of the 19 respondents were in favor of continuing the 3 current expenditure criteria as qualifiers for incentives. Since that time this has also been the consensus of the working group.

12 of the 19 respondents would not use the Welfare Participation Rate as qualifier for incentives and since that time it has been the consensus of the working group to refer this issue to a subgroup of the WFI career council for its input and recommendation.

9 of 19 respondents were in favor of using the Youth Diploma Attainment Indicator as a qualifier for incentives; 7 respondents were against; and 3 respondents indicated they were not sure.

14 of the 19 respondents were in favor of using the Level of Service Indicator for All Customers as a qualifier for incentives but the issue has continued to be discussed.

13 of the 19 respondents were also in favor of using the Level of Service Indicator for Special Customers as a qualifier for incentives but the pros and cons of this have continued to be discussed as well.

### **Working Group Recommendations:**

Defer the use of both the level-of-service indicators as qualifiers for incentives for a least one more year.

Consider making the Welfare Participation Rate a measure linked to incentives rather than a yes/no threshold indicator.

### **The Set Aside of TANF funds for Incentives:**

Regional Survey Results: 10 of the 19 respondents were in favor of setting aside TANF funds for incentives but some respondents qualified their response by indicating that they would not favor the setting aside of dollars that could otherwise be passed on to the local RWBs for the provision of services. The pros and cons of the issue continue to be discussed and debated. A subcommittee of the WFI Board's Career Council will discuss the issue and provide further input and/or recommendations to the Balanced Scorecard/Incentive Policy Working Group.

### **Working Group Recommendation:**

Set aside some amount to reward performance for Welfare Transition even if the amount is modest or limited to the participation rate or the measure of greatest priority,

## ATTACHMENT 1

### The Identification of which Balanced Scorecard Measures are to be tied to financial incentives:

In the past, not all short-term Red & Green measures or federal long-term measures were tied to incentives. However 9 of the 13 Balanced Scorecard are the same measure, or are directly related to measures, that were tied to financial reward under the previous incentive policy. The regional survey asked respondents to rank each of 13 Balanced Scorecard measures as to the priority order in which the measure should be tied to financial incentive, 1 being top priority and 13 being the lowest priority. Respondents were also asked which if any of the measures should be excluded. No more than 4 respondents suggested that any one measure should be excluded. The following are the average rankings for each measure from the survey responses:

Corrected Table

MEASURE	AVERAGE RANKING
Entered Employment Rate (WIA)	4.06
Job Seeker Entered Employment (Wagner-Peyser)	5.67
Youth Positive Outcome Rate (WIA)	5.83
Employment Retention Rate (WIA)	6.11
Customer Satisfaction - Employers	6.28
Welfare Closed Case Outcome Rate	6.38
Veterans Entered Employment (Wagner-Peyser)	6.56
Entered Employment Earnings Rate (WIA)	6.78
Customer Satisfaction – WIA Participants	7.11
Welfare Transition Earnings Rate	7.69
Welfare Transition Retention Rate	8.13
Customer Satisfaction – Job Seekers (Wagner-Peyser)	8.33
Youth Average Grade Level Gain (WIA)	9.00

### Working Group Recommendation:

Tie all the Balanced Scorecard Measures to financial incentives with the exception of the two earnings rate measures that have been excluded under the previous policy due to factors related to differences in local economies. The Youth Average Grade Level Gain measure would not be tied to incentives until next year once sufficient data becomes available. Also incentives tied to the two welfare transition measures are contingent upon the decision whether or not to set aside TANF funds for this purpose. No TANF funds have been set aside for incentives for the current 2007-2008 Program Year.

## ATTACHMENT 2

### **WORKFORCE READINESS AND PERFORMANCE COUNCIL** **Action Item 1**

#### **BALANCED SCORECARD INCENTIVES FOR 2007-2008 PERFORMANCE**

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Since the initial year-end Balanced Scorecard Report was informational only, the WFI Board directed that incentives for the 2006-2007 year were to be based once more on the State's previous policy. An RWB/State-staff working group was established to develop recommendations for a revised Incentive award policy based on the Balanced Scorecard. The working group drafted initial recommendations which were distributed for input. Original plans called for the working group's recommendations and comments regarding the recommendations to be forwarded to the WFI board for final action. Due to the attention demanded by funding reduction and other pressing issues neither the Board nor a subgroup of Board members has been able to take action to draft a revised incentive policy. As the year 2007 - 2008 Program Year has now ended a final decision has to be made on the award of incentive funds for 2007 - 2008 performance. \$2,000,000, from state-level WIA funding and \$1,000,000 from Wagner-Peyser funding has been approved by WFI Board and set aside to award incentives for 2007-2008 performance. No Welfare Transition funding was reserved for incentives for the year.

Now with new WFI Board appointments and reorganization of the board's committees, it will not be possible to move forward with the finalization of a comprehensive revision of the state's incentive policy in the short turn around required for the timely reward of the 2007-2008 incentives. Therefore the following recommendation has been developed as interim solution for the award of the 2007-2008 incentive dollars. This recommendation makes those modifications to the previous incentive award policy necessary to align it with the Balanced Scorecard Report and other recent developments.

#### **PREVIOUS STATE INCENTIVE POLICY**

Based on the State's previous incentive policy (Issued June 2002) incentives funds were set aside for each short-term and long-term measure. 50% of available incentive funds set aside for each measure were awarded in equal shares to each RWB that met its negotiated performance goal, met the State's minimum expenditure requirements, and whose performance for the measure ranked above the lowest quartile. The remaining 50% of incentive funds set aside for each measure were awarded as a bonuses to those RWBs whose performance was in the top quartile for the measure.

The previous policy identified 4 WIA and 2 Wagner-Peyser related short-term measures and 4 WIA and 1 Wagner-Peyser related long-term measures. Typically two separate awards were made based on the availability of the data for the short-term measures as opposed to that for the long-term measures. Data for the short-term measures was generally available by September-October while data for the long-term measures first became available December-January.

The minimum expenditure requirements included in the previous incentive policy were based on state and/or federal law and included:

- State 90% Expenditures on Direct Services Requirement
- State 50% ITA Expenditure Requirement for WIA Adults and Dislocated Workers
- Federal 30% Out-of-School Requirement

## ATTACHMENT 2

### STAFF RECOMMENDATIONS FOR INTERIM APPROACH FOR THE AWARD OF INCENTIVES FOR 2007-2008

1. Continue the provisions of the previous incentive policy as it relates to equal shares, bonuses, the minimum expenditure requirements, and the distribution of and/or disqualification for incentives based on quartile rankings with the exception of the customer satisfaction measures.
2. Difficulties have come up with the local-level Customer Satisfaction Measure data and RWB outcomes for PY 2007-2008 cannot be adequately validated. Therefore, remove these measures from the competitive award based on quartile and rankings and allow all RWBs to share equally in the rewards for the 3 measures, as the more valid state-level data indicates that the state as whole ranks very well in customer satisfaction.
3. As the previous policy was based on the approach related to the now discontinued Red and Green Report, modify the list of short-term and long-term measures to be rewarded based on the way data is now collected for the Balanced Scorecard, AWI Monthly Management Report (MMR) and federal quarterly reports:

#### Short-Term Measures

WIA – Entered Employment Rate (As now reported for the Balanced Scorecard this is a combination of the separate Red and Green short-term measures for Adults and Dislocated Workers.)

WIA – Adult Employed Worker Outcome Rate (Unchanged, as formerly reported by the Red and Green and currently continued by the MMR.)

Customer Satisfaction – WIA Participants (Unchanged, as reported for the Red and Green and continued for the Balanced Scorecard.)

Wagner-Peyser Entered Employment Rate (Unchanged, based on the federal quarterly report and as substituted last year for the former Red and Green measure.)

Wagner-Peyser Customer Satisfaction – Employers (Unchanged, as reported for the Red and Green and continued for the Balanced Scorecard.)

Wagner-Peyser Customer Satisfaction – Job Seekers (As reported for the Red and Green and continued for the Balanced Scorecard but heretofore not tied to performance reward. Recommended by the RWB/State staff working group.)

#### Long-term Measures:

WIA – Employment Retention Rate (As now reported for the Balanced Scorecard this is a combination of the separate Red and Green short-term measures for Adults and Dislocated Workers.)

WIA – Older Youth Retention Rate (Unchanged, as reported on the federal quarterly reports.)

WIA - Younger Youth Retention Rate (Unchanged, as reported on the federal quarterly reports.)

Wagner-Peyser Employment Retention Rate (Unchanged, as reported on the federal quarterly reports.)

4. Use the Balanced Scorecard methodology for reporting the four most recent calendar quarters for which data is available. This will allow us to make incentive awards for both the short-term and long-term measures in a timelier manner rather than having to wait until the end of the calendar year in order to reward part of the incentive dollars.

5. Divide the total WIA funds set aside in equal shares for each of the WIA short-term and long-term WIA measures to ensure that the funds are not disproportionately allocated to the long-term measures. (An allocation of \$333,333 per measure)
6. Divide the total Wagner-Peyser funds set aside in equal shares for each of the Wagner-Peyser short-term and long-term WIA measures to ensure that the funds are not disproportionately allocated to the long-term measures. (An Allocation of \$250,000 per measure)