Stronger Outcomes by Design: Supporting Performance-Based Contracting under the Workforce Innovation and Opportunity Act

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EXECUTIVE SUMMARY

Performance-based contracts are a powerful tool to drive stronger outcomes from public investments. From child welfare to K-12 education, state and local governments are increasingly leveraging these contracts to tie funding to results. Performance-based contracts differ from traditional contracts that reimburse costs regardless of results; tying payment to results creates an incentive for providers to use approaches with evidence of effectiveness. Additionally, rewarding providers for delivering strong outcomes for specific populations can encourage those providers to adjust their recruiting, retention and service delivery to meet a population's needs. These contracts offer a critical, but underutilized, lever to strengthen impact and accessibility in workforce development.

In the public workforce development system, established under the federal Workforce Innovation and Opportunity Act (WIOA), many workforce boards and leading providers have sought to expand performance-based contracting to strengthen results and use resources effectively and efficiently. This means rewarding workforce training providers for achieving meaningful outcomes, such as trainees getting jobs after completing a training program and increasing their earnings over time, as well as prioritizing participation for underserved populations like opportunity youth.

Unfortunately, bureaucratic barriers have hindered workforce boards' effective use of performance-based contracting under WIOA. One major reason is the short shelf life of WIOA funding. Local workforce boards must spend their WIOA allocations within two years, and in the third year any unused funds revert to the states for statewide activities or for reallocation to eligible local areas for expenditure in that year. This time horizon is often too short to complete a performance-based contract and assess longer-term outcomes; things like eligibility determination, training completion, and placement/earnings progression require a longer timeframe.

The most recent WIOA reauthorization sought to expand performance-based contracting by establishing "Pay-for-Performance" (PFP),[1] a type of performance-based contracting authority that attempts to give boards a longer runway.[2] PFP contains major bureaucratic hurdles, however, and to our knowledge **no workforce board has ever successfully executed a contract and made payments under the PFP authority.** In short, federal regulations allow workforce boards to use WIOA funding for performance-based contracting. However, workforce development's primary vehicle for performance-based contracting, PFP, is mired in red tape, and bypassing PFP comes with its own set of logistical challenges that make it impractical.

Policymakers can strengthen results for workers and expand performance-based contracting in our workforce system by addressing hurdles in WIOA. In this policy brief, we:

1. **Make the case for why performance-based contracts should become more prevalent in the public workforce system,** including the system's significant need for improvement; the importance of emphasizing more flexible, effective service delivery; and the ability of performance-based contracting to support populations that may face greater barriers to employment.

2. **Explain why performance-based contracting is not widely used in the workforce system today** due to regulatory and practical barriers.

3. **Propose legislative changes to expand performance-based contracting under WIOA,** including a simpler, single definition of "performance-based contracting strategies;" the elimination of impractical, unnecessary requirements; greater flexibility for providers using performance-based contracts; and incentives and support for boards using performance-based contracts.

4. **Recommend administrative steps the U.S. Department of Labor can take today to expand performance-based contracting,** including revised guidance on performance-based contracts and the provision of high-quality technical assistance to the field.

Our recommendations build on recent federal efforts to expand performance-based contracting in the workforce system. These include the proposed bipartisan, bicameral WIOA reauthorization legislation, the A Stronger Workforce for America Act (ASWA); the Departments of Labor (DOL), Education, and Commerce's joint *America's Talent Strategy* report in 2025;[3] DOL's 2025 WIOA waiver guidance, which allows more flexibility to expand long-term performance-based contracts;[4] and DOL's recent focus on using pay-for-performance approaches in the apprenticeship system.[5]

This action comes at a critical time as stakeholders grapple with substandard outcomes from the public workforce system. As the Harvard Project on Workforce found in a 2023 analysis of WIOA-funded training outcomes, "while federal policy intends to support training for good jobs, overall, our analysis of the [Eligible Training Provider] data implies that our public workforce development training dollars do not promote job quality."[6] The paper went on to estimate that "over 40 percent of WIOA training participants earn under $25,000 annually." Similarly, a 2024 America First Policy Institute report examining 2021 WIOA training outcomes concluded that "many workers did not experience better pay or outcomes after participating in WIOA-funded training."[7] Performance-based contracting offers one critical tool to improve results under WIOA.

Moving forward, we urge policymakers to continue focusing on performance-based contracting reforms as a critical tool to strengthen the workforce system. As Jess Praphath, Managing Director of Workforce Pathways with leading pay-for-success intermediary Third Sector, puts it, performance-based contracting "enables our partners to create bigger tables that leverage the insights and expertise of partners like career and technical education, human service agencies, and others around shared, measurable metrics of success. But in order to be truly successful, these strategies cannot create undue administrative burdens that prevent often understaffed, overworked workforce boards from having the flexibility to deploy the funds in ways that meet the needs of their communities."[8]

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THE CASE FOR EXPANDING PERFORMANCE-BASED CONTRACTING IN THE WORKFORCE SYSTEM

Policymakers should expand the use of performance-based contracting in the public workforce system to address the system's subpar outcomes; to enable greater flexibility and higher-quality services; and to support broader participation among key populations.

Performance-based contracting can drive stronger results. A growing causal and qualitative evidence base shows how performance-based contracting can drive stronger results in publicly-funded programs:

- **Performance-based contracting can drive stronger workforce outcomes.** Some of the strongest rigorous evidence on performance-based contracting to date found that it significantly improved employment results and reduced time-to-employment in an Indiana vocational rehabilitation program.[9] More recently, descriptive evidence from a number of workforce boards demonstrates the promise of performance-based contracting in workforce development despite the persistent challenges with performance-based contracting under WIOA today.

- **Innovative contracting can drive systemic change.** Since 2015, Rhode Island's Department of Children, Youth & Families has worked to reform the department's procurement. This effort included executing $90 million in 116 results-driven contracts that require providers to meet outcome goals rather than output metrics. As a result, through 2019, the department reduced the number of children in group care by over 20% and doubled the capacity of high-quality family visitation and reunification services.[10]

- **Performance-based contracting can work across distinct contexts.** As Tim Pennell of Third Sector and Kusi Hornberger of Dalberg recount, performance-based contracting has driven stronger outcomes in settings and contexts across the world, while also supporting financial sustainability.[11] Examples include a federally-supported permanent supportive housing project in Lane County, Oregon, that drove stronger housing stability and decreased recidivism; mental health services reduced psychiatric admissions and arrests in 10 counties in California; and the expansion of a government-supported social enterprise that provided affordable diabetes care in Mexico.

Focusing on outcomes would support flexibility and higher-quality services. Training providers widely attest to the need for more flexibility in service delivery to respond to evolving employer priorities and address individual participant needs. For instance, to be successful, participants might need career coaching, early employment retention support and longer-term job placement assistance, as well as support services like transportation or childcare. Providing these supports is a hallmark of the most effective workforce models, such as sectoral programs.[12] Boards should emphasize a do-whatever-it-takes approach to pursue stronger outcomes, not adhere to a rigid list of allowable activities. By focusing on outcomes over process, performance-based contracting offers providers more flexibility to provide high-quality service.

Performance-based contracting can support broader participation among key populations. WIOA was intended to prioritize services for individuals with barriers to employment; the statute identifies 13 distinct priority categories of "individuals with barriers to employment."[13] In practice, however, the workforce system creates incentives for providers to serve people with fewer barriers. Performance-based contracting can instead empower boards to create clear incentives for providers to serve participants with more complex needs — such as opportunity youth or people returning from incarceration — who providers might otherwise avoid serving.

BARRIERS TO PERFORMANCE-BASED CONTRACTING UNDER WIOA

Despite bright spots like Partner4Work (see sidebar), performance-based contracting remains underutilized in the WIOA-funded workforce system. Key barriers to performance-based contracting under WIOA include:

WIOA funds' short shelf life hinders performance-based contracting. Under WIOA, local workforce boards must spend their WIOA formula allocations within two years.[14] Under federal-wide contracting rules, workforce boards are free to use WIOA funds for performance-based contracts as long as payments are tied to outcomes within the two-year window.[15] While the example of Partner4Work demonstrates that performance-based contracts can work within this window, the short shelf life of WIOA funding makes performance-based contracting in the workforce system a challenge. This time horizon is often too short to complete a performance-based contract and assess longer-term outcomes. Milestones like eligibility determination, training completion and placement may require a longer timeframe. The most meaningful workforce outcomes, such as sustained employment and increases in earnings, often take multiple years to achieve and validate.

The 2014 WIOA reauthorization tried to address this timing challenge with a new "pay-for-performance" (PFP) authority that allows workforce boards to make outcomes payments under a longer time horizon than the typical two-year window. (As DOL later clarified, PFP is a sub-category of performance-based contracts under WIOA.[16]) Among other requirements, PFP contracts must include outcomes aligned with WIOA's six primary indicators of performance: employment and earnings at the second and fourth quarters post-exit, credential attainment, measurable skills gains, and effectiveness in serving employers.[17] Unfortunately, it has proven deeply challenging for boards to use the PFP authority. **To our knowledge, in the 12 years since**

WIOA first authorized PFP, no workforce board in the country has managed to successfully execute and make payments under a PFP contract, though many have tried.

PFP includes rigid constraints. The statutory and regulatory PFP rules limit boards' and providers' flexibility in several key ways, hamstringing PFP's potential. These include:

- WIOA caps the amount that boards can allocate to PFP contracts at 10% of the board's annual Adult, Dislocated or Youth Title I formula funding allotments. This cap is very difficult for workforce boards to navigate; boards intending to use PFP would have to provide multiple contracts to any provider, as 10% of annual funding constitutes an impractically low figure.[18]

- Payments under PFP require layers of review. WIOA and subsequent rulemaking on PFP require an independent third party to verify outcomes before boards can pay providers. A workforce board cannot simply review administrative data or other proof of outcomes and approve a payment directly.

- Under WIOA, boards cannot reclaim unused PFP dollars. Funds reserved for PFP contracts remain available until they are spent, and boards must explain how they will use any funds that are not paid out if providers fail to meet outcome targets. However, if the provider does not achieve performance outcomes under a PFP contract and does not receive the accompanying payment, boards can only reallocate those unused PFP funds to other PFP contracts.[19] While this restriction in theory prevents boards from using PFP as a loophole to kick dollars down the road, in practice it poses a serious disincentive to using PFP at all by "locking away" those funds.

- DOL's 2016 WIOA rulemaking imposed an unnecessary feasibility study requirement for boards using the PFP authority, on top of the requirements in the WIOA statute.[20] DOL justified this choice by writing, "The Department required the feasibility study because it determined that, prior to beginning a WIOA Pay-for-Performance contract strategy, a local area needs to conduct an analysis to determine whether a WIOA Pay-for-Performance contract strategy is the right approach."[21] However, this requirement led boards to believe they needed to perform a full formal study, as opposed to simply thinking through what might be helpful, as they would for any other decision. In the absence of clear guidance from DOL, boards were wary of triggering a compliance concern by taking a more streamlined approach.

DOL's PFP guidance leaves serious ambiguity. In 2020, DOL at last issued formal guidance on the use of PFP after boards and intermediaries' repeated requests for clarity — a long six years after WIOA's passage.[22] Unfortunately, this guidance left many key questions unanswered, including:

- How, or whether, states must modify their state plans to participate in PFP, and what approval is necessary from DOL.

- Which performance indicators and activities may be linked to payments, on which timetable, and with what documentation.
- How boards should handle their PFP funds before they are expended, including how states should interact with local boards regarding use of funds.
- Whether providers can draw down indirect costs under PFP contracts even if they do not meet outcomes targets.
- How boards can structure bonus payments, as the WIOA statute says such payments may only be used for "[a] service provider to expand capacity to provide effective training."

Lack of incentives and support. Alongside these barriers, there are no strong incentives for boards to leverage performance-based contracting, particularly as the broader performance accountability system under WIOA today provides limited pressure for improvement. At the same time, boards have received only limited publicly-funded technical assistance to help them navigate the complexities and nuances of performance-based contracting.

WIOA limits providers' flexibility. Finally, WIOA currently restricts providers to long, but not all-encompassing, lists of allowable activities depending on the funding stream. These restrictions limit providers' ability to, for instance, offer robust career navigation services or transportation support for participants — even when the provider is operating under a performance-based contract, which should prioritize outcomes over process. As Eric Westphal, Chief Operating Officer at national evidence-based sectoral training provider Year Up United, commented:

> At Year Up United, our "high expectations, high support" model is fundamental to our success and a key driver behind our unparalleled career outcomes for young adults. But meaningful support is not one-size-fits-all. Helping a young person persist and succeed can require a broad range of targeted interventions that respond to the realities of their life in real time, from career navigation support to transportation or childcare assistance. WIOA funding should empower providers with the flexibility and resources to deliver the individualized support participants need to meet high expectations and achieve strong outcomes — including through the widespread, accessible use of performance-based contracting.

WORKFORCE PERFORMANCE-BASED CONTRACTS IN PRACTICE

While performance-based contracting remains underutilized in the workforce development system, there are bright spots. The examples below of workforce boards and agencies using performance-based contracts demonstrate the promise of this type of contract in workforce development.

Pittsburgh and Allegheny County: Since 2020, Partner4Work, the workforce board serving Pittsburgh and Allegheny County, has used performance-based payments in its Industry Recognized Training Pipeline (IRTP) programs. Through IRTP, Partner4Work collaborates with PA CareerLink® and local training providers to help job seekers gain skills and credentials for priority industries that are in demand in the Pittsburgh region, including construction, manufacturing, health care and IT.

In its first IRTP request for proposals (RFP) to include performance-based payments, Partner4Work laid out a payment plan with 50% of the funds paid following enrollment in a training program and the remaining 50% paid on receiving documentation of a credential. By tying funding directly to participant progress and outcomes, this approach not only incentivized participation but also prioritized organizations with proven success in driving completion in high-need industries. In effect, it helped channel funding toward evidence-based, high-performing programs — such as those offered by national sectoral employment provider Per Scholas — while filtering out programs with weaker outcomes.

IRTP has supported Per Scholas in scaling its programming to train nearly 700 learners in the Pittsburgh area since 2021. It expects 80% of graduates to begin careers in the tech industry within a year of graduation, earning an average starting wage of $21 per hour, which is a living wage for the Pittsburgh area.[23] As Gene Walker, Managing Director for Per Scholas Pittsburgh, said,

> "Partnering with Partner4Work through IRTP has offered Per Scholas an impactful alternative to the [Eligible Training Provider List] ETPL process. This shift from a standard vendor-based model to a strategic partnership fosters deeper collaboration, allowing both organizations to overcome administrative hurdles associated with the ETPL and align on clear, results-oriented performance goals. Establishing transparent expectations through a formal contract helps to ensure greater accountability while focusing on the shared mission of delivering sustainable career outcomes for learners."

The 4Construction program — operating as PIT2Work at Pittsburgh International Airport — demonstrates the potential of performance-based programs like IRTP. The initiative brings together

WORKFORCE PERFORMANCE-BASED CONTRACTS IN PRACTICE (CONT.)

Partner4Work, the Intro to the Trades Program, and the airport to deliver pre-apprenticeship training in the building trades. Participants receive a daily stipend, transportation assistance and hands-on experience in the building trades at no cost. Those who complete the program are placed into skilled trade unions and connected to employment opportunities, with the model boasting a 70% job placement for all program graduates.

Partner4Work is now using performance-based payments in other programs as well. Its most recent Young Adult Reentry RFP, for example, will pay 50% of per participant cost upon successful completion of the participant's first day in the provider's program and 50% percent upon successful completion of the entire program.

Other examples of performance-based contracting in the workforce development system include:

Memphis, TN: In 2018, the Memphis Workforce Investment Network used WIOA funds to award a performance-based contract for transitional jobs services to the Center for Employment Opportunities (CEO),[24] which offers an evidence-based model for reentry employment. The contract paid CEO as follows: (1) 40% for participants enrolled, entered into the system and confirmed to be eligible; (2) 40% for participants completing transitional employment; and (3) 20% for participants successfully placed in unsubsidized employment.

San Francisco, CA: The City and County of San Francisco Office of Economic and Workforce Development restructured its contracts for American Job Centers to link 10% of the grant amount to placement of individuals with barriers to employment into jobs paying above the minimum wage.[25] The remaining 90% of the grant amount went toward traditional cost-reimbursement covering start-up, operating expenses, training and supportive services.

Central Ohio: In 2020, the Workforce Development Board of Central Ohio (WDBCO) released performance-based RFPs for their One-Stop Center operator and their main career services provider that combine cost-reimbursement with performance payments for priority outcomes.[26] The contract specifies performance metrics beyond WIOA Common Measures. Each metric was assigned a baseline measure as the minimum level of performance required to begin receiving bonus payments and accounts for 9% of the total direct operational costs.

LEGISLATIVE RECOMMENDATIONS TO EXPAND PERFORMANCE-BASED CONTRACTING

As Congress continues to push towards reauthorization of WIOA, legislators should prioritize performance-based contracting. The reforms included in the 2024 bipartisan, bicameral WIOA reauthorization proposal, ASWA, are a strong starting point.

As part of WIOA reauthorization, we recommend the following:

1. Phase out PFP and clearly define “performance-based contracting.”

2. Alternatively, make PFP work better.

3. Provide technical assistance and incentives for performance-based contracts (either PFP or non-PFP).

1 | Phase Out PFP and Extend the Window for Performance-Based Contracting

As described above, PFP includes a number of bureaucratic hurdles that have prevented boards from successfully executing PFP contracts. Instead of continuing to rely on PFP, there is a much simpler way to expand performance-based contracting under WIOA: allow all funds obligated for performance-based contracts — not just PFP contracts — to remain available until expended. With this change, PFP authority (and all of its red tape) could be phased out because it would become unnecessary.

If policymakers adopt this approach and phase out PFP, they should also include a definition of broader “performance-based contracting” as part of WIOA reauthorization. This is because WIOA should explicitly encourage, not just allow, workforce boards to use performance-based contracts, and in order to do this, it would help to clearly define for boards what performance-based contracts are. Congress should also require DOL to issue guidance on performance-based contracting within 12 months of WIOA reauthorization. WIOA could include a simple definition of “performance-based contracting” as a contractual arrangement in which payment is conditioned, in whole or in part, on the contractor’s achievement of specified and measurable performance standards, outcomes or results, rather than solely on the completion of prescribed activities, level of effort or incurred costs. In the Appendix we offer a model definition that would also address funding and administrative questions specific to WIOA.

2 | Alternatively, Keep PFP But Make It Work Better

If Congress chooses to retain PFP as part of WIOA, policymakers should reform it in the following ways to make it more useable for workforce boards:

- **Eliminate the 10% cap on PFP.** The bipartisan, bicameral 2024 ASWA legislation would have raised these caps to 30%, while the earlier House version of the bill implemented a 40% cap that could increase to 60% if the board demonstrated their approach results in performance improvements. PFP's caps are a solution in search of a problem; instead, boards should be able to leverage their full funding under PFP structures. In practice, workforce boards have widely recognized the need to structure performance-based payments in a way that addresses providers' up-front cashflow needs, balanced against providing incentives for longer-term outcomes.

- **Remove the regulatory "feasibility study" requirement.** DOL's regulatory requirement for a "feasibility study" before using PFP — which WIOA did *not* require — is unnecessary in practice and creates an additional hurdle for boards interested in PFP.

- **Eliminate the statutory requirement for an "independent" assessment of any use of performance-based contracting involving long-term outcomes payments.** While many boards will benefit from partnerships with external intermediaries to support their contracting, requiring an "independent" assessment beyond, for instance, the use of state-provided administrative data to assess outcomes is simply unnecessary. The 2024 proposal of ASWA would have removed this requirement.

- **Allow PFP contracts to pay for outcomes other than WIOA's six primary indicators of performance.** This will provide boards with flexibility to innovate and respond to local needs.

- **Allow unused PFP dollars to be reallocated to other purposes.** Today, boards can only reallocate unused PFP dollars to other PFP contracts. Allowing boards to reallocate those dollars toward other needs would provide boards with more flexibility and remove a disincentive to PFP contracts.

- **Require DOL to issue updated guidance on PFP contracts within 12 months of WIOA reauthorization.** Following the last WIOA reauthorization, it took six years for DOL to issue implementing guidance on the new PFP provision, chilling progress in the field amidst uncertainty over potential audits. Congress should require DOL to issue new guidance on PFP that clarifies such issues as management and disbursement of funds for payments and use of administrative data to manage contracts.

3 | Provide Technical Assistance and Incentives for Performance-Based Contracts

As policymakers eliminate hurdles, they should also encourage boards to use performance-based contracts — whether PFP or non-PFP — by providing incentives and technical assistance. Specifically, WIOA reauthorization should:

- **Clarify that providers engaged in performance-based contracts have the flexibility to engage in program activities beyond those explicitly mentioned in statute.** Current WIOA rules limit activities by funding stream, restricting supports like career navigation or transportation. Since performance-based contracts prioritize outcomes, policymakers should allow providers the flexibility to focus on what matters and innovate.

- **Allow governors to use federal funds to establish PFP incentives.** WIOA empowers governors to establish incentives for the use of PFP contracts, but only with non-federal funds. Previous WIOA reauthorization proposals would have enabled states to use federal funds for this purpose as well. Policymakers should retain this provision in future WIOA reauthorization legislation.

- **Require the use of performance-based contracting for a portion of funds.** Congress could also incorporate more explicit requirements for the use of performance-based contracts, building on the proposed Reentry Employment Opportunities authorization in ASWA, which requires that DOL use at least 20% of funds for performance-based contracts. WIOA could require local boards to allocate a portion of their Title I Youth, Adult, and Dislocated training dollars to performance-based contracts.

Second, policymakers must provide much more robust technical support for boards pursuing performance-based contracts. This kind of support is essential to shift workforce boards and agencies from a compliance-oriented culture (a result of WIOA's many rules and regulations) to a culture of continuous learning and improvement. Technical assistance will also engage a broader number of boards beyond the most committed set of early adopters. It is also critical that performance-based contracting expands services for populations with greater needs, as opposed to disincentivizing their participation. Assisting boards with contract design can help with this. WIOA reauthorization should:

- **Invest in technical assistance to help state and local workforce boards write and administer performance-based contracts.** Local workforce boards interested in pursuing performance-based contracting often lack the capacity to do so. WIOA should set aside a small portion of WIOA funding — we recommend at least 0.2% of national activities dollars (roughly $5 million annually) — to provide technical assistance to local boards, in partnership with trusted national organizations that have experience with performance-based contracting.

- **Replace the state-level PFP evaluation requirement with regular national evaluations of the use of performance-based contracting to help guide the field.** WIOA requires that states perform an "evaluation" of the use of PFP.[27] While states should analyze performance-based contracting's use as part of their WIOA state planning process, requiring each state to do formal evaluations is inefficient and discourages the use of performance-based contracting. Instead, WIOA should require regular national evaluations that consider, for instance, the types of programming boards are funding with performance-based contracts; outcomes of performance-based contracting relative to traditional cost-reimbursement contracts, including earnings and employment outcomes, cost-efficiency, and success in serving employers; and best practices for the development of performance-based contracts.

HOW DOL CAN EXPAND PERFORMANCE-BASED CONTRACTING RIGHT NOW

While lawmakers consider WIOA reauthorization, there are steps DOL can take today to expand performance-based contracting in the workforce system, including publishing new guidance and providing technical assistance. Doing so would build on DOL's November 2025 guidance encouraging states to submit waiver requests to modernize how they design, fund and deliver WIOA-funded workforce programs, including an explicit invitation to raise the caps on the use of PFP contracting.[28] We urge DOL to take additional steps to help states and local boards take advantage of this opportunity.

1 | Provide Updated Guidance on PFP

DOL should issue new guidance on PFP that clarifies the following issues:

- DOL's 2020 guidance notes that "[the Employment and Training Administration] will administratively move PFP funds from the original WIOA grant document to a PFP-specific grant document with the same Treasury account (but a different subaccount) and a separate Payment Management System account. The PFP grant document and PMS account effectively do not expire."[29] However, the guidance is not clear on how states should interact with local areas regarding PFP funds. DOL should clarify states' role (if any).

- DOL should clarify that boards may draw down PFP funds to cover the administrative costs of developing a PFP contract regardless of whether a PFP contract is ultimately issued or whether outcome targets are achieved. Inability to cover — or confusion about covering — these administrative costs will discourage boards from using PFP, since WIOA funding is extremely limited.

- DOL should expand PFP to go beyond solely looking at WIOA common measures, instead providing concrete examples of permissible alternative and longer-term metrics for which PFP contracts can reimburse providers. Allowing a broader set of outcome metrics would create more flexibility and incentive for boards and providers to serve populations with intersecting barriers to employment. In particular, we suggest that DOL consider the following metrics:
    - Increase in earnings for previously employed individuals.
    - Reduction in recidivism in the criminal justice system.
    - Placement in stable housing for people who are unhoused.
    - Earnings beyond fourth quarter after program exit.
    - Percentage of program participants placed into high quality jobs (as defined with reference to local economies).
- DOL should provide greater clarity on possible uses of bonus payments, including that providers can receive bonus payments when they achieve the alternative metrics suggested above.
- According to DOL's 2020 guidance, PFP contracts "must provide the adult and dislocated worker program training services in WIOA §134(c)(3), and/or the youth program activities in WIOA §129(c)(2)." Because PFP payments are tied to outcomes, not activities, boards need clarity on what documentation proves compliance under a PFP contract. If the same documentation is required as in a cost-reimbursement contract, it limits a board's ability to incentivize providers to enter into PFP contracts, since the paperwork burden remains the same.
- DOL should clarify that boards can use streamlined, outcomes-focused reporting for PFP contracts, ensuring that providers can focus less on paperwork and more on achieving outcomes.

For more detail on how DOL can make PFP work better through guidance, see Results for America's previous recommendations on this topic.[30]

2 | Provide Technical Assistance

Performance-based contracting requires intentional, effective design. A 2025 meta-analysis across policy domains found that performance-based contracting works best when outcomes are clearly defined and verified, incentives are meaningful, and contractors can respond to local context. As the authors write, “When [performance-based contracting] succeeds, it is recognized as a catalyst for innovation and a driver of change in practices, supported by contract flexibility and mutual understanding.”[31]

DOL should provide technical assistance to help state and local workforce boards submit waiver requests to expand performance-based contracting. DOL's November 2025 guidance encourages states to submit waiver requests to modernize how they design, fund and deliver WIOA-funded workforce programs. DOL should offer technical assistance to help states design and submit those requests. As part of this, DOL could provide additional examples (or even publish follow-on guidance) of how those waivers can be used to expand performance-based contracting, such as:

- Allowing hybrid PFP contracts in which a portion of funds goes toward partial cost reimbursement while the remainder rewards outcomes.
- Allowing boards to reallocate unused PFP funds to other allowable Title I uses instead of solely allowing them to reallocate to other PFP contracts.
- Allowing all funds obligated for non-PFP performance-based contracts to remain available until expended. This would give boards more time to complete those non-PFP performance-based contracts and assess and reward longer-term outcomes.

DOL should also provide state and local boards with clear, practical examples of performance-based contracts to help them identify what works, navigate compliance requirements, and confidently design their own performance-based contracts. Results for America's Workforce Evidence-Based Spending Guide details six strategies workforce professionals can use to improve their contracting, purchasing and grantmaking; move beyond compliance as the primary measure of procurement success; and support their communities in achieving quality outcomes.[32] The Spending Guide includes examples, templates, sample language and actionable guidance that can serve as the basis for technical assistance to boards on tying payments to outcomes.

CONCLUSION

Performance-based contracting offers a clear path to a more accountable, flexible and results-driven public workforce system, but only if federal policy fully supports its responsible expansion.

As recent bipartisan momentum around WIOA reauthorization and the Trump administration's *America's Talent Strategy* demonstrate, there is growing recognition that tying funding to measurable outcomes can strengthen incentives, improve service quality and better connect workers to family-sustaining jobs. Realizing this potential will require Congress to remove administrative barriers in WIOA and encourage broader use of performance-based contracting. At the same time, the Department of Labor must provide practical guidance, streamlined oversight, and sustained technical assistance to help states and local boards implement performance-based contracting effectively.

With thoughtful technical changes and strong federal leadership, performance-based contracting can shift the workforce system's focus from compliance to impact, ensuring public dollars deliver meaningful, measurable results for workers and employers alike.

APPENDIX: MODEL DEFINITION FOR PERFORMANCE-BASED CONTRACT STRATEGY

(47) PERFORMANCE-BASED CONTRACT STRATEGY.—The term "performance-based contract strategy" means a procurement strategy that ties at least a portion of service provider payments to measurable performance standards, including but not limited to outcomes aligned with the primary indicators of performance described in section 116(b)(2)(A), aligned with such standards as established by the Federal Acquisition Regulations administered by the General Services Administration or any successor Regulations, such that:

1 | Funds used to carry out performance-based contract strategies shall remain available until expended, notwithstanding the time limit established under Sec. 189(g)(2)(A).

2 | Prior to the commencement of the second full program year after the date of enactment of this Act, the Secretary shall provide guidance including but not limited to such related matters as:

- Setting clear, streamlined rules regarding the management and disbursement of funds for payments for such long-term outcomes, including–
    - Clarifying that overhead or indirect costs under such contracts can be drawn down regardless of outcomes achieved;and
    - Rules regarding reallocation of funds not paid to a provider because the long-term outcomes were not achieved;
    - Clarifying that boards may roll over funds for such long-term outcomes payments across multiple years;
    - Clarifying that all costs associated with such contracts shall be considered as program costs, not administrative costs;
- Clarifying that performance-based contract strategies are not required to, but may include, a formal feasibility study; and
- Clarifying that validation of outcomes' achievement may, but are not required to be, done by an independent evaluator.
- Clarifying that activities conducted under a performance-based contract strategy,

including but not limited to those involving long-term outcomes, are not limited to those described in 134(c)(3) or activities described in section 129(c)(2), but may include other complementary services deemed necessary to achieve outcomes at the discretion of local boards and service providers.

- Supporting local boards in leveraging local, state, and federal administrative data in a timely manner in order to validate outcome measures, including the use of secure, privacy-protected data linkages, for all performance-based contract strategies, including but not limited to those involving long-term outcomes.

ENDNOTES

1 Further defined in WIOA Sec. 3(47).

2 The Department of Labor's guidance in 2020 clarified that WIOA PFP contracting is just one type of performance-based contract and that "performance-based contracts are still an available option for local areas and there is no limit on the use of funds for typical performance-based contracts." See the Federal Acquisition Rules (FAR) at Subpart 37.6. "Contracts that are not executed under the WIOA PFP contracting authority may continue to include performance incentives, both positive or negative." However, the time limit on use of WIOA funds still applies.

3 See America's Talent Strategy: Building the Workforce for the Golden Age.

4 U.S. Department of Labor, Training and Employment Guidance Letter No. 05-25, Maximizing Innovation in Workforce Innovation and Opportunity Act Programs.

5 America Forward on New DOL Pay-for-Performance Apprenticeships Initiative.

6 Harvard Project on Workforce. 2023. Navigating Public Job Training.

7 America First Policy Institute. 2024. Reforming Federal Workforce Development Funding to Empower States.

8 FOCUS ON WIOA: Incentivizing Outcomes: How the New WIOA Reauthorization Bill Could Better Serve Diverse Working People.

9 Journal of Public Administration Research and Theory. 2015. The Performance of Performance-Based Contracting in Human Services: A Quasi-Experiment.

10 Harvard Kennedy School Government Performance Lab. 2019. Transforming Service Delivery for Children, Youth, and Families in Rhode Island.

11 Stanford Social Innovation Review. 2026. Going Global: Outcomes-Focused Financing Can Improve Government Effectiveness Around the World.

12 MDRC. 2023. Sector Strategies for Workforce Development | MDRC.

13 WIOA Sec. 3(24).

14 Funds allocated by a state to a local area for any program year are available for expenditure only during that program year and the succeeding program year, as authorized under WIOA Sec. 128(b) for youth activities and Sec. 133(b) for adult/dislocated worker activities. States have three years to expend funds.

15 See the Federal Acquisition Rules (FAR) at Subpart 37.6.

16 The Department of Labor's guidance in 2020 clarified that WIOA PFP contracting is just one type of performance-based contract and that "performance-based contracts are still an available option for local areas and there is no limit on the use of funds for typical performance-based contracts." See the Federal Acquisition Rules (FAR) at Subpart 37.6. "Contracts that are not executed under the WIOA PFP contracting authority may continue to include performance incentives, both positive or negative." However, the time limit on use of WIOA funds still applies.

17 U.S. Department of Labor. WIOA Performance Indicators and Measures.

18 WIOA Section 3(47). While DOL guidance allows localities to "save up" for pay-for-performance by rolling over this 10% across multiple years, it is difficult for boards to do so in practice and adds unnecessary complications to delivering services to populations who stand to benefit.

19 U.S. Department of Labor, Training and Employment Guidance Letter No. 08-20, Pay for Performance (PFP) Guidance for WIOA title I, subtitle B.

20 Before using a WIOA Pay-for-Performance contract strategy, a local area must determine that the proposed intervention is suitable, including defining the problem, target population, expected outcomes, costs, services, baseline performance and contingency plan. See more in U.S. Department of Labor, Training and Employment Guidance Letter No. 08-20, Attachment I. Pay for Performance Guidance.

21 Federal Register/Vol. 81, No. 161/Friday, August 19, 2016/Rules and Regulations

22 U.S. Department of Labor, Training and Employment Guidance Letter No. 08-20, Pay for Performance (PFP) Guidance for WIOA title I, subtitle B.

23 Results for America. 2024. Procurement and Workforce Development Programs: Policy Recommendations for WIOA Reauthorization.

24 Results for America. 2023.The Workforce Evidence-Based Spending Guide.

25 2016 City And County Of San Francisco Office Of Economic And Workforce Development Request for Proposals #121 for Workforce Services.

26 2020 Request For Proposal, Ohio Means Jobs Columbus Franklin County, Job Center Operator.

27 WIOA Sec. 116(d)(2)(K).

28 U.S. Department of Labor, Training and Employment Guidance Letter No. 05-25, Maximizing Innovation in Workforce Innovation and Opportunity Act Programs.

29 U.S. Department of Labor, Training and Employment Guidance Letter No. 08-20, Pay for Performance (PFP) Guidance for WIOA title I, subtitle B.

30 Results for America. 2021. WIOA Pay for Performance Guidance Recommendations.

31 Journal of Public Administration Research and Theory. 2025. The Performance of Performance-Based Contracting in Public Outsourcing: A Meta-Regression Analysis.

32 Results for America. 2023. The Workforce Evidence-Based Spending Guide.