Stronger Outcomes by Design: Supporting Performance-Based Contracting Under WIOA

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From child welfare to K-12 education, state and local governments are increasingly leveraging performance-based contracts to tie funding to results. To improve outcomes in publicly-funded workforce programs under the Workforce Innovation and Opportunity Act (WIOA), policymakers should unlock the potential of performance-based contracts to strengthen results, use resources effectively and efficiently, and expand access for people overcoming barriers to employment.

What are performance-based contracts and why do they matter?

- Unlike traditional contracts that reimburse costs regardless of outcomes, tying payment to results incentivizes providers to **use effective, evidence-based approaches**.
- WIOA's emphasis on quick job placement discourages boards and providers from serving participants with more complex needs. By contrast, boards can write performance-based contracts **that incentivize and reward providers for serving and delivering strong outcomes for populations with barriers to employment** as identified in WIOA. This can encourage providers to adjust their recruiting, retention and service delivery to meet a population's needs.
- Performance-based contracts often give providers **more flexibility to provide high-quality services in pursuit of core outcomes** as opposed to a rigid, pre-defined set of activities.
- Substantial evidence shows that performance-based contracts **enable stronger outcomes** across policy domains, including workforce development.

Why aren’t performance-based contracts more widely used in the public workforce system?

- **WIOA funding has a short shelf life:** the typical two-year spending limit is often too brief to complete a performance-based contract and assess longer outcomes such as training completion, job placement, and sustained employment and earnings.

- WIOA sought to address the timing issue by establishing “pay-for-performance” (PFP) authority, allowing boards to make payments outside the two-year window. But statute and regulation impose **rigid, impractical constraints** like low caps on PFP allocations, while unclear guidance on issues like accounting has made PFP confusing for boards.

- To our knowledge, in the 12 years since WIOA first authorized PFP, **no workforce board has successfully executed and made payments under a WIOA PFP contract, though many have tried.**

Recommendations for policymakers

- Congress should **allow all funds obligated for performance-based contracts to remain available until expended,** phase out PFP authority and its restrictions, and **define “performance-based contracting” in WIOA.**

- If Congress keeps PFP, it must **address its many bureaucratic hurdles** like the cap on PFP allocations and the requirement for “independent” assessments of PFP.

- **DOL can act now by issuing new guidance on PFP** that clarifies key accounting issues, reduces administrative burden and gives more flexibility in how providers achieve outcomes.

- Following these fixes, DOL and Congress should support **high-quality technical assistance** to help boards and providers realize the full potential of performance-based contracting.