

Learning Dynamics in the Change of Performance Measurement Systems: The Case of JTPA

Ignacio J. Martínez-Moyano

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Purpose of the Research

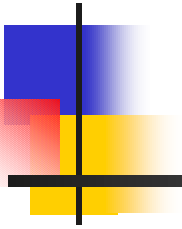
- This work investigates mechanisms that influence rule evolution in organizations over time as a function of endogenously generated pressures.



Motivation of the Research

- Rules and rule-based action are:
 - Central features of all human society and human behavior.
 - Human actions are organized around rules and these rules fit together to create and maintain social systems.
 - Social norms or rules are a powerful form of control, fundamental to human behavior.
- Yet, despite this powerful role and possible learning, rule formation and its dynamics have been studied only rarely.

Performance Measurement Systems in JTPA





National Workforce Preparation Programs

From Department of Labor D.O.L. (<http://www.oalj.dol.gov/libjtp.htm>)

- Comprehensive Employment and Training Act (CETA)—1973
- Job Training Partnership Act (JTPA)—1982
- Workforce Investment Act (WIA)—1998

CETA Act → **JTPA Act** → **WIA Act**



JTPA (1982)

From (Courty and Marschke, 2002)

- JTPA had a budget of nearly **\$4.0 billion** dollars and served a constituency of almost **one million** people annually
- JTPA is a program that is
 - (1) **highly decentralized,**
 - (2) in which **training agencies have significant decision discretion,** and
 - (3) the Federal government uses a **financially-backed performance incentive system** to influence training agency outcomes.



JTPA—The Problem and Motivation

- Performance Measurement Systems in JTPA generated unintended consequences that influenced the performance of the providers of services and their *real* capacity. This translates in how the services are provided and who is served.



JTPA

<http://www.chn.org/issuebriefs/WorkforceInvestmentAct.asp>

- “States believe performance measures are too high. Faced with this pressure to achieve difficult goals, there is an incentive to offer services only to those job seekers who can benefit the most and progress enough to meet performance standards.” Coalition on Human Needs (2003)



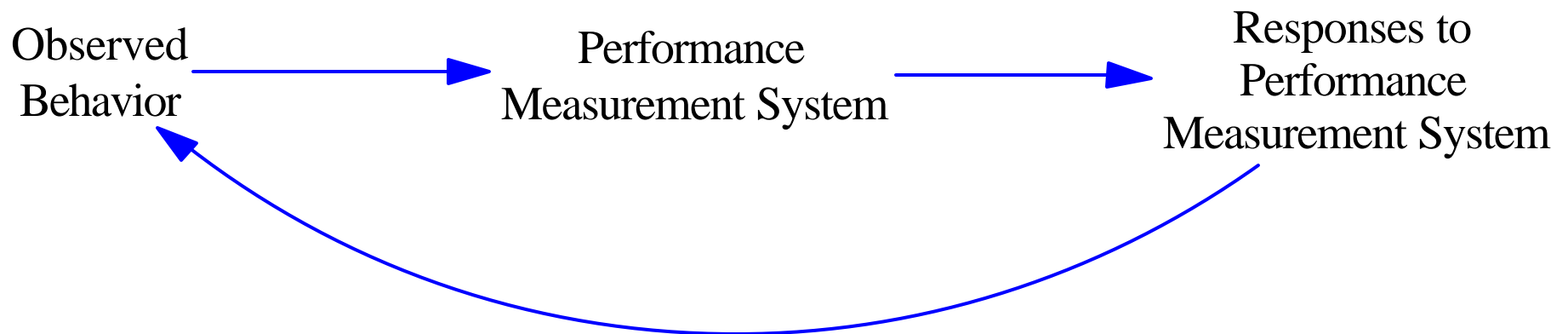
JTPA's Performance Measurement Systems

From (Courty and Marschke, 2002)

- Cost-based Performance Measurement
- Termination date-based Performance Measurement
- Follow-up Performance Measurement
- ...



Initial Theory

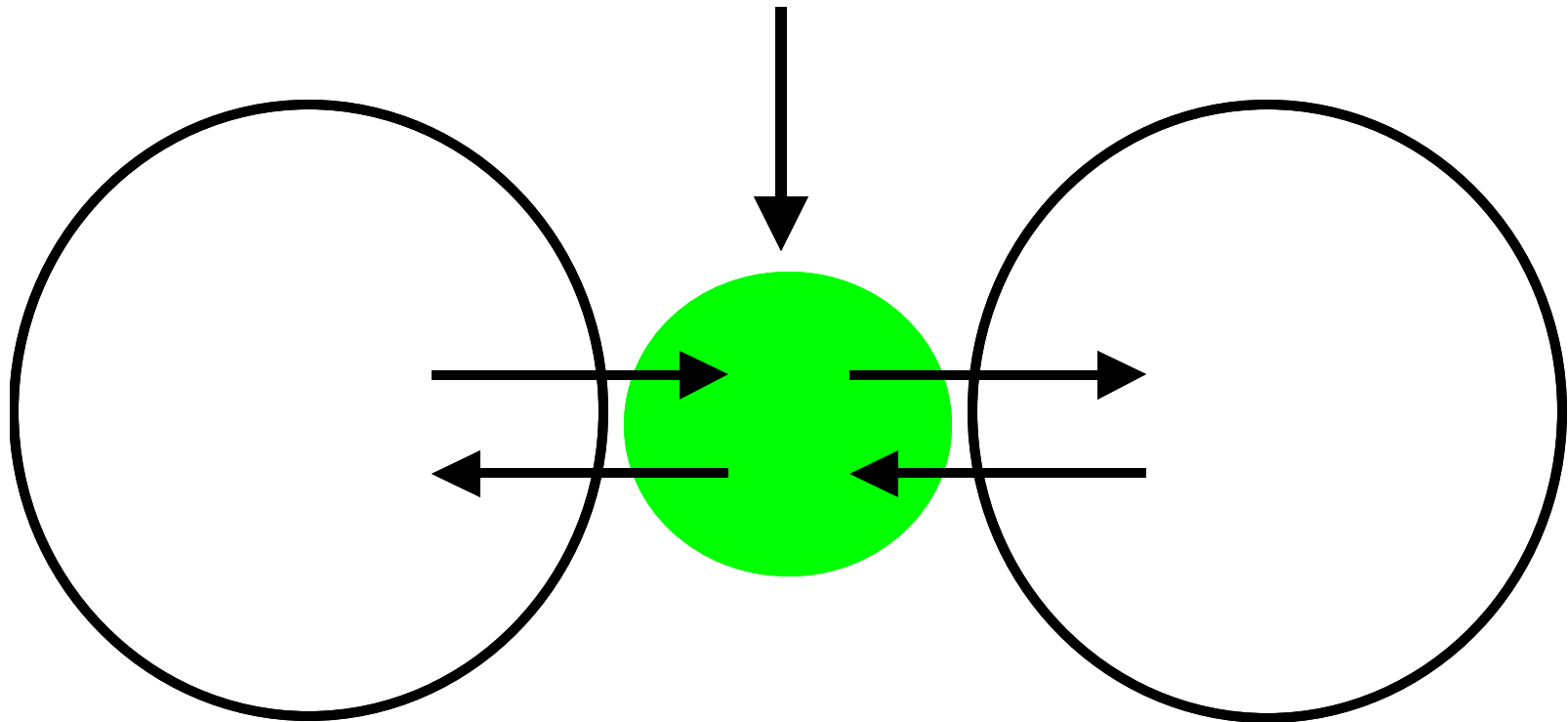




Initial Theory

- Two-actor Model
- Motivated and grounded in JTPA Data (Qualitative and Quantitative)
- Theoretically based on Principal-Agent Theory and Structuration Theory

Performance Measurement System (System of Rules)



Actor A
(Principal)

Actor B
(Agent)



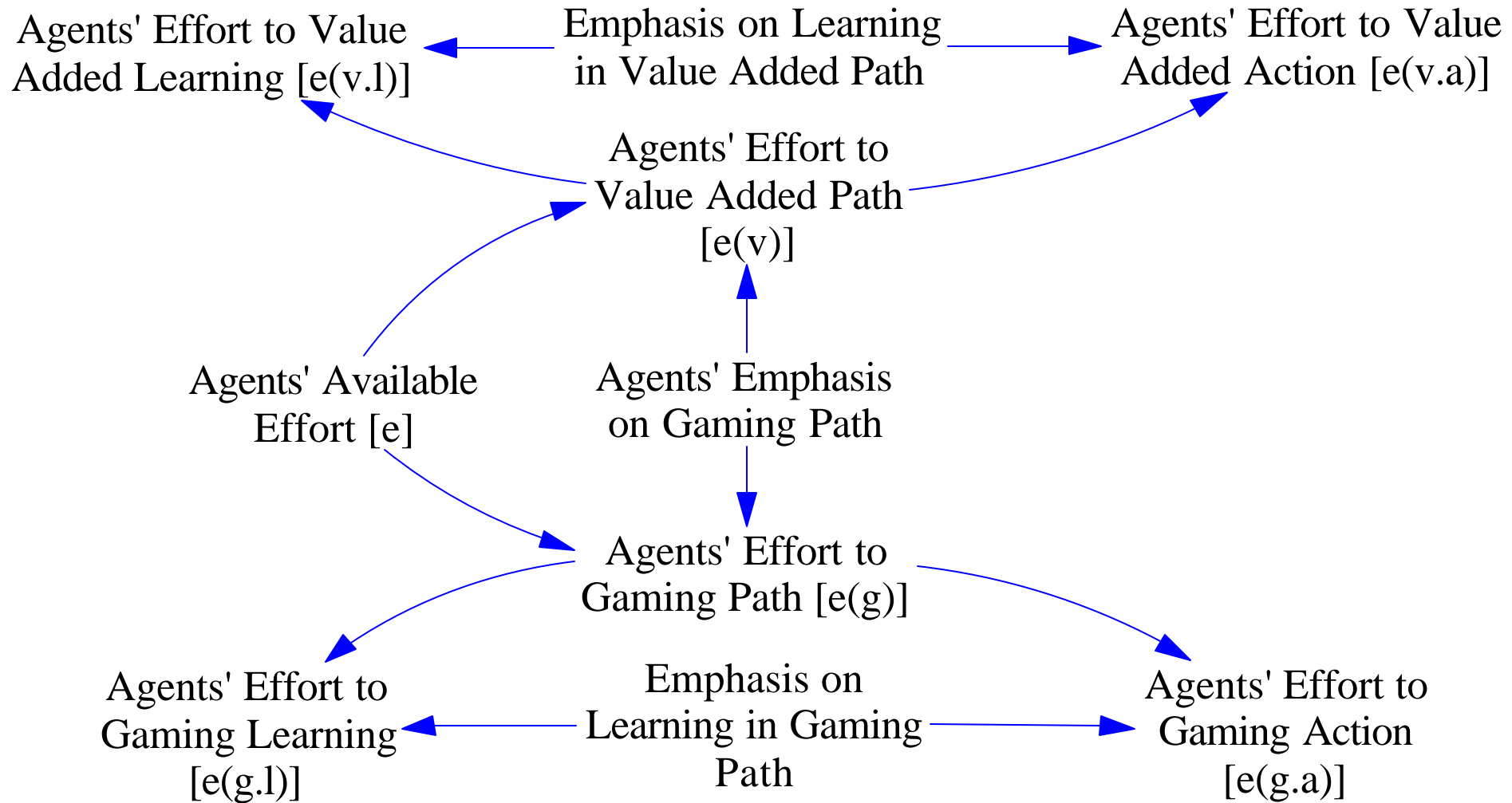
Initial Theory

- Principal

- Learns about the Performance Measurement System
- Learns about the learning of the Agent and about the actions of the Agent

- Agent

- Learns about the Performance Measurement System
- Learns about the principal's learning of what he learned and the principal's learning of the system
- Learns about how to generate Value Added to the Principal



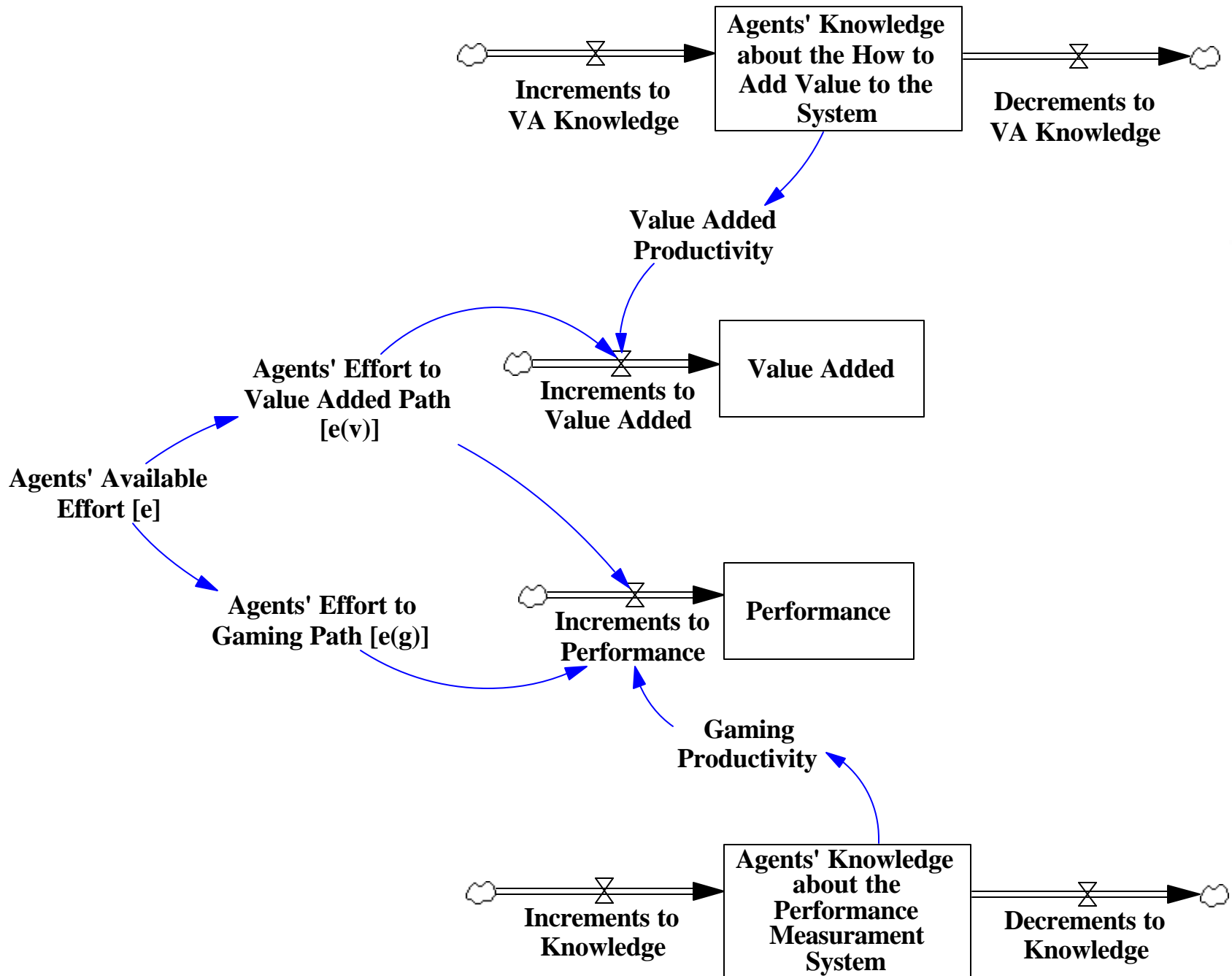


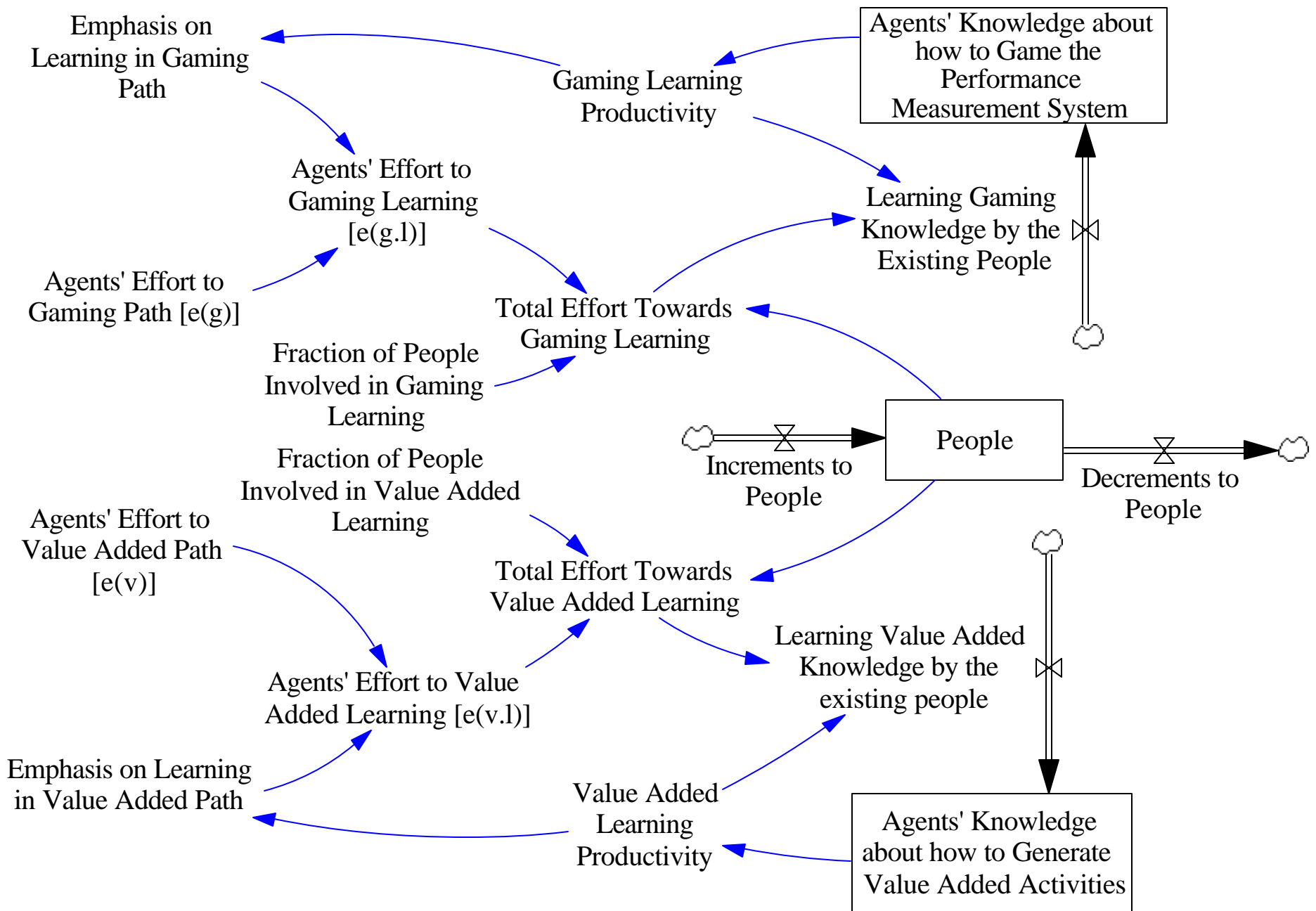
Initial Theory

- Value Added is a function of the effort in value added only.
- Performance is a function of value added effort and gaming effort.

$$p = e_v + \mathbf{a}_g e_g$$

$$v = e_v$$

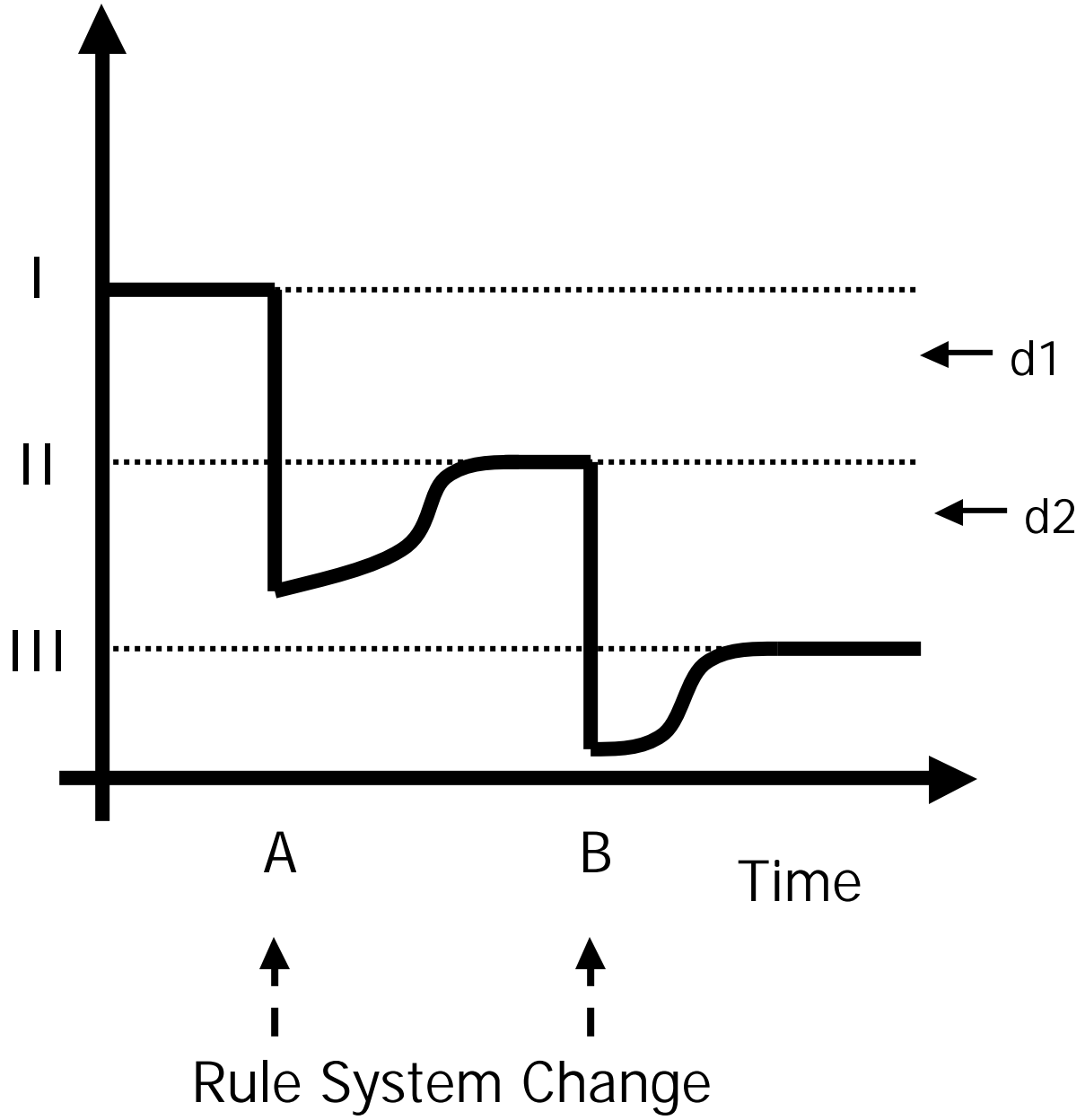




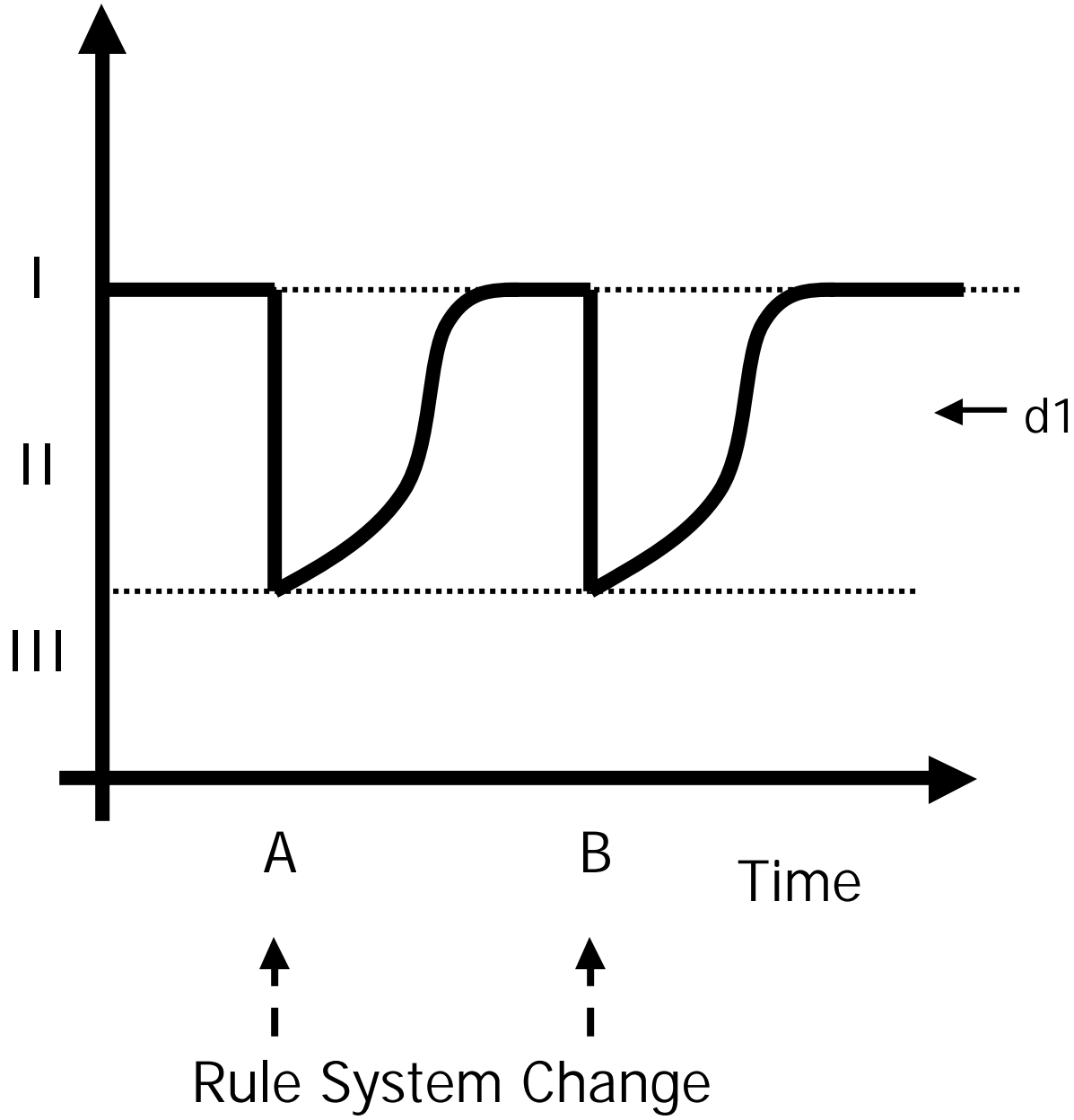


Reference Modes

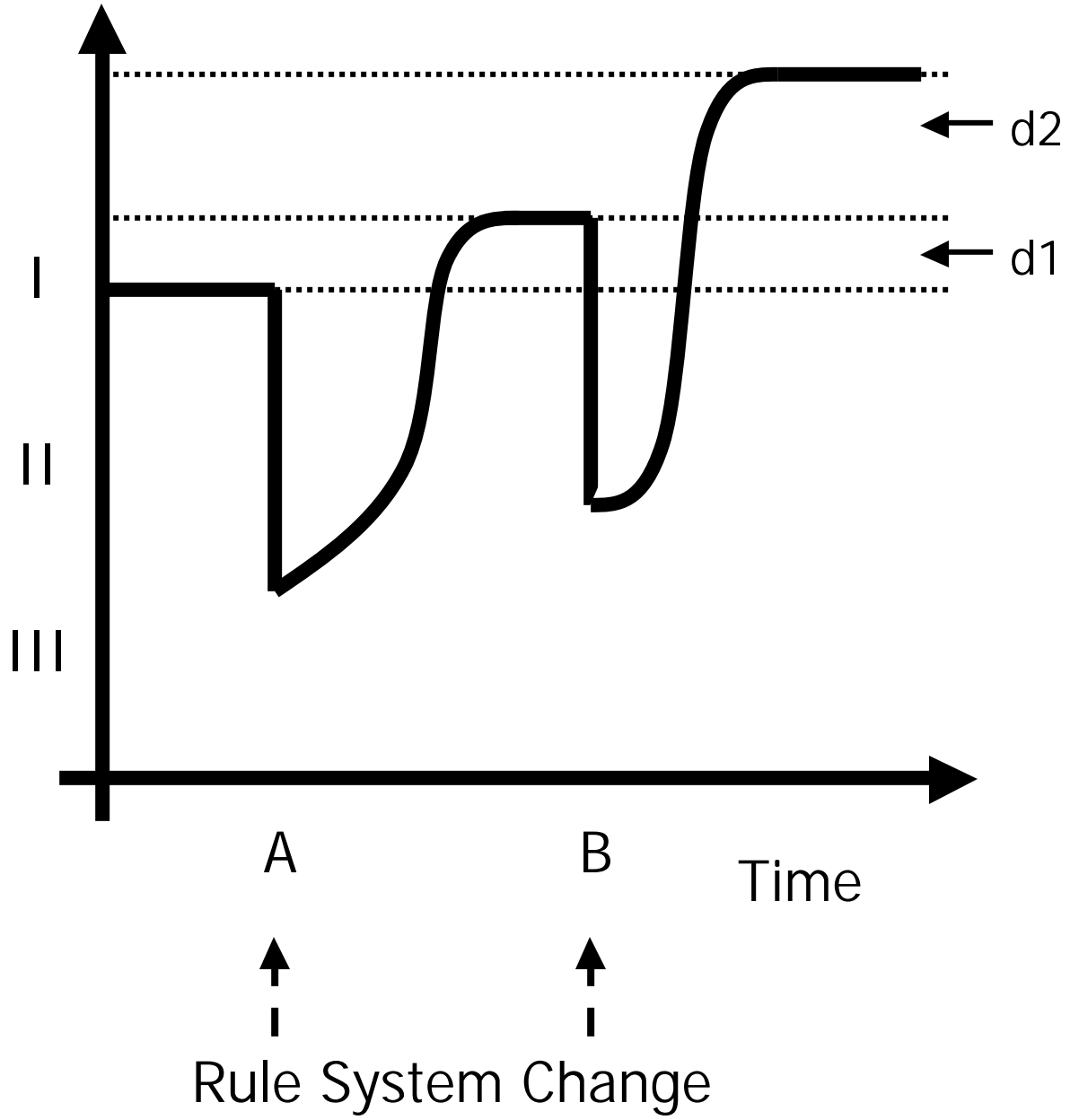
Agents' Knowledge about
how to Game the
Performance Measurement
System (Knowledge Units)



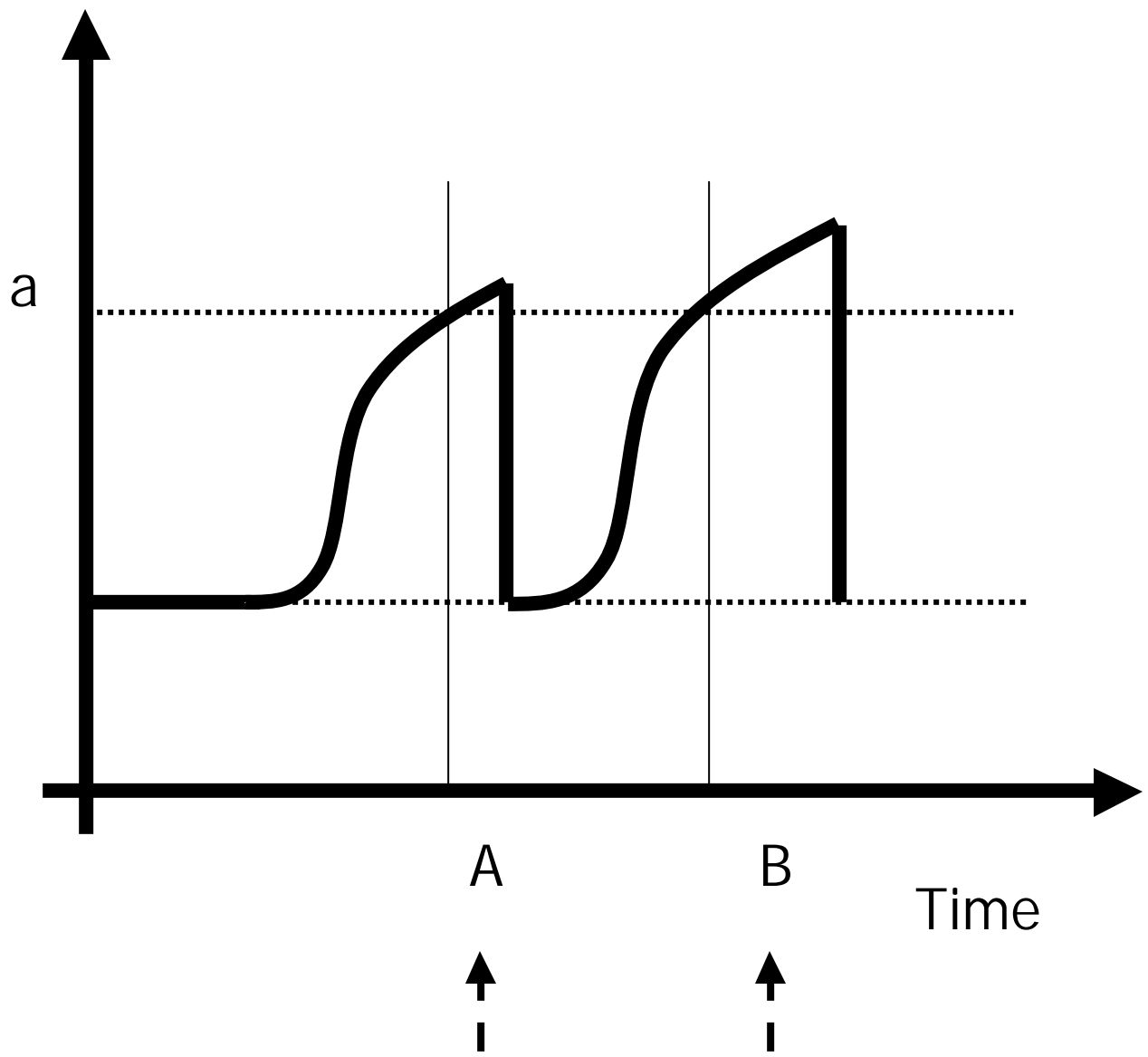
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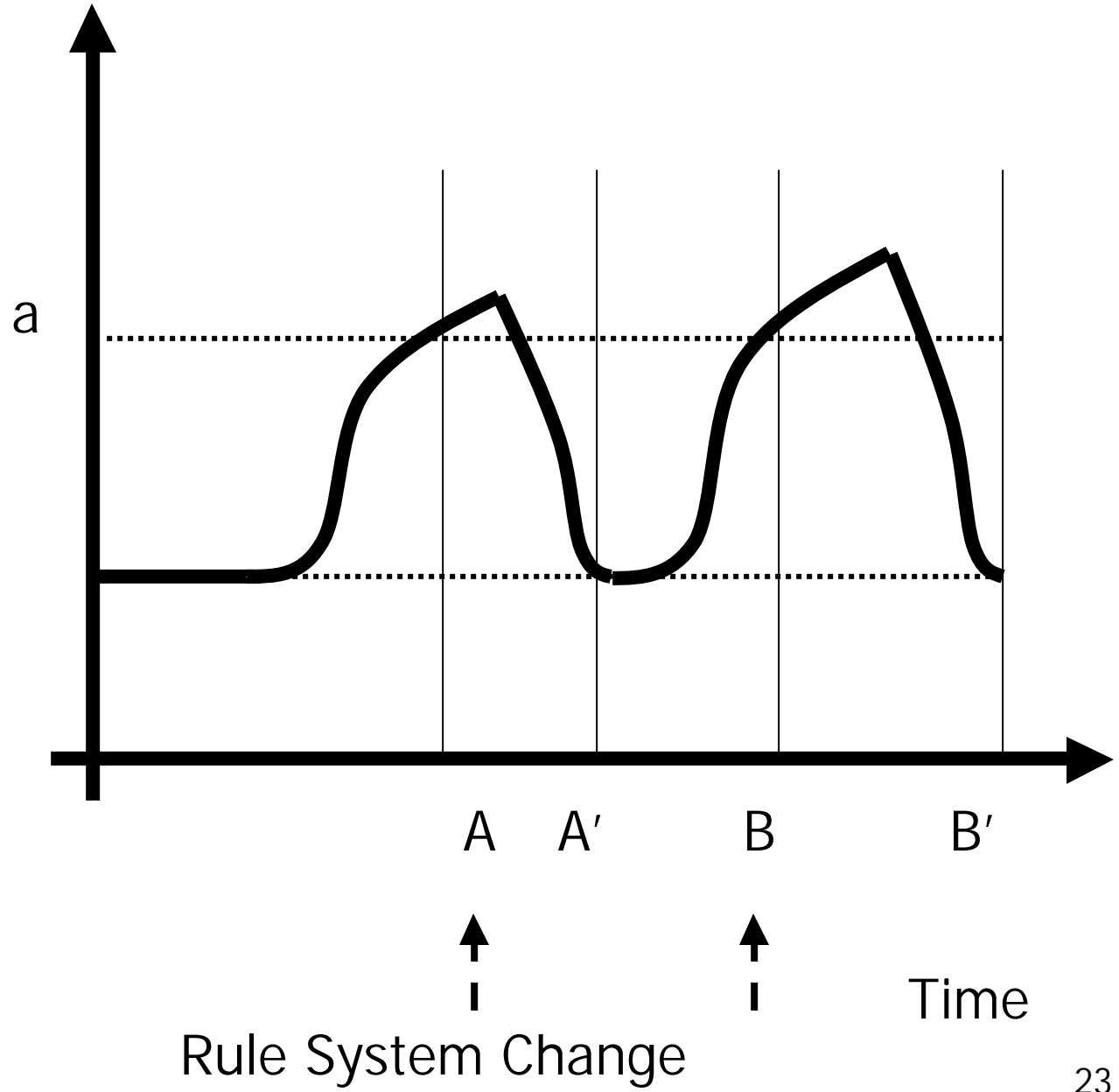


Pressure to Change the
Performance Measurement
System



Rule System Change

Pressure to Change the
Performance Measurement
System (pressure units)





Dynamic Hypothesis



Some Implications (preliminary)

- Services and Clients.

Possible Scenarios		Clients	
		Right	Wrong
Services	Right	Intended	Waste
	Wrong	Waste	Disaster



Some Implications (preliminary)

- If actors in the system ‘learn’, the system of rules will continue to change over time (no equilibrium)
- Tolerance to differences will create conditions for equilibrium (stability)
- The ‘closer’ the actors are in the organization, the more stable the system of rules will be.



Final Thoughts

- The existence of *gaps* in organizations seems not to be necessary nor sufficient for systems of rules to change (rule-following preferences, perception capacity, and tolerance levels seem to be intertwined to create the necessary pressures).



Feedback