Strategies for Creating a Results-Based Approach to Workforce Success

Best in Class Pay-for-Performance Contracting

The Workforce Innovation Opportunity Act (WIOA) enacts changes in workforce programs that give states both funding and authority to develop and apply pay-for-performance strategies. By developing an effective outcomes-based contracting model, states have the opportunity to:

- Achieve tangible employment and economic development outcomes in collaboration with employers instead of focusing only on services provided to job seekers
- Target the right scope of services to individual job seekers that increases the likelihood that applicants will find sustainable employment before they become subsidized by other state programs
- Create market conditions that encourage and empower public, private, and non-profit providers to collaborate, team, and compete to find more effective ways to prepare and match job seekers to the jobs that employers need

The Workforce Innovation Opportunities Act (WIOA) includes two important provisions that states can use to update or refine their workforce programs. Specifically, the Act:

- Restores each governor's formula funds to 15 percent for state activities across all three WIA funding streams (adult, youth, and dislocated workers) — these are set-aside dollars that are already accessible to the governor
- Gives state leaders permanent authority to use pay-for-performance strategies across all WIA funding streams

Focus on Outcomes — Not Outputs

In performance-based contracting, some or all the payments you pay your providers are contingent upon the provider delivering the outcomes that matter most to you as a government leader — and to those who are seeking jobs.

The core measures of workforce services — placement, retention and wage rate — are the critical, accountable performance outcomes.

Government leaders can partner with workforce providers more effectively by aligning financial payments to those supporting activities most directly related to jobs and economic development. This is especially true within the dislocated-worker funding stream, where aligning payment to placement and wage metrics create policy levers most likely to achieve results.

The United Kingdom and Australia have a solid history of operating outcomes-based programs that tie provider payments directly to achieving desired outcomes. These national governments provide minimum standards (similar to key performance indicators or KPIs) for program delivery but also require providers to assume more of the responsibility and financial risk for achieving specified outcomes. Indicative of this risk, government sets a total price per person as the maximum amount a provider can receive for serving a client. Providers receive a proportional amount of that total value as they move people through various outcome stages — a portion at the onset, another when a participant gets a job, and a final payment once the participant keeps a job for a sustained amount of time.

By focusing on outcomes instead of outputs, government programs can incentivize and pay providers for the outcomes the provider has actually delivered.

Invest in the Most Valuable Outcomes

Aligning service and training plans with the skills and barriers of program participants is common practice in employment programs — a segmenting or streaming of sorts based on the level of effort anticipated to move a participant into the labor market.

Experience shows that the longer a job seeker is unemployed, the more intensive and costly are the interventions required to help that job seeker gain sustainable employment. By applying pay-for-performance concepts to WIOA-funded programs, governments can establish a lower per-person total value for those considered "easy-to-serve" and a higher per-person value for those considered "harder-to-serve." Moreover, by maintaining pay points for outcomes like job attainment and retention, providers receive a higher proportional reward for the effort involved in harder placements, which also reduces the risk that providers target only the easiest to work with (known as creaming) to achieve outcomes.

In contrast, the stream approach is beneficial because it:

- Incentivizes providers to focus appropriate time and attention to job seekers in all job streams
- Drives the investment of more time and resources into those job seekers who otherwise would most likely migrate to other state benefit programs like TANF, SNAP, and Medicaid

Striking a Powerful Balance

Pay-for-performance contracting is a proven approach to outsourcing employment services that successfully achieves objectives like these:

- Delivering better quality assistance to unemployed people, leading to better and more sustainable employment outcomes
- Targeting assistance to job seekers who need the assistance and who can best benefit from this assistance
- Achieving better value for the money

Governments in the United Kingdom, Australia, Canada and elsewhere have achieved years of remarkable success operating under pay-for-performance models. While MAXIMUS has extensive experience operating workforce programs in the United States, we also have extensive experience operating under outcomes-based models globally. We will apply our experience and insights to help state governments apply these principles to their programs.

In any successful outcomes-based model, government, providers, and stakeholders that include employers must be completely aligned about how outcomes will be defined, tracked, and measured. Government entities must be able to clearly identify and prioritize their desired results as one of the first steps in developing a request for proposal (RFP). Ideally, the agency or contracting body should identify a few key performance measures that become pay points that are clearly aligned with its vision for success. With new programs, it can be difficult to gauge the matrices that best measure how well desired outcomes are achieved. That's why hybrid models are frequently defined that enable the agency to transition to a fully outcomes-based model once they have enough data to establish hard metrics that align with program goals.

Did You Know?

In Australia, where provider performance is measured on a five-star system modeled after familiar hotel ratings, qualified providers — including for-profit, non-profit, and government agencies — start on a level playing field, and work under identical performance-based agreements, and compete within service regions. On regular intervals, the government reallocates work from lower-performing providers to higher-performing ones within each region. The government also has the ability to take work completely away from poor-performing providers. As time goes on, the majority of program work migrates to those providers who deliver the best outcomes.

One Focus, One Source

MAXIMUS has maintained a single focus on government services since 1975. It is our sole purpose, and we are passionate about being the trusted, go-to partner to government programs. As a worldwide leader in pay-for-performance workforce contracting, we are available to help states like yours consider the best outcomes-based model to help you achieve your policy goals.

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