COLORADO
DEPARTMENT OF
LABOR AND EMPLOYMENT

Colorado's Proposed Common Measure Targets

For PY14

WORKFORCE DEVELOPMENT PROGRAMS

May 23, 2014

Colorado's Regression Model

Over the last year Colorado has developed a regression model based entirely on objective economic factors in Colorado. Our regions have adopted this model for carrying the negotiated statewide targets down to each region in a way that reflects local economic conditions. Colorado originally considered using the Federal regression model for this purpose, but our regional directors were very concerned about results that seemed significantly different from that region's experience and local economy. For that reason, Colorado moved forward with a model that would better take into account local economic conditions. This model also provides independent targets for seven on the WIA targets that are based in more detailed economic data than the Federal model. Two of the youth measures (Literacy/Numeracy and Degree/Certificate) are not greatly affected by the local economic conditions and are therefore not included in the model. Further detailed discussion on the goals and methodology of the model are included in the attachment "Notes on Regression Goals".

Some basic differences between the models:

- The Colorado regression model uses eight years of quarterly data versus two years in the Federal model. This provides more stability and reliability in the model's predictions.
- The Federal model is heavily based on the demographic break-out of program participants from two years prior to the program year being negotiated.
- The Colorado model uses over the year changes in QCEW covered employment in addition to the unemployment rate, while the Federal model uses the unemployment rate alone.
- Average wage data from Quarterly Census of Employment and Wages (QCEW) is used in the Colorado model, giving much better information for wage measures than the Federal model.
- The Federal model targets were bumped up 4% based on the Consumer Price Index (CPI). Real CPI has been closer to 2% in recent years.
- Colorado model is much less impacted by past performance, providing a more objective measure of expected performance for the state and for each region.

These differences have significant impact on the targets generated by the models.

Demographic factors

The Colorado model's focus on independent economic factors reduces the impact of past enrollment choices on the current targets. As an example of this, consider a region that changes its enrollment mix in the Adult program to serve more adults who did not graduate high school based on their assessment of changing needs in their region. The Federal model would predict higher performance than was actually likely based on the prior enrollment mix. It would catch up eventually, unless needs in the region had changed again. A model based on enrollments can be highly effective if the performance target is adjusted constantly for current enrollment, but this is not currently an option within the Federal model.

Average Wage Measures

The lack of a factor that directly measures average wages in Colorado strongly impacts the ability of the Federal model to provide appropriate targets on the average wage measures. The Federal model tries to adjust for this limitation by including an increase in the targets based on the CPI. The adjustment for this year was set at 4%. This seems off, since the CPI in recent years has been more in the area of 2%. In addition to this, there is no direct link between inflation and wages. We may hope that wages will rise with inflation, but that certainly is not guaranteed, and has not always been the case in recent times. In addition, the portion of the Federal model that includes actual WIA performance nationally on average wage from prior years will include an upward trend in average wage that certainly includes some effect from inflationary pressures. So, the additional adjustment for any inflation number, however determined, includes some degree of double counting. The Colorado model instead directly includes the actual average wages paid in Colorado over the last eight years. In addition to giving a much more strongly based target this approach also gives us a significantly better ability to analyze local performance and the reasons for it.

An example from our initial analysis of the model last year can help illustrate this. We saw what initially appeared to be an anomaly in the Adult Average Wage target for our Weld county region. The target seemed higher than we would have expected from the prior years we ran through the model as part of our assessment of the model and also high compared to current performance in the region. We found that the number was impacted by a recent large increase in average wage in that area due to the oil drilling boom. Those jobs were largely filled by out of state workers coming into the area temporarily and were not readily available for the Workforce System to fill. Being able to trace back the economic, independent cause for the target coming out of the model is very helpful in analyzing what is really happening in a region or state.

Objective Economic Factors

The Colorado model does take prior performance into account in producing performance targets, but de-emphasizes that in favor of focusing on independent economic factors. Combined with the approach discussed above of avoiding demographic factors in the calculation, this has resulted in an objective, data driven, set of targets. This avoids concerns by regions that they are being "punished" for past good performance or enrollment choices. This also avoids regions feeling that since their current targets were heavily based on the demographic mix of the customers they had enrolled in the past that they were locked in to that enrollment strategy going forward. These same factors apply at the state level. While the state isn't directly making those enrollment choices, we are passing on the performance pressures to the regions who do make those choices. The best solution to this would be a "live" model that takes into account the enrollment choices made in the group that is directly involved in the individual measure, as was done under JTPA. Since this is not currently available as an option, a model like Colorado's that focuses purely on independent economic factors seems to be the best available option.

State Specific Events

Colorado has faced significant challenges to its economy recently. Many of these challenges have come in the more usual form of purely economic issues such as mass layoffs, but others have come in the form of natural disasters such as the floods that occurred in September, 2013. In this section we will examine the impacts of these events on performance and which measures fall within the time period of the event.

Mass Layoffs

In the last program year 74 employers released 5,049 employees, throughout the state of Colorado, due to no fault of their own. Of these 1,409 employees were from business closure and 2,755 employees due to business downsizing. These are only the numbers reported to the Colorado Department of Labor and Employment, Rapid Response Unit between July 1, 2013 and April 6, 2014. These layoffs were far ranging from Finance and Insurance, 954 layoffs, to Accommodation/Food Service, 781 layoffs. The layoffs were not isolated to one or two regions but many regions throughout the state. Some of the hardest hit regions were: Arapahoe/Douglas counties with 14 employers, Pikes Peak/Teller counties with 9 employers, and Larimer county with 8 employers.

In September 2013 three companies operating call centers in Colorado informed the Colorado Department of Labor and Employment that they are to lay off more than 1,000 employees in the coming months. Xerox Educational Services, Convergys and Center Partners have all filed notices with the state under the Worker Adjustment and Retraining Notification Act. The cuts included about 315 employees with Xerox Educational Services in Aurora, Westminster and Highlands Ranch on September 2013. Convergys, which operates a call center in Denver, let go about 125 people, and Center Partners is reduced its staff by 600.

Also, Colorado employers carried out 11 “mass layoffs” in January 2014, with a total of 1,787 workers let go. This is the highest monthly total for the state in nearly three years. A mass layoff involves 50 or more workers at one time at a single workplace. Layoffs of that size must be reported to government officials under law. The last time as many Colorado workers were let go in mass layoffs in a single month was in April 2010, when 2,269 workers were cut in 20 mass layoffs.

Also, call center giant Firstsource Solutions Ltd. will close its Colorado Springs center in September 2014 and lay off all 300 employees.

Joe Raso, president and CEO of the Colorado Springs Regional Business Alliance, said any substantial job loss will have an effect on the local economy, and the focus should be on getting people who are laid off into job training and employment programs offered through area colleges and the Pikes Peak Workforce Center.

Natural Disasters - Flood

"The September 2013 floods may prove to be the worst natural disaster in the history of our state, and is likely the worst we shall ever see in our lifetimes," Governor John Hickenlooper said in a letter to Congress seeking federal aid.

Recent flooding has had tremendous impacts across Colorado. In 17 counties, in just a few days *Adams, Arapahoe, Boulder, Broomfield, Clear Creek, Denver, El Paso, Fremont, Jefferson, Larimer, Logan, Morgan, Otero, Pueblo, Sedgewick, Washington, Weld* counties lives have been lost and homes destroyed. Thousands of people have been displaced. For many Coloradoans, life will never be the same again.

Colorado relies on tourism for a large share of its economic activity, and officials worry that the flooding, especially on the heels of huge wildfires, will scare away out-of-staters. As the agricultural and tourism sectors see a contraction in economic activity, there will be reductions in employment, real household income and tax revenue collected by the state. In the tourism sector, jobs and income will be lost, as businesses will struggle with low visitor counts. An additional economic impact is the impact on sport hunting. Hunting provides an estimated $1.8 billion boost to the state's economy each fall and it is strongly driven by out of state hunters who will be exposed to publicity about flooding and fires in Colorado.

Denver International is the 5th busiest commercial airport in the U.S. The airport provides access to Colorado for many domestic and international visitors. Total annual spending for visitors arriving Denver International is estimated in this study at $10.1 billion. When both total annual spending from commercial and general aviation visitor spending is considered, visitor spending associated with Denver International supports 101,485 jobs.

Due to reduced accessibility, due to the flooding, in 2013 many potential visitors will reconsider their vacation plans. Economists estimated that Estes Park saw approximately $187 million in tourism expenditures in 2011, with approximately 56 percent of visitors from out of state. Even though this impact will be primarily felt in Estes Park, impacts are estimated at the state level. This reduces not only visitation to Rocky Mountain National Park, but complementary destinations in Colorado as well, ranging from Fort Collins to Colorado Springs along the Front Range and from Steamboat Springs to Aspen in the mountain areas. Farther east, farmers lost their crops and oil wells were damaged or shut down. The damage to Colorado's multibillion-dollar agriculture industry, Colorado's third-largest sector, was estimated at $8.5 billion last year. Lower-lying agricultural land in northeast Colorado were affected as flood waters surged down rivers and creeks, inundating fields and pastures.

Natural Disasters - Fire

The Black Forest Fire began in Black Forest, Colorado, just north of Colorado Springs, around 1:00 p.m. on June 11, 2013. Nearly 500 homes were destroyed by the windswept June fire that also claimed two lives and set an ominous tone for the season. In total, 38,000 people and 13,000 homes were evacuated. This event came on the heels of last year's disastrous High Park and Waldo Canyon fires and has intensified efforts to address burning issues that, amid parched long-range forecasts, show no signs of abating. National coverage of this fire in combination with the previous year's fires and the recent floods is expected to have a significant impact on Colorado tourism.

Government Shutdown

In September 2013 historic rainfall triggered flooding that devastated a swath of the state roughly the size of Connecticut, affecting many of Colorado's most populous counties. Nearly 2,000 homes were lost and another 16,000 damaged. The total economic damage to the state is estimated at $2 billion, according to Eqecat, a disaster modeling firm. The floods of September came on the heels of a deadly and destructive summer fire season that charred more than 100,000 acres, claimed two lives and destroyed more than 500 homes.

Congress officially shut down the government and closed the high-profile national park sites along with 561 lesser known refuges managed by the U.S. Fish and Wildlife Service October 1, 2013. The federal government shutdown has left Colorado officials scrambling to keep emergency relief and recovery operations continuing in the wake of last fall's massive flooding.

Frank Lancaster, the Estes Park town administrator said: "Sixty-five percent of our revenue comes from tourism dollars. And about 45 percent of the jobs here in town are based on tourism dollars. We're already seeing some businesses having to lay some folks off because of that. And it's a combination of the flood, the roads being closed and then the park being closed. It's tough. It's kind of a trifecta of disasters here."

"Colorado's flood victims and military families shouldn't suffer if Washington gridlock and partisan stalemates lead to a government shutdown," Senator Mark Udall said in a statement.

The Impact on Common Measures

The government shutdown in October 2013 had a negative impact on Colorado's Common Measures: Entry into unsubsidized employment; 10/2013 - 09/2014; retention in unsubsidized employment, six months after entry into the employment; and earnings received in unsubsidized employment six months after entry into the employment 04/2013 - 03/2014; Placement in Employment or Education - entered employment or enrolled in education or training 1st quarter

after program exit; and attainment of a degree or certificate by participants - Percentage of youth participants that earned a diploma, GED or certificate 10/2013 - 09/2014.
The flood in September 2013 had a negative impact on Colorado's: Entry into unsubsidized employment; 10/2012 - 09/2013; and Placement in Employment or Education - Entered employment or enrolled in education or training 1st quarter after program exit; and Attainment of a Degree or Certificate by participants - Percentage of youth participants that earned a diploma, GED or certificate 10/2012 - 09/2013.

The Fire in June 2013 had a negative impact on Colorado's: Entry into unsubsidized employment; 10/2012 - 09/2013; and Placement in Employment or Education - Entered employment or enrolled in education or training 1st quarter after program exit; and Attainment of a Degree or Certificate by participants - Percentage of youth participants that earned a diploma, GED or certificate 10/2012 - 09/2013.

The layoffs between July 1, 2013 and April 6, 2014 had a negative impact on Colorado's entry into unsubsidized employment six months after entry into the employment; and Earnings received in unsubsidized employment six months after entry into the employment 04/2013 - 03/2014. Also, Youth Placement in Employment or Education - Entered employment or enrolled in education or training 1st quarter after program exit; and Attainment of a Degree or Certificate by participants - Percentage of youth participants that earned a diploma, GED or certificate 10/2013 - 09/2014.

The layoffs in September 2013 had a negative impact on Colorado's entry into unsubsidized employment; 10/2012 - 09/2013, and Placement in Employment or Education - Entered employment or enrolled in education or training 1st quarter after program exit; and Attainment of a Degree or Certificate by Participants - Percentage of youth participants that earned a diploma, GED or certificate 10/2012 - 09/2013 and this is also having a negative impact Program Year 2014.

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Individual Targets

Overall

In addition to the factors noted above, Colorado is moving in the direction of increasing services to job seekers in poverty and lower income dislocated worker participants. As noted in the Mass Layoff section, Colorado's layoffs have been trending toward lower income occupations such as retail and call centers. In response to this and other changes in local area conditions, Colorado is in the process of shifting service delivery strategies toward serving participants in poverty. This strategic change is likely to impact performance significantly, resulting in likely outcomes below those predicted by the Colorado regression model.

Adult Entered Employment – 73.17%

- Current performance in this area is 76.7%, the trend is downward from PY12, losing 1.16%.
- The Colorado model shows 75.17% on this measure, the Federal model shows 78.5%.
- Colorado proposes a target of 73.17% on this measure.

Adult Retention – 81.17%

- Current performance in this area is 87.0%, the trend is relatively flat from PY12, gaining .05%.
- The Colorado model shows 83.17% on this measure, the Federal model shows 87%.
- Colorado proposes a target of 81.17%.

Adult Average Wage - $14,500

- Our current performance in this area is $16,946, the trend is upward from PY12, gaining $149.
- The Colorado model shows $15,803.17 on this measure, the Federal model shows 17,679.00.
- For the reasons stated in the Regression model discussion section above, we feel that the Colorado model better reflects local conditions.
- As noted above, the CPI adjustment of 4% added into the Federal model does not fit Colorado conditions and results in a significant increase in the target.

- Colorado proposes a target of $14,500 for this measure.

Dislocated Worker Entered Employment – 74.67%

- Current performance in this area is at 81.39%, the trend since PY12 is downward, losing .65%.
- The Colorado model shows 76.67% on this measure, the Federal model shows 82.3%.
- For the reasons stated in the Regression model discussion section above, we feel that the Colorado model better reflects local conditions.
- Colorado proposes 74.67% as the target for this measure.

Dislocated Worker Retention – 85.77%

- Current performance in this area is at 89.18%, the trend since PY12 is downward, losing .61%.
- The Colorado model shows 87.77% on this measure, the Federal model shows 91.2%.
- For the reasons stated in the Regression model discussion section above, we feel that the Colorado model better reflects local conditions.
- Colorado proposes 85.77% on this measure.

Dislocated Worker Average Wage - $18,000

- Our current performance in this area is at $20,230 and the trend has been upward on this measure since PY12, gaining $562.
- The Colorado model shows $19,399.24 on this measure, the Federal model shows $22,500.40.
- For the reasons stated in the Regression model discussion section above, we feel that the Colorado model better reflects local conditions.
- The Federal model also adds a 4% increase in their target based on CPI. As discussed above, this does not seem to be the best approach.
- As noted in the mass layoff section, Colorado's layoffs recently have trended heavily toward call centers and retail. These are lower paying occupations than we have generally seen as dislocated workers in the past. These participants will bring lower initial skills and salary expectations that will likely result in lower average salary results for dislocated workers as these customers move through the Workforce system in Colorado.

- Colorado proposes $18,000 as the target for this measure.

Youth Literacy/Numeracy – 47%

- Current performance in this area is at 53.33%. The trend has been up on this measure, gaining 5.14%.
- The Colorado regression model does not apply to this measure since the local economy has little impact on performance in this area.
- Performance in this area has improved significantly from PY12. Changes made in some regions have resulted in immediate increased enrollment, though long term strategies are still being implemented.
- Colorado proposes 47% on this measure.

Youth Placement – 61.96%

- Current performance in this area is at 64.83%. The trend has been down on this measure, losing 3.6%.
- The Colorado model shows that performance in this area would be expected to be at 63.96% while the Federal model shows 70.8%. For all the reasons stated in the Regression model discussion above we would expect the Colorado model to more closely track conditions affecting performance in Colorado.
- Colorado proposes 61.96% on this measure.

Youth Degree/Certification – 68%

- Current performance in this area is 71.24% with an upward trend from PY 12 of .42%.
- The Colorado regression model does not apply to this measure since the local economy has little impact on performance in this area.
- Colorado proposes 68% on this measure.

Wagner-Peyser Entered Employment – 53%

- Our current performance in this area is 55.38% with an upward trend from PY12 of 1.76%.
- The Colorado model has not yet been applied to Wagner=Peyser performance.
- Based on current performance and recent trends Colorado proposes 53% as the target for this measure.

Wagner-Peyser Retention – 80%

- Our current performance in this area is 81.0% with an upward trend from PY12 of 4.8%.
- Based on current performance and recent trends Colorado proposes 80% as the target for this measure.

Wagner-Peyser Average Wage - $15,000

- Our current performance in this area is $15,502 with an upward trend from PY12 of $274.
- Based on current performance and recent trends Colorado proposes $15,000 as the target for this measure.