

The Workforce Innovation and Opportunity Act

WIOA Desk Reference

Pay for Performance

What is Pay for Performance?

Pay for Performance (PFP) is a type of performance-based contract allowed under the Workforce Innovation and Opportunity Act (WIOA)¹ that maximizes the likelihood that the government pays only for demonstrably effective services, and may secure performance outcomes at a lower cost than might otherwise occur. Local WIOA funds set aside for PFP contract strategies remain available over an extended period, compared to the usual two-year limit for such funds, and are only paid to a service provider upon meeting certain performance outcome thresholds.

PFP Funding

Local boards may reserve a maximum of 10% of their local Adult, Dislocated Worker, and Youth annual allocations for PFP contract strategies. PFP contract strategies may combine these allocations over multiple years to accumulate sufficient funds for a project. A state can also use the WIOA Governor's reserve or other funds for similar performance-based contracting strategies.

Steps to Initiate Pay For Performance

1. A local area conducts a feasibility study or determination to identify the problem the project will address, the population that will be targeted, the services that will be provided, and the performance outcomes that will be used as criteria; and to estimate the acceptable cost to the government associated with achieving the projected performance outcomes.
2. The state modifies its WIOA grant to set aside the funds that will be used for PFP and thus will have a longer obligation period, and establishes financial controls to track this fund use at the local level.
3. The Local area begins its PFP project, including negotiating and awarding a PFP contract.
4. The local PFP project recruits participants and provides services
5. An independent validator determines if the project has achieved its outcomes.
6. The local area pays for any outcomes as named in its PFP contract. If outcomes have not been achieved, the local area does not pay for outcomes.

Where can I learn more?

USDOL's Employment and Training Administration (ETA) can help a state and its local areas explore and use PFP. [Contact information for ETA's Regional Offices](#) is available online.

¹ See [Section 3\(47\) of WIOA \(PL 113-128\)](#).

