

1 **Discussion, Consideration, and Possible Action Regarding Local Workforce Development Area**
2 **Performance Expectations for Board Contract Year 2021 and BCY2022**

3 **Introduction**

4 Today, staff present BCY22 performance expectation recommendations for non-childcare and non-WIOA Statutory
5 measures and recommendations to adjust some BCY21 targets:

- 6 • Three Career & Training WIOA-based Measures:
 - 7 ○ Employed/Enrolled Q2 Post-Exit – All Career & Training (C&T) Participants
 - 8 ○ Employed/Enrolled Q2-4 Post-Exit – All C&T Participants
 - 9 ○ Credential Rate – All C&T Participants
- 10 • Choices Full Engagement Rate
- 11 • # of Employers Receiving Workforce Assistance
- 12 • Claimant Reemployment within 10 Weeks

13 **BCY21 Targets Adjustments for Two WIOA-Based All Participant Measures**

14 Staff have analyzed performance data on two WIOA-based outcome measures to try to determine whether the drop
15 in performance exhibited on the measures was the result of poor performance (i.e., service) or the COVID-19
16 pandemic. Although we found some evidence of softening performance in the 1st quarter of BY21 which was
17 unrelated to the pandemic, the reductions we saw in the last three quarters was very clearly significantly impacted
18 by the pandemic.

19 The pandemic is an unprecedented event in our lifetime and it had an unprecedented impact on employers,
20 individuals, families, and communities in Texas (and thus system performance) for at least three major reasons:

- 21 1) The disease was not well-understood and evolving information made it difficult to mitigate its impact;
- 22 2) The federal government dramatically enhanced Unemployment Insurance benefits and issued stimulus
23 checks; and
- 24 3) Many parts of the state were under extended lockdowns or business capacity constraints imposed by local
25 governments.

26 Together, these had a significant impact on business, employment and general economic activity unlike any which
27 has ever been experienced.

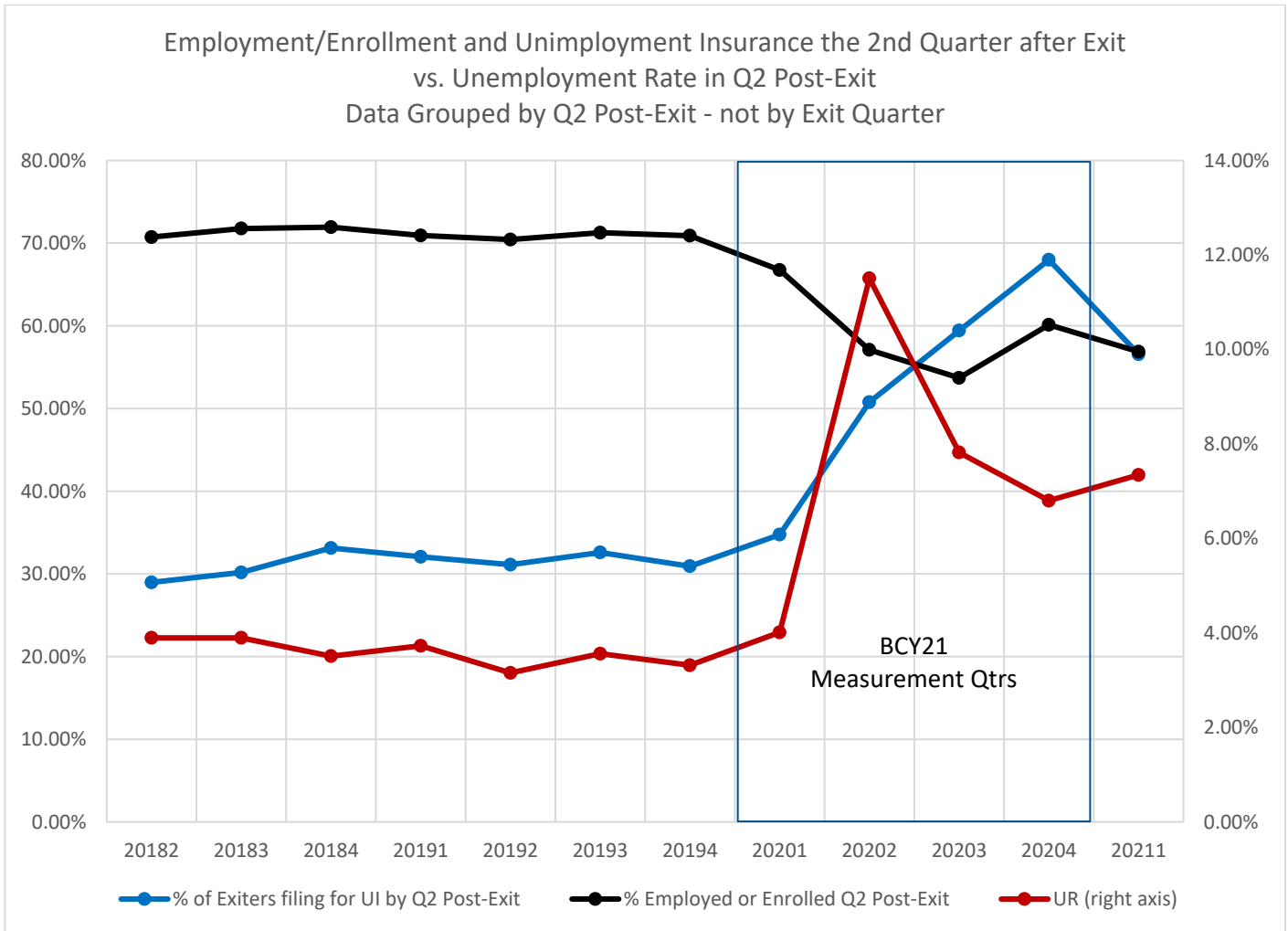
28 Performance Accountability ideally both drives and recognizes achievement. This is particularly true in periods of
29 economic stability or improvement. But in periods of instability, the focus often shifts to evaluating the levels of
30 achievement relative to changes in factors outside of control such as the pandemic.

31 Staff analyzed data to estimate how much performance should have changed because of the pandemic and the
32 dramatic increase in unemployment that it brought and developed recommendations based on this analysis. The
33 recommendations are not tied to a “desired outcome” such as ensuring that at least X% of all Boards pass a measure.
34 They are tied to our estimates of how much performance “should have dropped” and applying that to the original
35 targets. In particular, we focused on the primary employment-based outcomes of:

- 36 • Employed/Enrolled Q2 Post-Exit – All C&T Participants
- 37 • Employed/Enrolled Q2-4 Post-Exit – All C&T Participants

38 Because of lag Congress built into WIOA-based measures, 74.8% of those included in BCY21 performance for the Q2,
39 exited services prior to the pandemic (July 2019 – March 2020) and 100% of those included in BCY21 for the Q2-4
40 measure had exited services prior to the pandemic (January 2019 – December 2019). However, by the time they
41 reached second and/or fourth quarters after that exit for measurement conditions we were measuring the results of
42 pre-pandemic services during the heaviest portion of the pandemic, where its impact would be expected to be
43 greatest.

1 If you look at the seven measurement quarters prior to the pandemic, you can clearly see that the system was
 2 performing at a high, stable level with 70% to 71% of Exitters employed or enrolled in education in quarter 2 post-exit
 3 and only 29-33% of Exitters typically filed for Unemployment Insurance by the 2nd quarter after exiting services.
 4 That changed dramatically in BCY21 when the percent of Exitters who had filed for Unemployment Insurance by the
 5 second quarter after exit rose to 34.74% for the 1st quarter (likely not pandemic-related), then to 50.77%, to 59.42%,
 6 and finally to 67.98% in the 3 subsequent quarters). That is, in the 2 years prior to the pandemic less than one third
 7 of those we served had filed for unemployment insurance by the second quarter after exit. However, in the four
 8 quarters covered by BCY21, 53% of Exitters had filed for UI by the second quarter. If we only focus on the last three
 9 quarters of BCY21 – the quarters where Q2 occurred during the pandemic – it was 58.7%.
 10 This chart shows the trends focusing on the second quarter after exit:



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 12 This table provides the data in the above graph in a more accessible format:

	20182	20183	20184	20191	20192	20193	20194	20201	20202	20203	20204	20211
% Employed or Enrolled Q2 Post-Exit	70.7%	71.8%	71.9%	70.9%	70.4%	71.3%	70.9%	66.8%	57.1%	53.7%	60.1%	56.9%
% of Exitters filing for UI by Q2 Post-Exit	29.0%	30.2%	33.1%	32.1%	31.1%	32.6%	30.9%	34.7%	50.8%	59.4%	68.0%	56.6%
UR (right axis)	3.9%	3.9%	3.5%	3.7%	3.2%	3.6%	3.3%	4.0%	11.5%	7.8%	6.8%	7.3%

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1 The correlation between the percent Employed/Enrolled Q2 Post-Exit and the Percent of Exitters filing for UI by Q2
 2 after Exit is very strong; each 1 percentage point increase in the Exitters filing for UI by Q2 generally results in a
 3 reduction of .654 percentage points in performance on the official Employed/Enrolled Q2 Post-Exit measure. Staff
 4 recommends adjusting BCY21 targets using this correlation. Given that the measurement quarter for the 1st cohort of
 5 BCY21 Exitters was prior to the pandemic, staff recommend only adjusting the targets for the last 3 quarters of BCY21
 6 performance (and to do so using the correlation described above).

7 The same type of analysis revealed an even stronger correlation between the Employed/Enrolled Q2-Q4 Post-Exit
 8 measure and the Percent of Exitters filing for UI by the fourth quarter after exit. For every 1 percentage point
 9 increase in the Exitters filing for UI by the fourth quarter after exit there is generally a reduction of .949 percentage
 10 points in performance on the official Employed/Enrolled Q2-Q4 Post-Exit measure.

11 With that in mind, we recommend BCY targets be adjusted as follows:

Employed / Enrolled Q2 Post-Exit	BCY21 Q1	BCY21Q2	BCY21Q3	BCY21Q4	BCY21
Original Target	65.6%	65.6%	65.6%	65.6%	65.6%
% Change in Exitters Filing for UI by Q2	NA	16.03%	8.65%	8.55%	NA
Recommended Target	65.6%	55.1%	60.0%	60.0%	60.2%

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Employed / Enrolled Q2-Q4 Post-Exit	BCY21 Q1	BCY21Q2	BCY21Q3	BCY21Q4	BCY21
Original Target	81.7%	81.7%	81.7%	81.7%	81.7%
% Change in Exitters Filing for UI by Q4	NA	8.75%	2.10%	4.63%	NA
Recommended Target	81.7%	73.4%	79.7%	77.3%	78.0%

13 These three measures are all part of TWC’s state measures reported to the Governor and Legislature thru the
 14 Legislative Budget Board.

15 **BCY22 Targets for WIOA-Based All Participant Measures**

- 16 • Employed/Enrolled Q2 Post-Exit – All Participants
- 17 • Employed/Enrolled Q2-4 Post-Exit – All Participants
- 18 • Credential Rate – All Participants

19 These three measures are all part of TWC’s state measures reported to the Governor and Legislature thru the
 20 Legislative Budget Board. Normally staff recommend Board targets be set at the levels in the Legislative
 21 Appropriation Request (LAR). This is what staff originally proposed and the Commission approved for BCY21.
 22 However, the LAR estimates for BCY21 were set about four months into the pandemic and we didn’t have data to
 23 show how it and the responses to it would impact performance. We had to make a best guess and estimated high on
 24 the two Employed/Enrolled measures (as discussed above in the section on BCY21 adjustments).

25 With the benefit of more data and analysis, we now see that performance dropped lower than originally estimated
 26 and is likely to return to prepandemic levels more slowly than initially anticipated on two of the measures and staff
 27 recommends targets as follows

- 28 1) BCY22 Employed/Enrolled Q2: 63.3% (halfway between reset BCY21 Target of 60.2% and BCY22 LAR Target
 29 of 66.8%)
- 30 2) BCY22 Emp/Enr Q2-Q4: 80.25% (halfway between reset BCY21 Target of 78.0% & BCY22 LAR Target of
 31 82.5%)
- 32 3) BCY22 Credential Rate: 70.1% (BCY22 LAR Target)

33 **BCY22 Targets for Choices Full Engagement**

34 Because HHSC waived Choices Participation requirements for nearly the entirety of BCY21, the TWC did not set a
 35 target on the Choices Full Work Rate measure. However, had the pandemic not occurred, we would have
 36 recommended setting it to 50% which is consistent with federal participation requirements and with past targets.
 37 HHSC reinstated participation requirements in August 2021 and staff have been communicating to the Boards the
 38 need to ramp the Choices program back up.

1 However, when TWC didn't set a target for BCY21, we emphasized to the Boards that the pandemic was as an
2 opportunity to make the Choices program more attractive to Choices families and provide more value to Texas
3 employers by supporting some Choices participants in short-term education or training in order to better prepare
4 them for work – such as in a Middle Skills occupation. It will be possible to meet participation requirements through
5 employment or education/training or a combination of both.

6 Staff recommends renaming this measure the Choices Full Engagement Rate and setting targets at 50%.

7 **BCY22 Target Methodology for # of Employers Receiving Workforce Assistance**

8 For the last several years, we've set targets for this measure by setting two subtargets:

- 9 1. Number of employers in each Local Workforce Development Area that we expect TWC to serve (primarily
10 through the Work Opportunity Tax Credit program); and
11 2. Number of employers we expect to be served locally (either by local staff or self-service by the employers).

12 "Served" means the employer received one of the following services:

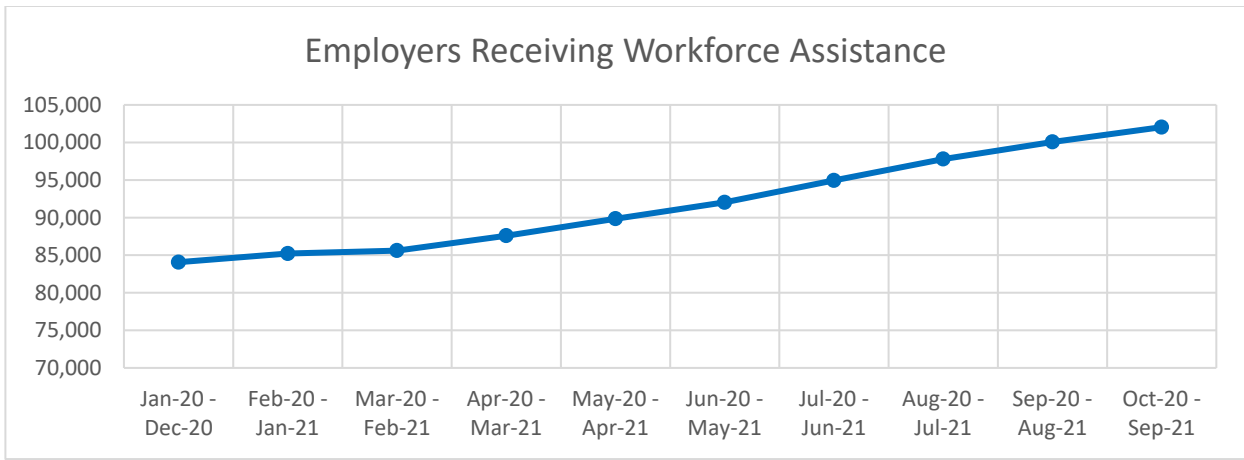
- 13 • Taking job postings
14 • Providing specialized testing to job seekers on behalf of an employer
15 • Performing employer site recruitment
16 • Job Fairs
17 • Providing employer meeting or interview space
18 • Providing customized or incumbent worker training
19 • Entering into a subsidized/unpaid employer agreement
20 • Providing Rapid Response
21 • Job Development (if recorded with a valid UI Tax ID)
22 • WOTC
23 • Other services provided to employers for a fee

24 What this means, however, is that if TWC's contribution is less than expected, it could set a Board up to fail to meet
25 their target. Conversely, if TWC's contribution is greater than expected, a Board could have failed to meet their local
26 target and yet be shown as meeting. This methodology allows staff to adjust the targets by updating the subtarget
27 for "TWC Only" served employers from what was expected to what happened. This ensures that final accountability
28 will only be based on the "Local Target" and local performance. If a Board meets their Local Target, they will meet
29 the measure – no matter what happens with the TWC-served employers. And the reverse is also true: if a Board fails
30 to meet their Local Target, they will be considered to have missed performance on the measure regardless of how
31 many employers TWC serves.

32 Normally, the way that the local targets are set is by looking at the change in the number of employers in the Board
33 area. If the Board sees a 3% increase in employers, we would increase their target by 3% from the prior year.

34 However, staff do not believe this is appropriate for BCY22 for 2 reasons:

- 35 1) Most Boards are significantly exceeding their "traditional" targets which means that it is time to re-baseline
36 the measure. In fact, the system has been seeing rolling 12 month performance increasing by 2000
37 employers or more from one 12 month period to the next (meaning comparing two 12 month periods that
38 have 11 months of overlap, we're regularly seeing a 2000 employer increase in the number being served):



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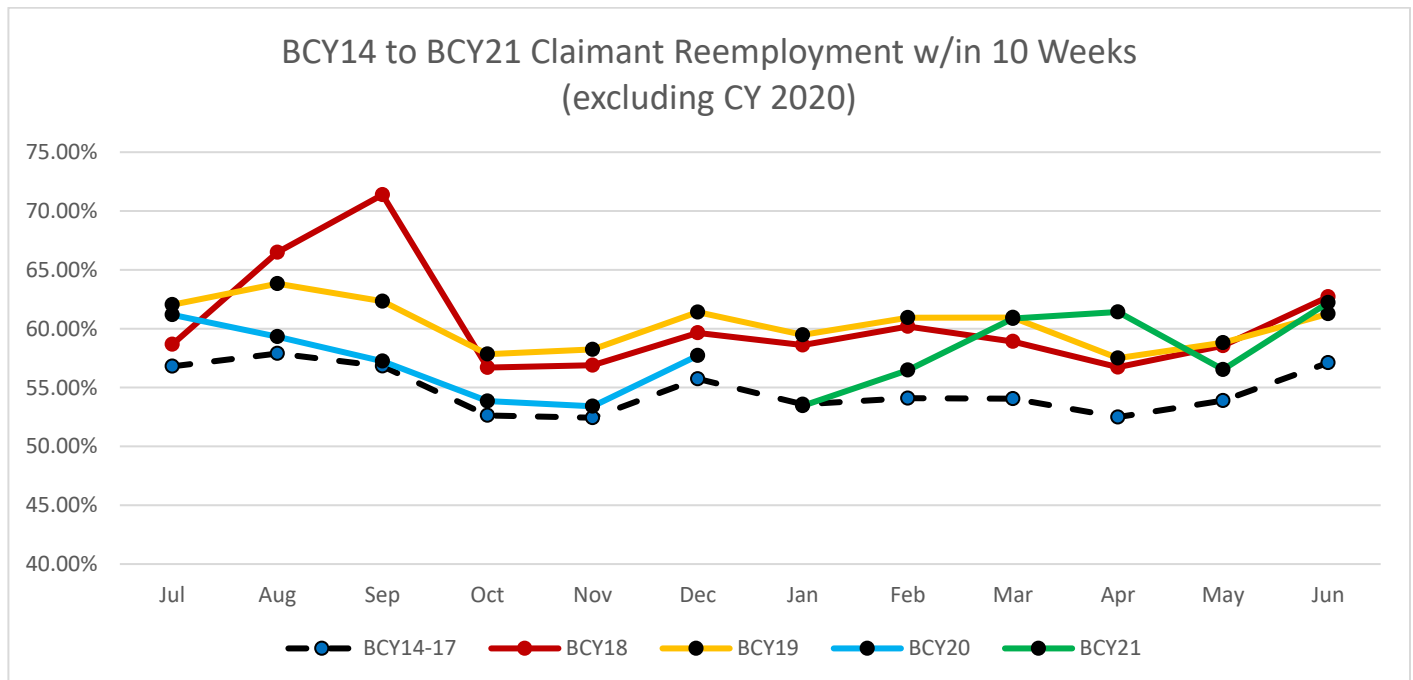
2) Employer demand for workers in Texas has perhaps never been higher. Many employers not currently using the system may be interested in doing so as another avenue to find and hire talent given that high demand.

BCY22 clearly seems like an opportunity to recruit more employers to work in the system. If we serve them well, then they will continue to use the system. If job seekers find good jobs through WorkInTexas, they will be more likely to continue using the system. More employers with a wide variety of job opportunities makes the system more attractive for job seekers and helps the system better understand employer needs allowing it to tailor efforts and priorities to meet those needs. More job seekers with more varied skills and experience makes it more likely that the system can help employers which makes it more attractive to them.

Given the current trend in employers receiving workforce assistance and the incredible (and likely to be sustained) demand for workers as employers come out of the pandemic, staff recommend that we set Local Targets 10% higher than BCY21 actual performance. All but 4 boards saw at least a 10% increase in employers receiving workforce assistance from CY2020 through the period October 2020 to September 2021 and those that were below 10% were still up between 6.5 and 8%. Further, in per-pandemic periods, these Boards had achieved comparable levels of performance to what we're proposing for BCY22. Page 7 shows the proposed Local Targets for each Board.

BCY22 Targets for Claimant Reemployment within 10 Weeks

Performance on this measure has returned to its pre-pandemic levels:



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1 We recommend going back to the old target model which accounts for differences in performance by casemix tied to
 2 different types of claims (UCX, Federal, Oil-Gas, Other, Missing) since each has its own return to work profile. This
 3 model sets subtargets around those claim categories to aggregate up to 60% which has been our cap for some time.

Breakouts/Analysis (1st half of BCY19, 2nd half of BCY21)	UCX	Fed	Oil-Gas	Other	Unknown	Total
Performance	48.88%	52.83%	56.44%	58.16%	50.40%	57.82%
Sub Performance as % of Total	84.54%	91.37%	97.60%	100.58%	87.16%	100.00%
% of Denominator	0.86%	1.13%	8.67%	85.88%	3.46%	100.00%
Sub Targets & Base Target	50.72%	54.82%	58.56%	60.35%	52.29%	60.00%

4 **Commission Request**

5 Staff request the Commission approve staff-developed target methodologies (as described above) to adjust BCY21
 6 and set BCY22 targets for the following measures:

- 7 • Employed/Enrolled Q2 Post-Exit – All Career & Training Participants (BCY21 & BCY22)
- 8 • Employed/Enrolled Q2-4 Post-Exit – All Career & Training Participants (BCY21 & BCY22)
- 9 • Credential Rate – All Career & Training Participants (BCY22)
- 10 • Choices Full Engagement (BCY22)
- 11 • # of Employers Receiving Workforce Assistance (BCY22)
- 12 • Claimant Reemployment within 10 Weeks (BCY22)

Initial Employer Workforce Assistance Targets using Methodology outlined on Pages 3 and 4

Board	#	BCY21 Total Performance	BCY21 Served by TWC Only	BCY21 Locally Served	BCY20 Employers	BCY21 Employers	% Change in Employers	"Normal" Local Target	BCY22 Local Target	BCY22 TWC Target
Panhandle	1	2,085	500	1,585	12,268	12,319	0.42%	1,772	1,744	500
South Plains	2	2,142	550	1,592	11,790	11,868	0.66%	1,724	1,751	550
North Texas	3	1,307	331	976	5,845	5,937	1.57%	993	1,074	331
North Central	4	8,452	1,860	6,592	66,907	70,350	5.15%	8,252	7,251	1,860
Tarrant County	5	5,118	1,573	3,545	45,765	47,253	3.25%	5,851	3,900	1,573
Dallas County	6	10,201	1,740	8,461	79,124	81,145	2.55%	10,161	9,307	1,740
North East	7	1,654	471	1,183	6,810	6,885	1.10%	1,450	1,301	471
East Texas	8	3,564	809	2,755	20,711	20,705	-0.03%	2,847	3,031	809
West Central	9	1,884	532	1,352	8,833	8,890	0.65%	1,625	1,487	532
Borderplex	10	4,952	1,120	3,832	16,439	16,746	1.87%	3,568	4,215	1,120
Permian Basin	11	2,227	629	1,598	15,244	15,156	-0.58%	1,835	1,758	629
Concho Valley	12	960	267	693	4,661	4,660	-0.02%	1,075	762	267
Heart of Texas	13	1,856	500	1,356	7,719	7,847	1.66%	1,147	1,492	500
Capital Area	14	6,662	961	5,701	44,202	46,939	6.19%	4,750	6,271	961
Rural Capital	15	3,937	960	2,977	22,861	24,278	6.20%	3,030	3,275	960
Brazos Valley	16	2,169	456	1,713	7,768	7,959	2.46%	1,089	1,884	456
Deep East	17	2,345	479	1,866	7,580	7,638	0.77%	1,603	2,053	479
Southeast	18	2,021	496	1,525	8,202	8,203	0.01%	1,598	1,678	496
Golden Crescent	19	1,363	341	1,022	5,357	5,310	-0.88%	1,298	1,124	341
Alamo	20	7,436	2,462	4,974	57,986	58,481	0.85%	7,762	5,471	2,462
South Texas	21	1,998	343	1,655	5,829	5,876	0.81%	1,705	1,821	343
Coastal Bend	22	3,032	669	2,363	13,088	13,110	0.17%	2,446	2,599	669
Lower Rio	23	4,502	858	3,644	13,629	13,825	1.44%	3,757	4,008	858
Cameron County	24	2,080	501	1,579	6,593	6,621	0.42%	1,420	1,737	501
Texoma	25	1,522	355	1,167	4,714	4,714	0.00%	1,112	1,284	355
Central Texas	26	2,116	763	1,353	8,412	8,584	2.04%	1,496	1,488	763
Middle Rio	27	1,473	475	998	3,451	3,464	0.38%	1,171	1,098	475
Gulf Coast	28	31,194	2,623	28,571	165,030	169,914	2.96%	26,265	31,428	2,623