

**REAUTHORIZATION OF THE WORKFORCE  
INVESTMENT ACT**

---

---

**HEARING**  
BEFORE THE  
SUBCOMMITTEE ON EMPLOYMENT, SAFETY, AND  
TRAINING  
OF THE  
COMMITTEE ON HEALTH, EDUCATION,  
LABOR, AND PENSIONS  
UNITED STATES SENATE  
ONE HUNDRED EIGHTH CONGRESS  
FIRST SESSION  
ON  
EXAMINING PROPOSED LEGISLATION AUTHORIZING FUNDS FOR  
PROGRAMS OF THE WORKFORCE INVESTMENT ACT

—————  
JUNE 18, 2003  
—————

Printed for the use of the Committee on Health, Education, Labor, and Pensions



U.S. GOVERNMENT PRINTING OFFICE

87-960 PDF

WASHINGTON : 2004

---

For sale by the Superintendent of Documents, U.S. Government Printing Office  
Internet: [bookstore.gpo.gov](http://bookstore.gpo.gov) Phone: toll free (866) 512-1800; DC area (202) 512-1800  
Fax: (202) 512-2250 Mail: Stop SSOP, Washington, DC 20402-0001

COMMITTEE ON HEALTH, EDUCATION, LABOR, AND PENSIONS

JUDD GREGG, New Hampshire, *Chairman*

BILL FRIST, Tennessee	EDWARD M. KENNEDY, Massachusetts
MICHAEL B. ENZI, Wyoming	CHRISTOPHER J. DODD, Connecticut
LAMAR ALEXANDER, Tennessee	TOM HARKIN, Iowa
CHRISTOPHER S. BOND, Missouri	BARBARA A. MIKULSKI, Maryland
MIKE DEWINE, Ohio	JAMES M. JEFFORDS (I), Vermont
PAT ROBERTS, Kansas	JEFF BINGAMAN, New Mexico
JEFF SESSIONS, Alabama	PATTY MURRAY, Washington
JOHN ENSIGN, Nevada	JACK REED, Rhode Island
LINDSEY O. GRAHAM, South Carolina	JOHN EDWARDS, North Carolina
JOHN W. WARNER, Virginia	HILLARY RODHAM CLINTON, New York

SHARON R. SODERSTROM, *Staff Director*

J. MICHAEL MYERS, *Minority Staff Director and Chief Counsel*

---

SUBCOMMITTEE ON EMPLOYMENT, SAFETY, AND TRAINING

MICHAEL B. ENZI, Wyoming, *Chairman*

LAMAR ALEXANDER, Tennessee	PATTY MURRAY, Washington
CHRISTOPHER S. BOND, Missouri	CHRISTOPHER J. DODD, Connecticut
PAT ROBERTS, Kansas	TOM HARKIN, Iowa
JEFF SESSIONS, Alabama	JAMES M. JEFFORDS (I), Vermont

ILYSE W. SCHUMAN, *Staff Director*

WILLIAM KAMELA, *Minority Staff Director*

# C O N T E N T S

## STATEMENTS

WEDNESDAY, JUNE 18, 2003

	Page
Enzi, Hon. Michael B., a U.S. Senator from the State of Wyoming, opening statement .....	1
Murray, Hon. Patty, a U.S. Senator from the State of Washington, opening statement .....	3
Kennedy, Hon. Edward M., a U.S. Senator from the State of Massachusetts, opening statement .....	6
Prepared statement .....	7
Dodd, Hon. Christopher J., a U.S. Senator from the State of Connecticut, opening statement .....	8
Prepared statement .....	9
Harkin, Hon. Tom, a U.S. Senator from the State of Iowa, prepared statement .....	11
Nilsen, Sigurd R., Director, Education, Workforce, and Income Security Issues, Accompanied by Dianne Blank, Assistant Director, U.S. General Accounting Office .....	12
Prepared statement of: Sigurd Nilsen .....	22
Austin, Curtis C., President, Workforce Florida, Inc., Tallahassee, FL; James N. Ellenberger, Deputy Commissioner, Virginia Employment Commission, Richmond, VA; Michael H. Kennedy, Executive Director, Pacific Mountain Workforce Development Council, Lacey, WA; Michael E. Smeltzer, Executive Director, Manufacturers' Association of South Central Pennsylvania, York, PA; and Charles Ware, Chairman, Wyoming Workforce Development Council, Cheyenne, WY .....	37
Prepared statements of: Curtis C. Austin .....	39
James N. Ellenberger .....	47
Michael H. Kennedy .....	52
Michael E. Smeltzer .....	59
Charles Ware .....	64

## ADDITIONAL MATERIAL

Statements, articles, publications, letters, etc.:	
Questions of Senator Kennedy for Curtis C. Austin, James N. Ellenberger, Michael H. Kennedy, and Sigurd Nilsen .....	75
Questions of Senator Kennedy for Michael E. Smeltzer and Charles Ware .....	76
Questions of Senator Harkin for Sigurd Nilsen .....	76
Questions of Senator Murray for Panel I .....	77
Questions of Senator Murray for Panel II .....	78
Coalition of service providers, advocacy groups, and individuals .....	79

IV

	Page
International Association of Jewish Vocational Services .....	81
National Hire Network .....	82
Deborah Lincoln .....	83
Greg Nickels, Mayor of Seattle .....	85
Shoreline Community College .....	86
Wade Delk .....	88
Sory Hinton Jordan .....	93
Steve H. Perdue .....	95
Diane D. Rath .....	100
C.W. Van Valkenburgh .....	103
Indian and Native American Employment and Training Coalition .....	106
National Community Provider Coalition (NCPC) .....	107
Society of the Plastics Industry, Inc. ....	114
Toward a National Workforce Education and Training Policy .....	119
North Carolina Plastics Incumbent Worker Demonstration Project .....	158
Wider Opportunities for Women (WOW) .....	160

# REAUTHORIZATION OF THE WORKFORCE INVESTMENT ACT

WEDNESDAY, JUNE 18, 2003

U.S. SENATE,  
SUBCOMMITTEE ON EMPLOYMENT, SAFETY AND TRAINING,  
COMMITTEE ON HEALTH, EDUCATION, LABOR, AND PENSIONS,  
*Washington, DC.*

The subcommittee met, pursuant to notice, at 10:04 a.m., in room SD-430, Dirksen Senate Office Building, Hon. Michael B. Enzi (chairman of the subcommittee) presiding.

Present: Senators Enzi, Murray, Kennedy, and Dodd.

## OPENING STATEMENT OF SENATOR ENZI

Senator ENZI. I call the subcommittee hearing to order, and I would like to begin by thanking Senator Murray and our distinguished panelists for joining me today to answer some important questions like: How can we help American workers find new or better jobs? How do Americans get the training to be skilled employees? How can we help American businesses find the skilled employees they need to compete in a changing global economy?

We can do all three things by creating a more demand-driven and flexible workforce development system, a system that works for both large and small businesses and in urban and rural areas. Workforce development can be a powerful economic development tool.

In these challenging times, reauthorization of the Workforce Investment Act gives us an opportunity to improve the lives of millions of our workers and increase the strength of our businesses and thereby our communities.

In 1998, the Workforce Investment Act, WIA, was enacted to create a streamlined job training and employment system that would be responsive to the needs of employers and workers. WIA may be a fairly new system, but we have already learned a great deal about its strengths and weaknesses. These lessons reinforce what I learned as a small business owner in Wyoming, that is, rural areas face unique workforce development challenges. The real opportunity in America comes from the small business sector in all States, where the American dream can still happen. Economic development and workforce development go hand in hand. Washington cannot and should not determine State, local, and individual workforce needs. And overly burdensome administrative requirements divert resources from serving customers. I will give a little more detail.

First, rural areas face unique workforce development challenges. One-stop career centers are the focal point of WIA's job training and employment system, yet distance can create a barrier to a one-stop access in many rural and frontier areas, like Wyoming. A job seeker or employer or employer in, for instance, Dubois, WY, has to travel 150 miles round trip to go to the nearest one-stop center in Lander, WY. It is hard to understand the impact of distance here where in Washington, there is the nearby Judiciary Square satellite one-stop or a South Capitol Street one-stop to visit. Technology can effectively remove the barrier created by distance. Wyoming has created a virtual one-stop to make WIA services available in every community in the State, and I am so pleased that Charlie Ware, the chairman of Wyoming's Workforce Development Council, is here to tell us about this and other steps that Wyoming has taken to improve service in the rural areas. And, in fact, we have a number of Wyoming folks that have come out today to observe this and to talk to other people. As you meet them, you may think that most of Wyoming is here. It is true.

[Laughter.]

But when you are from a State that has three Senators—we count the Vice President in that—we really do have a significant number of people here.

Through the reauthorization, we should leverage technology to improve access to WIA services in all rural areas. Remember, one-stop centers are not just bricks and mortar.

Second, the real opportunity in America comes from the small business sector where the American dream can still happen. However, WIA currently fails to tap into this opportunity effectively. The system needs to be more responsive to the needs of small business. The small employers with limited personnel and limited resources are in the most need of WIA services to find and develop skilled workers. Yet small businesses are the least likely to know about the system, let alone to navigate it. They do not have the extra person to specialize in some of these things.

Third, the workforce development and economic development go hand in hand. You need businesses to provide skilled jobs. You also need a skilled workforce to attract business to an area. The new Lowe's Home Improvement distribution center in Cheyenne, WY, proves that workforce development is a powerful economic development tool. Lowe's was looking at a number of sites to open a regional distribution center. The Wyoming Department of Workforce Services, the State and local economic development agencies, and the local community college partnered to provide job training to meet Lowe's needs. This was the primary reason they selected Cheyenne. The distribution center will bring 700 new jobs to Cheyenne, which is a large number for Wyoming.

Fourth, Washington cannot and should not determine the State, local, and individual workforce development needs. An important goal of WIA was to allow State and local flexibility to implement innovative workforce programs tailored to meet the needs of local, regional, and State labor markets. States and localities, not the Federal Government, are best positioned to recognize and respond to workforce needs. However, current law has restricted the ability of States and localities to implement job training and employment

services best suited for their needs. Current law has also restricted the ability of participants to receive the services that meet their needs. By building more flexibility into the system, the full promise of the Workforce Investment Act can be achieved.

Finally, overly burdensome administrative requirements divert resources from serving customers. The system must have accountability. However, the 17 current performance measures must be simplified to more accurately and easily show the impact WIA is having. We need the sales pitch. We do not need mounds of data. The current excessive data collection and reporting requirements have deterred some training providers from even participating. Difficulty of documenting low-income eligibility for youth has left at-risk youth out of the system. By reducing administrative complexity, more resources can be devoted to helping people get new or better jobs.

With these lessons in mind, reauthorization of the Workforce Investment Act should focus on improving job training and employment services in rural areas, particularly with the use of technology, increasing the participation of small business, linking workforce development with economic development, and building more flexibility into the system. Some States and localities have found creative ways to overcome challenges imposed by current law. Wyoming has done a magnificent job with the resources they have been allotted under the current law. And I do commend their ingenuity.

What we have to do now is structure the reauthorization so our States have built-in flexibility they need to help the unemployed and the underemployed. States and localities should be able to target efforts more directly toward people rather than toward paperwork.

Deputy Secretary of Labor Cameron Findlay has already testified before this committee about the administration's innovative proposal for improving the Workforce Investment Act through reauthorization. Today we will hear from the General Accounting Office and leaders from the business community and workforce development community. Reauthorizing the Workforce Investment Act this year is a priority for the President, for the Department of Labor, and for me. I look forward to working with the administration, with my colleagues and the committee, and with the stakeholders on a bipartisan bill—and we have been working toward that already—that builds on the lessons we have learned about this vital legislation.

I will now recognize the distinguished ranking member from Washington, Senator Murray, for any statement she might want to make.

#### OPENING STATEMENT OF SENATOR MURRAY

Senator MURRAY. Well, thank you, Mr. Chairman. Let me commend you for calling this second hearing of the Employment, Safety and Training Subcommittee to update the Workforce Investment Act to meet the needs of workers and employers. I am happy to join in welcoming our two distinguished panels of witnesses. They bring unique perspectives on how we can strengthen and improve services to employers and job seekers, and I welcome all of their expertise.

I especially want to thank this morning Mike Kennedy from Pacific Mountain Workforce Development Council in Lacey, WA, for making the long journey across our country to share his insights with the subcommittee this morning.

Mr. Chairman, as we talk about WIA and performance measures and personal re-employment accounts, it is easy to get caught up in the jargon. But behind each one of these programs are real people who have lost their jobs through no fault of their own. They want to work. They want to pay their mortgage. They want to put food on the table. And we have got an obligation to help them succeed. These families are balanced on the leading edge of our economy. Outward job opportunities and skills are constantly shifting. We need to give them a strong, solid foundation to a good-paying job.

I see the challenges in my home State of Washington. Our unemployment rate is 7.3 percent. That is the second highest unemployment in the Nation. Tens of thousands of workers in my State have lost their jobs over the last 2½ years, and they desperately need retraining services.

We have also seen that the number of people using one-stop centers has increased dramatically. What we do with this act may make the difference between someone who is trapped outside the workforce without the skills they need and someone who can compete and win in today's economy. So I hope we do not lose sight of the families that are affected by every change we make.

Let's also remember that unemployment is not a partisan issue. It is an American challenge and one that we must face together. I hope that under the leadership of our chairman we will continue the strong tradition of bipartisanship around workforce development issues.

Of course, WIA has only been operational for 3 years, which is not enough time to fully analyze the success and the failures of the current system. I do not believe we have the kind of empirical evidence to suggest wholesale changes to the act. I have been encouraged to see new partnerships developing in my State with the business community, organized labor, community colleges, and the provider community. We must build on these successes and not throw the workforce system into chaos by implementing sweeping changes.

As we begin to update our workforce programs, let's keep in mind that we do not want to push people into dead-end jobs just to get them off the rolls. Our goal is to empower people to find jobs that will last and will truly improve their lives. To meet that goal, I am focusing on three priorities.

First, we must empower WIA's two customers—business and workers—to use their firsthand knowledge to meet local employment needs while providing the appropriate incentives and flexibility to bring people and businesses into one-stop centers. This flexibility, however, should not mean using block grants to consolidate services. For example, we should not eliminate Wagner-Peyser funding for the critical labor exchange function carried out by the U.S. Employment Service. I will work hard during the appropriations process to seek renewed Federal infrastructure funding for one-stops. My goal for this funding is to help reduce the financial

burdens facing one-stop partners and to encourage greater cooperation and increase leveraging of resources at the State and local level.

Second, we should make WIA's services more efficient at every level by streamlining the performance, reporting, and eligibility criteria, and knocking down barriers to job training. We must strike an appropriate balance between State and local control. For example, Washington State has done an excellent job of governance through its tripartite board structure. Any reauthorization bill must continue to allow Governors to retain this type of flexibility in deciding how best to structure its State board.

And, finally, we should provide more appropriate performance measures to reflect the type of work and labor market being served. I would also note that we have got to stop the funding cuts that are undermining our workers. We have got to fund workforce development programs adequately to meet the growing needs of millions of unemployed and underemployed Americans who have worked hard and played by the rules.

Before I close, I want to raise some concerns about the personal re-employment accounts that the administration has proposed. To me, that proposal is inadequate and unfair. First of all, the accounts do not provide enough money to really help a dislocated worker. The average training program costs \$5,000. The President only offers \$3,000. So workers will simply not be able to afford the training that they need.

In addition, if you take the \$3,000, then you are cut off from getting any other support from Workforce Investment Act programs for a full year. And these accounts are not open to everyone. They are only available to people who are collecting unemployment benefits. That leaves out people whose benefits have expired, new entrants, many women and minorities, and low-wage workers.

Someone who has lost his or her job might not even be eligible for re-employment accounts. And even if they are, there is not enough money for even the average training program, and they are cut off from receiving any other WIA support for an entire year. That is not the type of solid and reliable framework to help dislocated workers. We are trying to build a springboard that dislocated workers can use to find a good job.

I am concerned there are many holes in the administration's approach, and I am afraid that many people are going to fall through the cracks instead of getting the support that they need.

Mr. Chairman, in closing, I believe that a strengthened Workforce Investment Act can help provide the skills training employers need to remain competitive in our global economy, and I look forward to working with you, Mr. Chairman, and all the members of the HELP Committee in fashioning a bipartisan reauthorization bill that will be responsive to the needs of all working Americans.

Thank you, Mr. Chairman.

Senator ENZI. Thank you.

Senator Kennedy?

## OPENING STATEMENT OF SENATOR KENNEDY

Senator KENNEDY. Well, thank you, Mr. Chairman, and I will be very brief, and I appreciate your courtesy in letting me say just a word.

First of all, I want to thank you for your great interest in the whole issue of training for workers in this country and for your willingness to keep an open mind in developing what we all hope will be a strong, bipartisan bill to meet the very critical need.

I thank Senator Murray, who gave an excellent outline of both the challenges in developing the legislation and also, I thought, a very keen observation about the personal re-employment accounts.

Mr. Chairman, I remember very well, I go back to the time that we had the CEDA program, when we had all of the challenges that were out there in the CEDA program, and then we had the JTPA, which was primarily the work of a Republican Senator from Indiana, Senator Quayle. It was the only social program that was passed in the first 4 years of the President Reagan period. But he spent a lot of time on this. I had my differences with Dan Quayle, but I respected the work that he placed on this and the priority that he placed on it. And the JTPA was a very creative way to try and be responsible to the business and local needs. And in a number of places in my State, it worked extraordinarily well. In other places it was weak. But what was recognized by Senator Kassebaum and us on this committee later was that we had six different agencies, 26 different training programs, and we ought to bring them all together. And that is what WIA was really all about. And I believe that we ought to give it a chance.

I think the excellent GAO report in reviewing places where it has been very successful would indicate that that is the best way to move it. We cannot constantly every 4 years try and find a new way of trying to restructure and reorganize something which is of such fundamental and basic need in terms of working Americans. When I came to the Senate, if you worked down at the Falls River Shipyard, your grandfather worked there, your father worked there, you had one job. Now you have seven jobs once you enter the job market. You need continuing training, training, education, training, training, training, training. And I think the genius of this proposal is that it has the different streams in terms of the youth with all the complexity, the fact we have close to 500,000 youths that drop out every year, working with the children in school, out of school. The youth councils, we could talk about that. You have the dislocated. You have the adult worker. You have the new kinds of pressures with migrant workers and immigrant workers that are coming in here, working with the business community, the employment services and the value that they have.

I agree with you, Mr. Chairman, this is not particularly an item for our committee because it talks about using the FUTA programs and contributions in terms of the training programs, and that really is not quite in our jurisdiction. And if it is going to be altered and changed, I think we will have to give it a good deal more thought. I think that employment service is working.

Sure, we need to bring some—take a number of the recommendations that have been made in the GAO and from a number of the

WIA Boards. I have spent time in my own State recently in traveling the State and listening to both the boards, the business community, and others. And they make a lot of good suggestions. My hope is that we could find common ground, we could build on what we have tried to do in the past, and really make a difference.

What we are facing in this country now is a skill shortage. We have got workers that are out there that want to work, as Senator Murray said. It is just the skill shortage. And we need to have a good, effective, committed program, and I want you to know that we want to work with you and the committee to try and achieve that.

I thank you for letting me say a word.

[The prepared statement of Senator Kennedy follows:]

#### PREPARED STATEMENT OF SENATOR KENNEDY

I commend our Chairman, Senator Enzi for calling this important hearing and for his leadership on these workforce issues over the years. This hearing will provide important information as we prepare legislation to reauthorize the Workforce Investment Act.

The 1998 Act accomplished a major reshaping of Federal job training programs, moving to the concept of One-Stop service to help workers acquire the skills that were in demand by area businesses. That bipartisan legislation was a significant step in simplifying the Federal programs to meet the needs of workers and employers more effectively, and the reauthorization gives us an opportunity to build on that achievement.

Today's struggling economy puts this system to a difficult test. Since January 2001, millions of jobs have been lost. Over eight million Americans are out of work, including two million who are classified as long term unemployed because they have been out of work for more than 6 months.

The new system of One-Stop Centers is helping these workers and their families make it through these hard times. The Centers are helping unemployed workers to identify available jobs and obtain the training they need to qualify for good jobs.

This year's reauthorization bill will enable us to strengthen this system and make it more effective in meeting the needs of businesses and workers, and establish key links between economic development and workforce development.

In recent weeks, I have had the opportunity to meet with constituents who serve on local Workforce Investment Boards in Massachusetts. They have had good ideas for improving the law, but they emphasized that the law is in the early stages of implementation, and the last thing they want is sweeping changes for political reasons.

I look forward to working with my colleagues to improve the formulas in the current system, but now is not the time to eliminate the Employment Service by blending its support with other funding streams. To avoid duplication, there are many other ways to meet that goal. Dislocating State workers will only add to the growing numbers of the unemployed and force States to design a new system during the current fiscal crisis.

We must continue to target resources on teenagers and young adults. Last summer was the worst summer for young people 16-

19 trying to get ahead in the job market—only 39 percent of teenagers were employed, the lowest rate since 1965. Clearly, we need a job creation program for these young people, to give them the incentive they need to pay for college or to get a firm footing in the workforce. Unfortunately, this summer may well set new records for teenage unemployment.

We need to look closely at low-wage workers as well—hard-working Americans who lack the skills to move into better-paying jobs. We must work with employers to provide skills training for these workers long before they are unemployed. Improving the skills of low-skilled workers adds to the productivity of businesses and makes our country stronger.

We must also strengthen the safety net for workers who are most at risk in the current economy. Migrant and seasonal farmworkers deserve specific programs to meet their unique needs. Offenders returning to society have special needs to become productive citizens, and they deserve assistance in making a successful transition back into their communities.

We also plan to focus on standards for accountability, so that we can assess how well workers are obtaining training and services, and how well businesses are using the system.

I look forward to the testimony today, and I especially thank Sigurd Nilsen and GAO for all of their work on the Act's implementation.

Senator ENZI. Thank you. I appreciate those comments. You mentioned the two earlier programs, CEDA and JTPA. My wife was on State Advisory Councils for those, so I have a little background in that. Now she is on the National Advisory Council for Apprenticeships, so I still get excellent advice.

[Laughter.]

Senator Dodd?

#### OPENING STATEMENT OF SENATOR DODD

Senator DODD. Well, thank you, Mr. Chairman. I will ask unanimous consent that my opening statement be included in the record. And let me echo the comments of Senator Kennedy with regard to both you and Senator Murray. Senator Enzi, in your tenure here, you have not wandered around and gotten involved in a lot of different issues. You have focused in your tenure here on workplace issues, and I want to commend you for it. From the very beginning you have had a consistent message, looking for different ways to focus on these issues. And we are fortunate to have you chairing this committee; someone who cares so much about these particular issues. Senator Murray as well has been a champion on these questions over the years.

Just to echo what has been said, I guess, by others already—I am concerned as well that we not try and make sweeping changes here. A lot of places did not really get to implement the Workforce Investment Act until the year 2000, so it is just beginning, and the idea of not giving this a chance to really show what it can do would worry me. We do that too often here. We reinvent the wheel all the time, and if we do so now, we can do it at our peril, particularly for the workers and the businesses. I think it is very important when we talk about this, while the emphasis obviously and to a

large extent is on seeing to it that people can have work, it is a critically important issue for businesses to be able to have a trained workforce that can compete and do the jobs in a 21st century economy.

And so while this will do an awful lot for individual workers, it does a great deal for businesses out there that need to have the talented people to do the job.

I would be remiss if I did not express my concerns about the budget areas with regard to WIA. While we are all talking about the importance of WIA, we must lay the groundwork—and obviously the questions will have to focus on this to some extent. The budget request for 2004 consolidates adult, dislocated workers and employment service allotments to States into a single formula grant. Consolidation will likely cut job training spending by \$144 million and serve 100,000 fewer youths. At least, those are the predictions here. And that is at a time when we are seeing 9 million Americans out of work. The unemployment rates, while they have not climbed as dramatically in the last month or so, but certainly at 6.1 percent the rate is high and there is every indication that those numbers are probably going to continue to climb before this bottoms out. We are estimating in my State we will lose an additional 10,000 workers before we get a bottoming-out of this problem.

So at a time when the economy is worsening to some extent, unemployment rates are rising and there are pressures on businesses and industries to compete in the global marketplace, the Workforce Investment Act has done an awful lot, and we ought to continue to give it a chance to do what many people felt it would do when we enacted it.

So I am very interested in observations this morning from our witnesses who I am sure have a lot to suggest to us. But my hope would be we do not go and redo WIA all over again at a time when it is going to be very important that we put some resources behind it and let this program work as well as those who spent the hours putting it together envisioned it might work back in 1998.

Thank you.

[The prepared statement of Senator Dodd follows:]

#### PREPARED STATEMENT OF SENATOR DODD

I would like to thank Chairman Enzi and Senator Murray for scheduling today's hearing on re-authorizing Title I of the Workforce Investment Act (WIA). In 1998, Congress overwhelmingly endorsed WIA, bipartisan legislation to streamline the way we deliver and fund job training programs.

I hope this subcommittee can work together, Democrats and Republicans, to craft a bill that provides targeted improvements to the WIA system. Such a revamping of the system in 1998 could only have happened because of bipartisan work and I hope we remember that bipartisan spirit as we move forward with the reauthorization of such an important bill. I think it is appropriate to discuss prudent ways to strengthen and improve the system to meet the needs of workers and businesses but I will say at the outset that I have concerns with efforts to make large programmatic

and funding allocation changes to the WIA system so soon. After all, most States did not begin implementing WIA until July 2000.

When Congress enacted WIA, we understood that it would withstand an economic boom or bust. However, none of us knew just how quickly the economy would be turned on its head. Budget surpluses have been replaced with staggering deficits at the Federal and State level. The May unemployment rate is at 6 percent, with nearly 9 million people out of work. The poverty rate is escalating and foreclosures and personal bankruptcies are skyrocketing. Rising natural gas prices impact consumer and business spending. The economy is hurting.

Few issues are as important to the future of this country as the lifelong education and training of our workforce. Now more than ever, businesses must have access to workers who have the skills to compete in a global economy with emerging technologies and company downsizing. It is imperative that our delivery of services meet the employment needs of the new century.

At a time when 9 million people are unemployed and the unemployment rate at 6.1 percent, I do question the Administration's call for steep tax cuts and deep cuts to job training and education funding. The President's budget request for fiscal year 2004 consolidates Adult, Dislocated Workers and Employment Service allotments to States into a single formula grant. Consolidation will likely cut job training spending by \$144 million and serve 100,000 fewer youths. I contend that without an educated and sufficiently trained workforce, our country cannot prosper.

States are facing funding shortfalls of dramatic proportions. In Connecticut, the shortfall is projected at several hundred million dollars and there is no budget agreement yet. Department and agency closures are proposed which will translate into a decline in services for the poor, elderly and unemployed. Already in 2003, the State has reduced Customized Job Training and Apprenticeship programs and closed four One-Stop centers. The remaining centers will have to further dip into valuable service resources to pick up the slack. I am pleased that several of our witnesses, including the GAO, have raised concerns about one-stop infrastructure funding and whether equitable cost-sharing agreements among partners has been successful.

I am concerned that targeting \$3.6 billion toward the President's new program entitled Personal Re-employment Accounts (PRA) may reach only 1.2 million unemployed workers nationwide and may reduce flexibility for workers and businesses. Funding for PRAs will come at the expense of other training services.

WIA has been successful. One-Stop centers provide critical services to workers, but the workforce boards have also been able to work with local areas to ensure that businesses use the One-Stop system to find workers. Leaders of the workforce boards and mayors in Connecticut have alerted me to the challenges they will face if consolidation and cuts to WIA become a reality.

The elimination of Youth Opportunity Grants (YOG) will be devastating to the country, to the State of Connecticut, and most importantly to our youth. In 1999, Hartford was awarded a Youth Opportunity Grant of \$28 million over 5 years to establish "one-stop" youth centers in local communities to serve 1,400 youths to in-

crease high-school completion rates, increase employment and entry into post-secondary training.

Connecticut's unemployment rate for April is 5.3 percent and in the month of April alone, the State lost 1,200 jobs. In just under 3 years, the State has lost 44,000 jobs. More than 2,800 State employees lost their jobs in early 2003. In early June, a Fairfield University economist stated that Connecticut may lose an additional 10,000 jobs before the economy bottoms out.

The Capital Region Workforce Development Board's One-Stop system serves 17,000 individuals in the Hartford area and WIA cuts will translate into decreased services to job seekers; further One-Stop closures; fewer skilled training programs to meet local business needs; and fewer services to the growing dislocated worker population. Finally, there is a real concern that businesses will relocate or choose not to come to the area if there is a shortage of skilled workers.

I look forward to hearing from our witnesses today and moving forward with a bipartisan Senate bill to reauthorize the Workforce Investment Act.

Senator ENZI. Thank you. I thank all my colleagues for their comments and I submit a prepared statement from Senator Harkin for the record.

[The prepared statement of Senator Harkin follows:]

#### PREPARED STATEMENT OF SENATOR HARKIN

Thank you, Mr. Chairman for holding this hearing today on the future of the Workforce Investment Act. This program is especially critical as it applies to our struggling economy.

WIA is still a young job training program. It replaced the Job Training Partnership Act with the mission to consolidate, coordinate, and improve employment, training, literacy, and vocational rehabilitation programs. Simply, it was supposed to make job search and training assistance more user-friendly to quickly get people back into the workforce with good-paying jobs as well as provide opportunities for at-risk youth.

We passed WIA into law in 1998 and gave States until July 2000 to fully implement the job training program. In that time, I have a general idea of how WIA seems to be working in my State of Iowa and nationwide. Unfortunately, that's pretty much all we have at this point. A general idea. WIA is too new and we have too little data to justify overhauling the whole program.

Unfortunately, that's exactly what the House did earlier this year. They block-granted the program—which will do nothing to help get people back to work.

Instead, we need to fill the gaps and fix the problems we've identified to improve WIA. Let me list a few:

Tweak the funding formula. My State has difficulty planning in the long term when the annual amount it receives from the Department of Labor radically changes from year to year. Other States have experienced this as well.

We need faster turnaround time on emergency grant funding for job training. I've mentioned this before at a previous hearing on the Labor HHS appropriations subcommittee where I serve as ranking member. In some cases, Iowa had to wait more than a year

before it received an “emergency grant” to provide training to laid off workers. That is simply unacceptable. This is not a user-friendly job assistance program if people have to wait a year for training.

The performance measurement system is flawed. As the GAO concluded, the need to meet certain performance measures may be causing one-stop centers to deny services to some clients who may need them the most. Also, there is no measure that assesses overall one-stop center performance and the limited data we do receive is often too outdated to be of any real use.

Our one-stop centers and workforce boards need more guidance from the Federal Government on priorities as well as more flexibility.

And I keep hearing that disability access to one-stop centers is a serious problem.

If we correct these problems in the reauthorization bill, we will have made significant progress in providing people the kind of job assistance they need to find a good-paying job. But if we block grant WIA, it sends the message that we really don’t care and we don’t want to deal with it. In this struggling economy, we owe America’s workforce more than that. I thank the Chair.

Senator ENZI. We will move right away to panel number one. Today we have Sigurd Nilsen, who is the Director of Education, Workforce, and Income Security at the U.S. General Accounting Office in Washington, DC., and we look forward to your report. Thank you.

**STATEMENT OF SIGURD R. NILSEN, DIRECTOR, EDUCATION, WORKFORCE, AND INCOME SECURITY ISSUES, ACCOMPANIED BY DIANNE BLANK, ASSISTANT DIRECTOR, U.S. GENERAL ACCOUNTING OFFICE**

Mr. NILSEN. Mr. Chairman, Members of the Subcommittee, thank you for inviting me here today to present the findings from our report on promising one-stop practices we are releasing today that was requested by Senator Kennedy and by House Chairmen Boehner and McKeon. With me today is Dianne Blank, the Assistant Director, who was responsible for the day-to-day operations of the study and so much of our other work on the Workforce Investment Act.

In the barely 3 years since the full implementation of WIA, States and localities have found ways to use the flexibility in WIA to develop creative ways, new ways to improve their one-stop system. From the more than 51 stops identified and nominated to us as exemplary nationwide, we visited 14 that had developed promising strategies to streamline services for job seekers, engage and serve employers, and build a solid one-stop infrastructure. I want to share some of the examples of promising strategies from the 14 sites we visited.

As you know, one of the primary objectives of WIA was to streamline the provision of services from the myriad employment training programs. What we found was that at all of the 14 sites we visited, there was a focus on streamlining services for job seekers that included actions to ensure that job seekers could readily access needed services, educate program staff about all the one-stop services available to job seekers, and consolidate case manage-

ment and intake procedures. Some of the one-stops found ways to serve job seekers who may have been unable to come into the one-stop center due to transportation barriers or other issues. For example, in Boston, the one-stop placed staff in off-site locations, including family courts, correction facilities, and welfare offices, to give job seekers ready access to employment and program information. Other one-stops had staff placed at the entrance to the one-stop to guide job seekers to the right service.

Next, another major innovation of WIA was to focus on engaging the employer community. All 14 one-stops did an exceptional job of engaging and serving the needs of their local employers by dedicating specialized staff to establish relationships with employers, by establishing links with employers through intermediaries such as local chambers of commerce and economic development agencies, and by providing tailored services to meet employers' specific workforce needs.

Staff at some of the one-stops we visited worked with industry clusters to more efficiently meet local labor market demands, particularly for industries with labor shortages. For example, the one-stop in Aurora, CO, dedicated staff to address the 1,600-nurse shortage in the Denver metro area. The Aurora one-stop assisted in the creation of a health care recruitment center designed to provide job seekers with placement assistance and health care-related training.

Another example is from Clarksville, TN, where the one-stop staff worked with chamber of commerce members to help banks in the community that were having difficulty finding entry-level employees with the necessary math skills. The one-stop developed job training for job seekers that focused on the specific skills needed in the banking industry locally.

Also, all of the one-stops we visited tailored their services to meet employers' specific workforce needs by offering an array of job placement and training assistance designed for each employer. These services included specialized recruiting, pre-screening, and customized training programs. For example, one of the Nation's largest cabinet manufacturers was considering several locations for a new production facility. The one-stop in Pikeville, KY, drew the plant to eastern Kentucky by offering a tailored set of services that included holding a 3-day job fair, providing support for training, and that resulted in the hiring of 105 people immediately and the promise of another 350 workers in the coming year.

Now I would like to quickly mention some of the issues raised in our work over the past 3 years that should be addressed during WIA reauthorization.

First, WIA's current performance measurement system is flawed. The need to meet certain performance measures may be causing one-stops to deny services to some clients who may be most in need of services. In addition, the data used to measure outcomes are outdated by the time they are available and are not useful for day-to-day program management.

Another issue concerns WIA's allocation formulas. The formulas do not reflect current program design and have caused wide, unwarranted fluctuations in funding levels from year to year, especially for the dislocated working program.

Another funding-related issue is the fact that we have provided no separate funding source to support one-stop infrastructure, and developing equitable cost-sharing agreements has not always been successful, largely because of limitations in the way funds for some of the mandatory partner programs can be spent.

Another ongoing issue for WIA is that the provision for certifying training providers as eligible is considered overly burdensome by many providers and may reduce training options for job seekers as providers have withdrawn from the WIA system.

Finally, we have recommended that labor develop a research agenda that better assesses the impact of integrated strategies on services to job seekers and employers.

In conclusion, WIA represented a fundamental shift in the way federally funded employment and training services are delivered to job seekers and employers. It was a far more radical change than it initially appeared, but in just under 3 years, States and localities have learned to embrace its flexibility and develop systems that meet local needs. They are doing what we envisioned: bringing on new partnerships and forging new relationships at all levels. They are actively working to engage the employer community and involve intermediaries and others to address the economic development needs of local communities. Some aspects of the law that have caused difficulties deserve attention during reauthorization. But given the significance changes brought about by WIA, more time is needed to allow a better assessment of what is working and what is not before making major changes in WIA's structure.

Mr. Chairman, this concludes my prepared statement, and I will be happy to answer any questions you or other members of the subcommittee may have at this time.

Senator ENZI. Thank you very much. We appreciate the conciseness but also the specificity of what you had in your remarks, and it was extremely helpful.

Now, you visited 14 one-stops across the country.

Mr. NILSEN. Yes.

Senator ENZI. I appreciate that. I like it when people actually take a look at what is happening on the ground. Did you look at the unique challenges that are faced by rural one-stops? And what are some of the innovative ways that the rural one-stops are overcoming some of those challenges?

Mr. NILSEN. The one-stops we visited were across the country, North, South, East, West, urban, rural. We had seven sites out of the 14 that served rural populations. Some, like in Killeen, TX, were focused almost exclusively on serving rural populations as well as Pikeville, KY. Others, like the St. Louis one-stop, served a mixture of both suburban, urban, and rural populations, covering a broad area.

Some of the issues for rural populations, it is surprising, sometimes are not that much different from some of the challenges facing urban. Transportation in rural areas is a big issue, and getting to the one-stop, as you mentioned in your opening remarks, people have to cover broad distances to get to the one-stops.

So what one-stops have done is devise transportation strategies to bring folks into the one-stop. Some particularly pick locations

that are on interstates or if there are bus lines for easy access. Bus lines certainly are more an issue that is useful in urban areas.

The other thing is using technology to better allow access to services. In Killeen, TX, for example, the local libraries all had active computers that were hard-wired into the one-stop system so people could work on their resumes there. They provided some training remotely through the computer systems.

So these are ways they are using technology to help serve populations that may not find it convenient to get to the one-stop readily.

Senator ENZI. Thank you. And if you think of some other ways that transportation or technology or things solve some of those rural problems—

Mr. NILSEN. Many of the sites have gone after transportation grants to try to facilitate getting loaner cars even that they have and having special van transportation to bring people in, help them get to interviews.

Senator ENZI. Workforce development must be driven by demand, the job at the end of the pipeline, and it is my firm belief that we should be training people for skills that employers need. All of the one-stop centers that you have cited as exemplary have developed strategies to engage and provide services to the employers.

I am particularly concerned about engaging the small businesses who do not have the resources to reach out or to work the system themselves. It is my understanding there have been some specialized—some of the places have done some specialized one-stop staff to outreach to those employers. Could you give me a little more information on that?

Mr. NILSEN. That is correct. It seems like one of the biggest targets of the one-stops in the employer community often is the small employers because they can provide the kinds of services that small employers often cannot afford to provide for themselves because they do not have huge human resource departments.

We saw one-stops that had tax assistance on-site at the one-stop. They provided information for how to start a business, how to develop new businesses. They also provided space to do interviewing on-site to small businesses. They linked with the chambers of commerce, which is a place where many small businesses meet to have support. And they also linked with the economic development agencies that looked at growing local businesses or attracting new businesses to the area.

Serving businesses they understand is how you get the jobs that you need to place your job seekers into. They did many things. They held job fairs to bring more employers into the one-stop, having on-site referrals and providing space on a regular, ongoing basis that any employer can come in and use.

Senator ENZI. I am almost out of time, but I have to ask one more question, and that is, if you can describe some of WIA's reporting requirements for training providers that impact the quality and quantity of the training options. You mentioned those words.

Mr. NILSEN. Right now many of the training providers that were providing training under JTPA are saying that the new reporting system is burdensome. We have somebody, even as few as one per-

son enrolled in a particular class, and now I have to provide placement and wage information on everybody in that class, whether they were supported by WIA or not. And they are just finding that burdensome.

About half the States have requested and received a waiver from the Labor Department to continue providing services without providing the outcome information. But there are other issues related to privacy. That was a concern for many of the training providers. But they were just feeling that this is not worth the effort.

So what has happened is that many of the providers have limited the number of courses they offer to WIA participants, so the range of courses available has shrunk somewhat. And this is even from community colleges who say we do not have the time, we do not have the money to do this, this is too burdensome.

Senator ENZI. It seems to be one of the consistent comments that we get. Thank you very much. My time is up.

Senator Murray?

Senator MURRAY. Thank you, Mr. Chairman.

First of all, it was really heartening to read in your testimony of the successful programs and strategies that one-stops across the country have implemented. I have a couple of follow-up questions to the implementation challenges that you talked about in your testimony.

Based on your evaluation of the implementation of WIA, you believe that incremental changes are necessary, not wholesale changes, and I wondered if you could talk a little bit about why you came to this conclusion, why you think that incremental changes are more appropriate than some of the wholesale revisions that we have heard others suggest.

Mr. NILSEN. At this point, this July 1 is the third anniversary of the full implementation of the Workforce Investment Act. What we saw when we were out looking at the system when it was first being implemented is that these were major dramatic changes that were being made. People had to figure out how to build new relationships, how to bring everybody together at one-stops, negotiating agreements. It took a year, sometimes a year and a half, as much as 2 years, really to get up and running.

People are just now starting to understand what the flexibility that WIA now provides for them has allowed them to do. So, in a sense, they are just—this is just the end of first-phase implementation. Now they are able to build on that knowledge and continue to bring in partnerships.

The TANF program in many places increasingly is being collocated, particularly the employment training assistance for TANF recipients is being provided increasingly through the one-stops. TANF is not a required partner. But they are realizing that they have the benefit of sharing information. So they are continuing to build other relationships.

At this point, the performance measures, as I said, are a big impediment to serving a broad range of populations. But our view is that the system is maturing. Three years is not enough time for the system to mature. Incremental change—because right now, when we found 50 nominations and we went to 14, there are a lot of other one-stops out there that have not quite figured it out yet.

And one of the consistent recommendations that we have made in our series of reports is that the Department of Labor be much more proactive in providing information to the one-stops across the country about the flexibility, how to use it, how far can they go. And the Department of Labor, in response to our most recent report, has said they are trying to do more with their website and outreach and provide the information, providing the information sharing.

But there are 1,972, almost 2,000 one-stops out there that still have a lot to learn. Many of them still have not figured it out yet. That is why we suggest incremental change at this time.

Senator MURRAY. OK. The administration has proposed folding the WIA adult programs into one adult block grant, which I would assume is a radical change. Can you make some suggestions about how we can make WIA and Wagner-Peyser more fully integrated so we can maximize some of the resources?

Mr. NILSEN. I think bringing the resources of Wagner-Peyser together to the one-stop is critical to the system. How that is done and how you merge adult, dislocated, and the Wagner-Peyser services, we do not know exactly the best way to do that. But what we have seen is that a universal system—one-stops should be universal. Anybody who needs assistance should know that this is the one place they go regardless of whether they are a youth, an adult, a dislocated worker, whether they are looking for just a placement or whether they are looking for career changes. This needs to be a universal system.

The other concern about how the system comes together relates to the performance measures. Our work in the last year looked at older workers and training for incumbent workers, that is, skill upgrading for people who have a job. And one of the things we consistently heard is that there are disincentives in the WIA system for providing training for these populations, particularly when you look at the wage gain, earnings gain measures. Because if you compare somebody who is out of work coming into the system getting a job, their wage gain is huge. When you compare that with someone who already has a job, they are getting some skill upgrading to enable them to either keep the job or perhaps over the next year move into a higher series, the wage gains in the short run are relatively small. So there is a built-in disincentive in the system for providing training to incumbent workers.

The same thing for dislocated workers. Many of them come from higher-wage jobs. Coming into the system and getting assistance is a career change often resulting in a wage loss. If you look at the national statistics on earnings gain comparing the adults and dislocated, right now the average nationwide earnings gain for adults is over \$3,000. The average for dislocated workers is about \$103.

So without controls in the system to make sure that if you are providing job training assistance, intensive assistance to a high number of incumbent workers, dislocated workers, older workers, the performance measures need to be corrected to adjust for that.

Senator MURRAY. Well, I share that concern, and I know in Washington State we have a lot of disproportionately large number of high-skilled Boeing workers who are unemployed. And I am concerned that we need to figure out how to allow some of our per-

formance measures to be more tailored to unique demands of States and local communities, and maybe you could share with us real quickly what changes in the performance measures you would recommend so that we can better serve some of our harder-to-train or harder-to-re-employ workers.

Mr. NILSEN. One concern I have right now with the performance measurement system is that it is a small subset of the people getting services at the one-stops that are registered and counted in the system. Anyone who comes in for self-service or just placement assistance does not get entered into the system. It is only those who get intensive services or training.

So right off the bat, you have people—you have a system operating and you have no idea how many people you are providing assistance to and what is happening to the vast majority of people coming into the system for services. So that would be the first thing. You need to know who is coming into the system, what are they getting, what is happening to them.

Second, you need to look at how you correct for differences in the population that you serve. If you are serving a high proportion of people who have very intensive needs, that needs to be recognized as compared with folks where you have low unemployment, people with skills coming in, and you are just transitioning them into a new job.

Senator MURRAY. My time is up, Mr. Chairman. Thank you very much.

Senator ENZI. Senator Dodd?

Senator DODD. Thank you, Mr. Chairman and I thank you, Mr. Nilsen, for your testimony, very concise and informative, which is always appreciated in the committee.

A couple of questions, maybe a little bit redundant, but I was struck by one of the things you said, and that is the problems we are facing in terms of having dedicated funds for operational purposes. I think there is maybe one State of all 50 that is not going through a budget deficit problem in the country. I think New Mexico is maybe the only one because the previous Governor just vetoed everything during his tenure.

Senator ENZI. And Wyoming.

Senator DODD. And Wyoming.

The deficits are pretty staggering, and we are seeing the pressures. You noted this in your study, that there were many superbly run centers, and I concur with that, by the way. Budget shortfalls in some States have led to reduced customized job training in the apprenticeship programs and closed four one-stop centers in my State. So the remaining centers are forced now to pick up the slack. Workers have to travel greater distances to get the kind of assistance and support, and a lot of it is because of not having a dedicated operational fund to support that.

I wonder if you might just comment on that. That is my State. Is that unique? Is this going on across the country?

Mr. NILSEN. It is my sense it is likely going on throughout the country. This has been—when we went out and did our first look at how WIA was being implemented, this was the issue we heard over and over again, paying for the one-stop. Because you have 17 mandatory partners, the Labor Department programs, the WIA

programs, are the only ones—they are footing most of the bill often for operating the one-stops.

The other partners, some of them, voc rehab, for example, says we cannot spend money to pay you rent to collocate at the one-stop. What they do is work on providing in-kind services so they have staff that work in the one-stop. But other programs already were set up, so bringing them into the one-stop saying, you know, I have already got—you know, I am spending all the money I have; I cannot give you more money.

Over time, I think they have figured out ways to work on that, but right now, as they are facing budget shortfalls, it is very likely that that is going to get tougher and tougher to fund those one-stops.

Senator DODD. The irony in a sense, as the economy worsens, the need for this grows. The deficits mount, we cut back the centers at the very time when you would be insisting that we have more activity here, expanding it in order to give people a chance to get work and help employers and so forth that are facing the problems the chairman and Senator Murray have talked about. We are going in the opposite direction, it seems to me. If this is a trend line across the country where, as a result of State shortfalls you are closing these centers, making it more difficult for people to get assistance, making it more difficult for employers to find people to work, it just seems to me to be counterproductive.

Mr. NILSEN. One of the things we have found in a recent study is a thing called the Reed Act which distributed excess funds from the unemployment insurance system from the Federal Government down to the States last year. There was \$8 billion a year ago March distributed down to the States. I think it was about something like 22 States reported to us last year that they are using some of that money to help fund their one-stops. So this was, you know, new money introduced to them, but they are having to do it. This money is also available to pay unemployment insurance benefits, extended benefits, things like that, expand coverage of other populations. But apparently because of shortfalls in funding from other sources, they were using these funds to partially fund the one-stops in their States.

Senator DODD. Let me jump to another area if I can, again, on youth and youth training and youth employment. This is a growing problem. We are looking at numbers already this year with summer jobs—I do not know what the headlines are like in every other State, but in mine I am seeing headlines about the number of young people who will not be able to find work, not getting work, and that poses some specific problems over these coming few weeks of summer.

But in my State, we have also been recognized as having one of the most successful youth opportunity programs called YO Hartford. It received a grant of \$28 million over 5 years to provide some 1,400 youths ages 14 to 21 with help they need to become productive and responsible adults. Again, I think all agree that these kinds of efforts, if they are done right, really can be very, very helpful.

Hartford, CT, I might point out, despite the fact that my State is always listed as one of the most affluent States in the country,

if not the most affluent State on a per capita income basis, Hartford, CT, my capital city, is one of the poorest cities in America. I have around 6 percent or 9 percent of people who own their own homes. I will not bore you with all the details, but the fact of the matter is, despite this reputation of being a State of great affluence, I have a lot of poverty in my State, living cheek to jowl with wealth—in an area not much bigger than Yellowstone National Park. And it is not just Hartford. It is my other cities as well.

But a real effort has been made here to do something about our young people. It is a result of a coordinated effort between inclusion of the Hartford Public Schools, City of Hartford, Capital Region Workforce Development Board, United Way, Progress Collaborative, it is called, which is made up of the Hartford Puerto Rican Forums, the Hartford Areas Rally Together, and several other organizations. This program has succeeded in showing—a lot of these kids have been very successful—what a community effort can really do to improve their lives.

However, under the proposal that has been outlined by the Bush administration, the youth opportunity grants would be eliminated, and places that have made a difference in areas like Hartford would lack or be denied these funds.

What is your assessment of that?

Mr. NILSEN. We have not specifically looked at the youth opportunity grants at this point, but we did take a look at the WIA youth program early on to look at how it is getting up and running. Things people told us was the youth councils were something they supported. They liked having youth councils. Even getting them together was hard, but they liked having them.

Bringing in out-of-school youth was one of the biggest challenges they faced. But, in general, having the targeted program was something that they supported, and it was the only program left in WIA that was income-tested so that it is focused on an economically disadvantaged population.

I know that the youth opportunity grants are separate from that but similarly targeted, so I would guess that there is something that people at the local level have found very useful.

Senator DODD. Very, very helpful. One last question if I can, and that is these performance standards, performance measures. I am always concerned when we set up a new program, new agencies, that we may not set up the best performance measures. I am concerned that some of the hardest-to-serve individuals are not being registered by local providers, therefore, denying them services because it may adversely impact their performance evaluations. And so I get nervous that when you set up these standards in such a way that people want to show that they are doing well, the hardest-to-serve people get left behind because they do not necessarily make the great statistics along the way.

Would you comment on that for me, please, and give me some sense of how the performance evaluation or measures are being used in this program?

Mr. NILSEN. You make a good point. Number one, these job training systems focus on the outcomes measures they are given. In JTPA and in WIA, the system follows the measures. So if you give a system measures to follow, they focus on these measures. So

we have job placement, retention, earnings gains, and customer satisfaction.

These are the right kinds of things to measure from a program, but as I noted in my testimony and our past reports have shown, the way these things are constructed right now provide some disincentives for providing services to perhaps the hardest-to-serve. And we have found—people tell us in the one-stops that they go through a screening to make sure that people they enroll, people who are going to go into intensive services and training, they want to feel fairly confident that they are going to be successful. Otherwise, they figure out other less intensive ways to serve them. And as you point out, these could be the people who you think need the most intensive services.

Senator DODD. Who might make it anyway. The ones you take may make it anyway.

Mr. NILSEN. The ones you take may have made it anyway.

Senator DODD. So the justification for the program becomes suspect in some ways.

Mr. NILSEN. That is why, as I said before, I think having a universal count of everybody who comes in the system is an important way to start and work against a kind of creaming mentality where you can take and shift people off. But also you need to acknowledge the different characteristics of the population you are serving and give folks credit for providing services to the hardest-to-serve.

Senator DODD. Absolutely. That is why we do this.

Mr. Chairman, we might take a look at that as we get it to the reauthorization.

Senator MURRAY. Well, Mr. Chairman, if I could just comment, Washington State is going to a swipe card system as of July 1st this year, and they will be keeping track of everyone.

Senator DODD. Great. Good. We might want to write something into the bill. I thank you very much. I took a little more time, and I apologize.

Senator ENZI. We would be happy to make those cards in Wyoming.

[Laughter.]

I want to thank you for your testimony, both the oral testimony and the written testimony, and the answers to the questions. You have been a wealth of information, and I appreciate the way that you have said it so that even I could understand it.

[Laughter.]

We would also like to be able to submit some questions to you, other ones that we may not have had time for in our presentations here.

Mr. NILSEN. Certainly, Senator Enzi, we would be happy to answer those. Thank you very much.

Senator ENZI. We really appreciate the help. Thank you for coming today.

[The prepared statement of Mr. Nilsen follows:]

PREPARED STATEMENT OF SIGURD R. NILSEN

WORKFORCE INVESTMENT ACT

**Exemplary One-Stops Devised Strategies to Strengthen Services, but Challenges Remain for Reauthorization***Why GAO Did This Study*

This testimony highlights findings from today's report on strategies that exemplary one-stop centers have implemented to strengthen and integrate services for customers and to build a solid one-stop infrastructure. It also shares findings and recommendations from GAO's past work on challenges that States and localities have experienced as they implement the Workforce Investment Act (WIA), which may be helpful as WIA is reauthorized.

*What GAO Recommends*

Because little is known about whether promising one-stop service delivery approaches are meeting customers' needs, GAO has recommended that the Secretary of Labor collaborate with other Federal agencies to develop a research agenda that examines the impacts of these promising approaches on one-stop customer satisfaction and outcomes. In addition, GAO has recommended that the Secretary take steps to alleviate problems pertaining to the WIA performance measurement system, WIA allocation formulas and one-stop infrastructure finding, and the process for certifying eligible training providers. Finally, GAO has suggested that Labor provide clearer guidance and greater opportunities for one-stop administrators to share promising practices in one-stop service delivery and management.

**What GAO Found**

The workforce development system envisioned under WIA represents a fundamental shift from prior systems, and barely 3 years have passed since it was fully implemented. States and localities have found ways to use the flexibility in WIA to develop creative new approaches to providing services through their one-stop systems. In particular, a group of 14 one-stops, identified as exemplary by government officials and workforce development experts, developed promising strategies in several key areas. To streamline services for job seekers, they ensured that job seekers could readily access needed services, made sure that staff were knowledgeable about all of the one-stop services available, or consolidated case management and intake procedures. To engage and serve employers, the centers dedicated specialized staff to work with employers or industries, tailored services to meet specific employers' needs, or worked with employers through intermediaries. To build a solid one-stop infrastructure, the centers found innovative ways to develop and strengthen program partnerships and to raise additional funds beyond those provided under WIA.

GAO's work on WIA implementation over the past 3 years has identified a number of issues that should be considered during WIA reauthorization. First, the performance measurement system is flawed—the need to meet certain performance measures may be causing one-stops to deny services to some clients who may most need them; there is no measure that assesses overall one-stop performance; and the outcome data are outdated by the time they are available and are not useful in day-to-day program management. Second, funding issues continue to plague officials. The funding formula used to allocate funds to States and local areas does not reflect current program design and often causes unwarranted fluctuations in funding levels from year to year. In addition, WIA provided no separate funding source to support one-stop infrastructure, and developing equitable cost sharing agreements has not always been successful. Third, many training providers consider the current process for certifying their eligibility to be overly burdensome, resulting in reduced training options for job seekers as providers have declined to serve WIA-funded clients. Finally, State officials have told GAO that they need more help from the U.S. Department of Labor in the form of clearer guidance and greater opportunities to share promising practices in managing and providing services through their one-stop centers.

Mr. Chairman and Members of the Subcommittee: Thank you for inviting me here today to present the findings from our recent work on the Workforce Investment Act (WIA). As you know, WIA represented a significant departure from earlier job training programs. Passed in 1998 and implemented by most States in July 2000, it was designed to unify a fragmented employment and training system and create a single, universal system—a one-stop system that could serve the needs of all job seekers and employers. WIA sought to streamline the delivery of federally funded employment and training services, enabling job seekers to make informed choices among training providers and course offerings, and enhancing the private-sector role

in the workforce system. WIA gave States and localities flexibility in deciding how to implement the one-stop system, allowing local one-stops to tailor their systems to local needs. Four separate Federal agencies—the Departments of Labor, Health and Human Services (HHS), Education, and Housing and Urban Development (HUD)—fund about 17 categories of programs that are required to provide services through the one-stop system. In addition to programs that are required to take part in the new system, Labor encourages States and localities to include optional partners, such as Temporary Assistance for Needy Families (TANF), in order to better meet the specific workforce development needs of their local area. Labor takes a lead role in this new system and is responsible for assessing the effectiveness of Labor-funded programs and for providing guidance to States and localities as programs deliver their services through the one-stop system.

Since WIA was enacted, we have issued numerous reports that addressed State and local efforts related to WIA, including challenges in implementing the new training provider system, new partnership requirements, and the new performance measurement system, as well as issues related to funding. While much of our past work has focused on challenges pertaining to WIA implementation, today we are releasing a report that examines how States and localities have used the flexibility in WIA to develop promising approaches to streamline jobseeker services, engage employers, and strengthen one-stop infrastructure.<sup>1</sup> My testimony today will discuss (1) promising strategies to improve one-stop services and operations being implemented by a group of 14 one-stop centers that were identified as exemplary and (2) challenges identified in our previous work that States and localities have faced in implementing WIA.

In summary, in the barely 3 years since the full implementation of WIA, States and localities have found ways to use the flexibility in WIA to develop creative new ways to improve their one-stop systems. In particular, a group of 14 one-stops, identified as exemplary by government officials and workforce development experts, developed promising strategies in the key areas of streamlining services for job seekers, engaging and serving employers, and building a solid one-stop infrastructure. However, despite the successes State and local officials are having as they implement WIA and continue to build relationships among the myriad partners in this new, and dramatically different system, challenges remain. First, the performance measurement system is flawed, causing some one-stops to deny services to some clients who may be most in need of them. Moreover, outcome data are outdated and are, therefore, not useful for day-to-day program management. Second, funding issues also continue to plague the system. The funding formulas used to allocate funds to States and local areas do not reflect current program design and has caused wide and unwarranted fluctuations in funding levels from year to year. In addition, WIA provided no separate funding source to support one-stop infrastructure, and developing equitable cost sharing agreements has not always been successful. Third, many training providers consider the current provisions for certifying their eligibility to be overly burdensome, which may reduce training options for job seekers as providers have withdrawn from the WIA system. Finally, State officials have told us that they need more help from Labor in the form of clearer guidance and instructions and greater opportunities to share promising practices in managing and providing services through their one-stop centers.

#### BACKGROUND

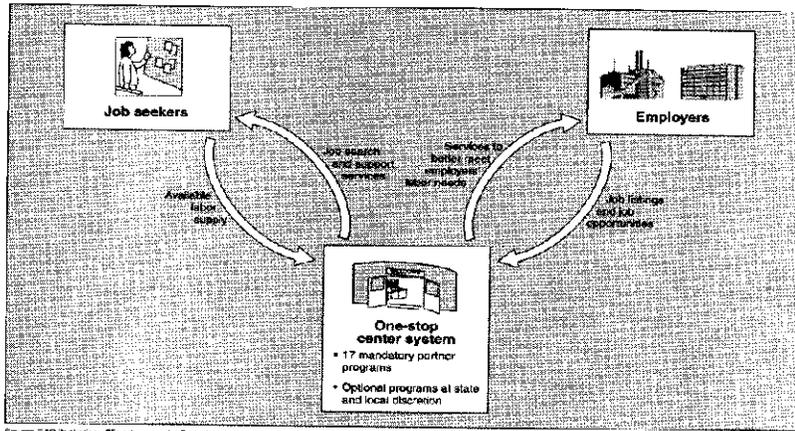
The Workforce Investment Act created a new, comprehensive workforce investment system designed to change the way employment and training services are delivered. When WIA was enacted in 1998, it replaced the Job Training Partnership Act (JTPA) with three new programs—Adult, Dislocated Worker, and Youth—that allow for a broader range of services, including job search assistance, assessment, and training for eligible individuals.<sup>2</sup> In addition to establishing three new programs, WIA requires that a number of other employment-related services be provided through a one-stop system, designed to make employment and training services easier for job seeker customers to access. WIA also requires that the one-stop system engage the employer customer by helping employers identify and recruit skilled workers. While WIA gives States and localities flexibility in implementing these requirements, the law emphasizes that the one-stop system should be a customer-focused and comprehensive system. Such a system gives job seekers the job

<sup>1</sup> *Workforce Investment Act: One-Stop Centers Implemented Strategies to Strengthen Services and Partnerships, but More Research and Information Sharing is Needed*, GAO-03-725 (Washington, D.C.: June 18, 2003).

<sup>2</sup> While WIA was enacted in 1998, States were not required to implement major provisions of WIA until July 1, 2000, when JTPA's repeal was effective.

search and support services they need and provides services that better meet employers' needs. (See fig. 1.)

**Figure 1: One-Stop Customers Include Job Seekers and Employers**



The major hallmark of WIA is the consolidation of services through the one-stop center system. Seventeen categories of programs—termed “mandatory partners”—with appropriations totaling over \$15 billion from four separate Federal agencies, are required to provide services through the system. (See table 1.)

**Table 1: WIA's Mandatory Programs, Their Related Federal Agencies, and Fiscal Year 2003 Program Appropriations**

<b>Federal agency</b>	<b>Mandatory program</b>	<b>Fiscal Year 2003 appropriations</b>
Department of Labor	WIA Adult	\$898,778,000
	WIA Dislocated Worker	1,461,145,495
	WIA Youth	994,458,728
	Employment Service (Wagner-Peyser)	756,783,723
	Trade adjustment assistance programs	972,000,000
	Veterans' employment and training programs	167,199,097
	Unemployment Insurance	2,634,253,000
	Job Corps	1,522,240,700
	Welfare-to-Work grant-funded programs	0
	Senior Community Service Employment Program	442,306,200
	Employment and training for migrant and seasonal farm workers	77,330,066
	Employment and training for Native Americans	55,636,000
	Department of Education	Vocational Rehabilitation Program
Adult Education and Literacy		571,262,500
Vocational Education (Perkins Act)		1,513,170,925
Department of Health and Human Services (HHS)	Community Services Block Grant	645,762,085
Department of Housing and Urban Development (HUD)	HUD-administered employment and training	65,000,000
<b>Total</b>		<b>\$15,284,274,519</b>

Source: U.S. General Accounting Office, Multiple Employment and Training Programs: Funding and Performance Measures for Major Programs, GAO-03-589 (Washington, D.C.: Apr. 18, 2003) and Labor.

WIA allows flexibility in the way these mandatory partners provide services through the one-stop system, allowing co-location in one building, electronic linkages, or referrals to off-site partner programs. While WIA requires these mandatory partners to participate, WIA did not provide additional funds to operate one-stop systems and support one-stop partnerships. As a result, mandatory partners are expected to share the costs of developing and operating one-stop centers.

Beyond the mandatory partners, one-stop centers have the flexibility to include other partners in the one-stop system. Labor suggests that these additional, or optional partners, may help one-stop systems better meet specific State and local workforce development needs. These optional partners may include TANF<sup>3</sup> or local private organizations. States have the option of mandating particular optional partners to participate in their one-stop systems. For example, in 2001, 28 States had formal agreements between TANF and WIA to involve TANF in the one-stop system.<sup>4</sup> In addition, localities may adopt other partners to meet the specific needs of the community.

About \$3.3 billion was appropriated in fiscal year 2003 for the three WIA programs—Adult, Dislocated Worker, and Youth. The formulas for distributing these funds to the States were left largely unchanged from those used to distribute funds

<sup>3</sup> TANF provides low-income families with income support and employment-related assistance.

<sup>4</sup> For more information on TANF participation in one-stop centers, see GAO-02-739T.

under JTPA and are based on such factors as unemployment rates, including the number of long-term unemployed, and the relative number of low-income adults and youth in the population. In order to receive their full funding allocation, States must demonstrate the effectiveness of their three WIA programs by tracking and reporting a variety of performance measures. These performance measures gauge program results in the areas of job placement and retention, earnings change, skill attainment and customer satisfaction. WIA requires States to use Unemployment Insurance (UI) wage records to gather this information about WIA participants.<sup>5</sup> States are held accountable by Labor for their performance in these areas and may suffer financial sanctions if they fail to meet their expected performance standards. WIA did not establish any comprehensive measures to assess the overall performance of the one-stop system.

WIA also requires that training providers wishing to serve individuals' training needs through WIA's Adult and Dislocated Worker Programs meet key data reporting requirements, including completion rates, job placement rates, and wages at placement for all students they serve, including those not funded under WIA. WIA requires the collection of these outcome data so that job seekers receiving training can use them to make more informed choices about training providers. Unlike prior systems, WIA requires that individuals eligible for training under the Adult and Dislocated Worker Programs receive vouchers—called Individual Training Accounts—which they can use for the training provider and course offering of their choice, within certain limitations. WIA also requires these data so that States and localities can assess training providers' performance. For example, a State might only allow training providers' courses with an 80-percent completion rate to remain on the training provider list. If a course fails to meet that level, it would no longer be allowed to serve WIA-funded individuals.

Finally, WIA called for the development of workforce investment boards to oversee WIA implementation at the State and local levels. At the State level, WIA requires, among other things, that the workforce investment board assist the governor in helping to set up the system, establish procedures and processes for ensuring accountability, and designate local workforce investment areas. WIA also requires that boards be established within each of the local workforce investment areas to carry out the formal agreements developed between the boards and each partner and oversee one-stop operations. WIA requires that private-sector representatives chair the boards and make up the majority of board members. This is to help ensure that the private sector is able to provide information on the available employment opportunities and expanding career fields and help develop ways to close the gap between job seekers and labor market needs.

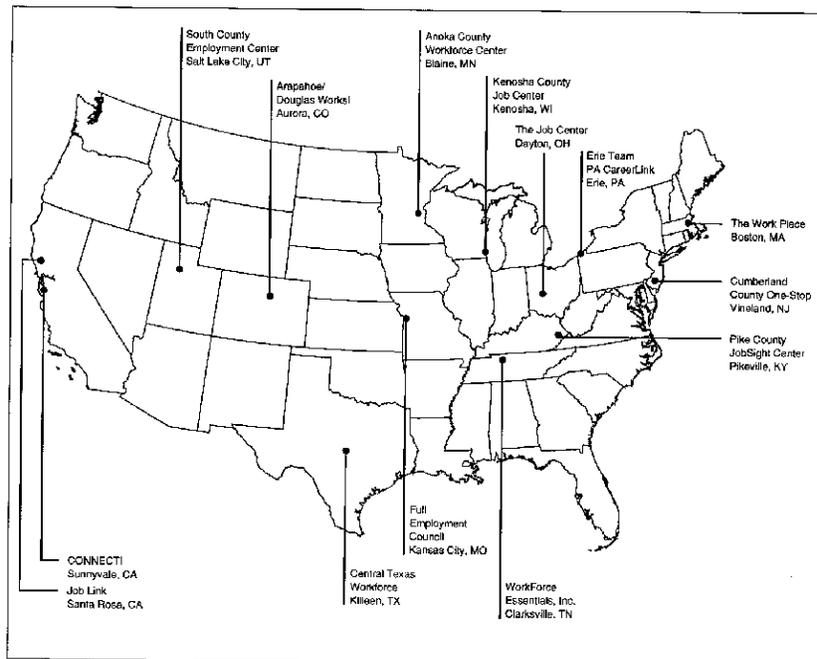
#### STATES AND LOCALITIES HAVE EMBRACED WIA'S FLEXIBILITY TO DEVELOP PROMISING APPROACHES TO SERVING JOB SEEKERS AND EMPLOYERS

States and localities have found ways to use the flexibility in WIA to develop creative new ways to serve job seekers and employers. In particular, a group of 14 one-stops, identified as exemplary by government officials and workforce development experts for our study of promising one-stop approaches, has developed strategies for streamlining services for job seekers, engaging and serving employers, and building a solid one-stop infrastructure.<sup>6</sup> All of the 14 centers in the study streamlined services for job seekers by ensuring that they can readily access needed services, by educating program staff about all of the one-stop services available to job seekers, or by consolidating case management and intake procedures. In addition, to engage employers and provide them needed services, all of the centers used strategies that included dedicating specialized staff to work with employers or industries, tailoring services to meet specific employers' needs, or working with employers through intermediaries, such as Chambers of Commerce or economic development entities. Finally, to provide the infrastructure needed to support better services for job seekers and employers, many of the one-stops we visited found innovative ways to develop and strengthen program partnerships and to raise additional funds beyond those provided under WIA. (Figure 2 shows the locations of the 14 one-stop centers we visited.)

<sup>5</sup> In some cases, supplemental data sources may be used when UI data are not available.

<sup>6</sup> The centers in our study represented a geographic and demographic mix, ranged from rural to urban, and served from 500 to 42,500 customers each month. Some of the sites, such as Kansas City, Missouri, represented a mix of urban, suburban, and rural customers. They also represented a mix of one-stop operators—those responsible for administering the one-stop centers—including nonprofit organizations, a consortium of one-stop partners, and local government entities.

Figure 2: GAO Site Visits to One-Stop Centers



Source: GAO site visits.

#### SELECTED ONE-STOPS USED STRATEGIES TO STREAMLINE SERVICES FOR JOB SEEKERS

All of the one-stop centers in our recent study focused their efforts on streamlining services for job seekers by ensuring that job seekers could readily access needed services, educating program staff about all of the one-stop services available to job seekers, or consolidating case management and intake procedures. To ensure that job seekers could readily access needed services, one-stops we visited allocated staff to help them navigate the one-stop system, provided support to customers with transportation barriers, and expanded services for one-stop customers. For example, managers in Erie, Pennsylvania, positioned a staff person at the entrance to the one-stop to help job seekers entering the center find needed services and to assist exiting job seekers if they did not receive the services they sought. In addition to improving access to one-stop center services on-site, some of the one-stops we visited found ways to serve job seekers who may have been unable to come into the one-stop center due to transportation barriers or other issues. For example, in Boston, Massachusetts, the one-stop placed staff in off-site locations, including family courts, correctional facilities, and welfare offices, to give job seekers ready access to employment and program information. Finally, one-stops also improved job seeker access to services by expanding partnerships to include optional service providers—those beyond the program partners mandated by WIA. These optional partners ranged from federally funded programs, such as TANF, to community-based organizations providing services tailored to meet the needs of local job seekers. The one-stop in Dayton, Ohio, was particularly proactive in forming optional partnerships to meet job seekers' service needs. At the time of our visit, the Dayton one-stop had over 30 optional partners onsite.

To educate program staff about one-stop services, centers used cross-training sessions in order to inform staff about the range of services available at the one-stop. Cross-training activities ranged from conducting monthly educational workshops to a shadow program to help staff become familiar with other programs' rules and operations. Officials in Salt Lake City, Utah, reported that cross-training improved staff understanding of programs outside their area of expertise and enhanced their

ability to make referrals. The Pikeville, Kentucky, one-stop supported cross-training workshops in which one-stop staff from different partner programs educated each other about the range of services they could provide. After learning about the other programs, Pikeville staff collaboratively designed a service delivery flow chart that effectively routed job seekers to the appropriate service providers, providing a clear entry point and a clear path from one program to another. In addition, the Vocational Rehabilitation staff at the Pikeville one-stop told us that cross training other program staff about the needs of special populations enabled them to more accurately identify hidden disabilities and to better refer disabled customers to the appropriate services.

Centers also sought to reduce the duplication of effort across programs and the burden on job seekers navigating multiple programs by consolidating case management and intake procedures across programs through the use of shared service plans for customers and shared computer networks. Ten of the 14 one-stops we visited consolidated their intake processes or case management systems. This consolidation took many forms, including having case workers from different programs work as a team developing service plans for customers to having a shared computer network across programs. For example, in Blaine, Minnesota, caseworkers from the various one-stop programs met regularly to collaborate in developing and implementing joint service plans for customers who were co-enrolled in multiple programs. To efficiently coordinate multiple services for one-stop customers in Erie, Pennsylvania, one-stop staff used a networked computer system with a shared case management program, so that all relevant one-stop program staff could share access to a customer's service plan and case file. In Kansas City, Missouri, the Youth Opportunity Program and the WIA Youth Program staff shared intake and used a combined enrollment form to alleviate the burden of multiple intake and assessment forms when registering participants.

#### SELECTED ONE-STOPS DEVELOPED STRATEGIES TO ENGAGE AND PROVIDE SERVICES TO EMPLOYERS

All of the one-stops we visited engaged and served employers by dedicating specialized staff to establish relationships with employers or industries, by working with employers through intermediaries, or by providing specially tailored services to meet employers' specific workforce needs. One-stop officials told us that engaging employers was critical to successfully connecting job seekers with available jobs. In order to encourage employers' participation in the one-stop system, specialized staff outreached to individual employers and served as employers' primary point of contact for accessing one-stop services. For example, the one-stop in Killeen, Texas, dedicated specialized staff to serve not only as the central point of contact for receiving calls and requests from employers but also to identify job openings available through employers in the community. In addition to working with individual employers, staff at some of the one-stops we visited also worked with industry clusters, or groups of related employers, to more efficiently meet local labor demands—particularly for industries with labor shortages. For instance, the one-stop in Aurora, Colorado, dedicated staff to work with specific industries, particularly the healthcare industry. In response to a shortage of 1,600 nurses in the Denver metro area, the Aurora one-stop assisted in the creation of a healthcare recruitment center designed to provide job seekers with job placement assistance and healthcare-related training.

In addition to dedicating specialized staff, all of the one-stops we visited worked with intermediaries to engage and serve employers. Intermediaries, such as a local Chamber of Commerce or an economic development entity, served as liaisons between employers and the one-stop system, helping one-stops to assess the workforce needs of employers while connecting employers with one-stop services. For example, the one-stop staff in Clarksville, Tennessee, worked with Chamber of Commerce members to help banks in the community that were having difficulty finding entry-level employees with the necessary math skills. To help connect job seekers with available job openings at local banks, the one-stop developed a training opportunity for job seekers that was funded by Chamber members and was targeted to the specific skills needed for employment in the banking community. Specialized staff at many of the one-stops we visited also worked with local economic development entities to recruit new businesses to the area. For example, the staff at the Erie, Pennsylvania, one-stop worked with a range of local economic development organizations to establish an employer outreach program that developed incentive packages to attract new businesses to the community.

Finally, all of the one-stops we visited tailored their services to meet employers' specific workforce needs by offering an array of job placement and training assist-

ance designed for each employer. These services included specialized recruiting, pre-screening, and customized training programs. For example, when one of the nation's largest cabinet manufacturers was considering opening a new facility in the eastern Kentucky area, the one-stop in Pikeville, Kentucky, offered a tailored set of services to attract the employer to the area. The services included assisting the company with pre-screening and interviewing applicants and establishing an on-the-job training package that could use WIA funding to offset up to 50 percent of each new hire's wages during the 90-day training period. The Pikeville one-stop had responsibility for administering the application and assessment process for job applicants, including holding a 3-day job fair that resulted in the company hiring 105 people through the one-stop and a commitment to hire 350 more in the upcoming year. According to a company representative, the incentive package offered by the one-stop was the primary reason the company chose to build a new facility in eastern Kentucky instead of another location.

ONE-STOP CENTERS BUILT A SOLID INFRASTRUCTURE BY STRENGTHENING PROGRAM PARTNERSHIPS AND RAISING ADDITIONAL FUNDS

To build the solid infrastructure needed to support better services for job seekers and employers, many of the one-stops we visited developed and strengthened program partnerships and raised funds beyond those provided under WIA. Operators at 9 of the 14 one-stops we visited fostered the development of strong program partnerships by encouraging communication and collaboration among partners through functional teams and joint projects. Collaboration through teams and joint projects allowed partners to better integrate their respective programs and services, as well as pursue common one-stop goals and share in one-stop decision-making. For example, partners at the Erie, Pennsylvania, one-stop center were organized into four functional teams—a career resource center team, a job seeker services team, an employer services team, and an operations team—which together operated the one-stop center. As a result of the functional team meetings, partners reported that they worked together to solve problems and develop innovative strategies to improve services in their respective functional area.

One-stop managers at several of the sites in our study told us that the co-location of partner programs in one building facilitated the development of strong partnerships. For this reason, one-stop managers at several of the centers reported that they fostered co-location by offering attractive physical space and flexible rental agreements. For example, in Pikeville, Kentucky, the local community college donated free space to the one-stop on its conveniently located campus, making it easier to convince partners to relocate there. Partners were also eager to relocate to the Pikeville one-stop because they recognized the benefits of co-location for their customers. For instance, staff from the Vocational Rehabilitation Program said that co-location at the one-stop increased their customers' access to employers and employment-related services. Several one-stops that did not co-locate found ways to create strong linkages with off-site partners. For example, in addition to regular meetings between on-site and off-site staff, the one-stop in Aurora, Colorado, had a staff person designated to act as a liaison and facilitate communication between on-site and off-site partners. Nationwide, co-location of partner services has been increasing since WIA was enacted. For example, in 2000, 21 States reported that Education's Vocational Rehabilitation Program was co-located at the majority of their one-stops; this number increased to 35 States by 2001. Similarly, TANF work services were co-located in at least some one-stops in 32 States in 2000, increasing to 39 States by 2001.

Managers at all but 2 of the 14 one-stops we visited said that they were finding ways to creatively increase one-stop funds through fee-based services, grants, or contributions from partner programs and State or local governments. Managers said these additional funds allowed them to cover operational costs and expand services despite limited WIA funding to support one-stop infrastructure and restrictions on the use of program funds. For example, one-stop operators in Clarksville, Tennessee, reported that they raised \$750,000 in fiscal year 2002 through a combination of fee-based business consulting, drug testing, and drivers' education services. Using this money, the center was able to purchase a new voice mail and computer network system, which facilitated communication among staff and streamlined center operations.<sup>7</sup> Centers have also been proactive about applying for grants from public and

<sup>7</sup> While several centers had enthusiastically adopted fee-based services as a method of raising funds, it is important to note that managers of at least one center said they chose not to charge for services because they believed this might deter some employers or job seekers from accessing the services they need.

private sources. For example, the one-stop center in Kansas City, Missouri, had a full-time staff person dedicated to researching and applying for grants. The one-stop generated two-thirds of its entire program year 2002 operating budget of \$21 million through competitive grants available from the Federal Government as well as from private foundations. This money allowed the center to expand its services, such as through an internship program in high-tech industries for at-risk youth. One-stop centers also raised additional funds by soliciting contributions from local or State Government and from partner agencies. For instance, the Dayton, Ohio, one-stop received \$1 million annually from the county to pay for shared one-stop staff salaries and to provide services to job seekers who do not qualify for services under any other funding stream. Dayton one-stop partners also contributed financial and in-kind resources to the center on an as-needed basis.

DESPITE SUCCESSES, SOME ASPECTS OF WIA HAVE STYMIED OFFICIALS' EFFORTS TO IMPLEMENT WIA AS INTENDED

Despite the successes State and local officials are having as they implement WIA, some key aspects of the law, as well as Labor's lack of clear guidance in some areas, have stymied their efforts. First, the performance measurement system is flawed—the need to meet certain performance measures may be causing one-stops to deny services to some clients who may be most in need of them; there is no measure that assesses overall one-stop performance; and the data used to measure outcomes are outdated by the time they are available and are, therefore, not useful in day-to-day program management. Second, funding issues continue to plague the system. The funding formulas used to allocate funds to States and local areas do not reflect current program design and has caused wide fluctuations in funding levels from year to year. In addition, WIA provided no separate funding source to support one-stop infrastructure and developing equitable cost sharing agreements has not always been successful, largely because of the limitations in the way funds for some of the mandatory programs can be spent. Third, the current provision for certifying training providers as eligible is considered overly burdensome by many providers and may reduce training options for job seekers as providers have withdrawn from the WIA system. Finally, State officials have told us that they need more help from Labor in the form of clearer guidance and instructions and greater opportunities to share promising practices in managing and providing services through their one-stop centers.

WIA'S PERFORMANCE MEASUREMENT SYSTEM MAY BE CAUSING SOME CLIENTS TO BE DENIED SERVICES AND DOES NOT PROVIDE AN ACCURATE PICTURE OF WIA'S EFFECTIVENESS

The performance measurement system developed under WIA may be causing some clients to be denied services and does not allow for an accurate understanding of WIA's effectiveness. First, the need to meet performance levels may be the driving factor in deciding who receives WIA-funded services at the local level. Officials in all five States we visited for one study told us that local areas are not registering many WIA participants, largely because local staff are reluctant to provide WIA-funded services to job seekers who may be less likely to find employment or experience earnings increases when they are placed in a job.<sup>8</sup> For example, one State official described how local areas were carefully screening potential participants and holding meetings to decide whether to register them. As a result, individuals who are eligible for and may benefit from WIA-funded services may not be receiving services that are tracked under WIA. We found similar results in our studies of older workers and incumbent workers.<sup>9</sup>

Performance levels for the measures that track earnings change for adults and earnings replacement for dislocated workers may be especially problematic. Several State officials reported that local staff were reluctant to register already employed adults or dislocated workers. State and local officials explained that it would be hard to increase the earnings of adults who are already employed or replace the wages of dislocated workers, who are often laid off from high-paying, low-skilled jobs or from jobs that required skills that are now obsolete. In addition, for dislocated

<sup>8</sup> See, *Workforce Investment Act: Improvements Needed in Performance Measures to Provide a More Accurate Picture of WIA's Effectiveness*, GAO-02-275 (Washington, D.C.: Feb. 1, 2002).

<sup>9</sup> See, for example, *Workforce Training: Employed Worker Programs Focus on Business Needs, but Revised Performance Measures Could Improve Access for Some Workers*, GAO-03-353 (Washington, D.C.: Feb. 14, 2003); *Older Workers: Employment Assistance Focuses on Subsidized Job and Job Search, but Revised Performance Measures Could Improve Access to Other Services*, GAO-03-350 (Washington, D.C.: Jan. 24, 2003).

workers, employers may provide severance pay or workers might work overtime prior to a plant closure, increasing these workers' earnings before they are dislocated. Many dislocated workers who come to the one-stop center, therefore, have earned high wages just prior to being dislocated, making it hard to replace—let alone increase—their earnings. If high wages are earned before dislocation and lower wages are earned after job placement through WIA, the wage change will be negative, depressing the wage replacement level. As a result, a local area may not meet its performance level for this measure, discouraging service to those who may need it.

Second, outcomes are measured largely using unemployment insurance (UI) wage data, but these data suffer from time delays of up to as much as 14 months, making the data outdated by the time they are available. For example, we asked States in a survey we conducted in 2001, how quickly job placement outcome data would be available to them from UI wage records. We found that for 30 States, the earliest time period that job placement data would be available was 6 months after an individual entered employment, with 15 States reporting that it may take 9 months or longer. Similarly, over half of States reported that obtaining the necessary information on employment retention could take a year or longer. In fact, current available data on the wage-related measures reflects performance from the previous program year. While UI wage records are the best data source currently available for documenting employment, the lack of timely data makes it difficult for State and local officials to use the performance measures for short-term program management, including improving one-stop services. Some States and localities have developed other means, sometimes adding additional performance measures, to fill this information gap.

Finally, there are no measures to gauge the performance of the one-stop system as a whole. At least 17 programs provide services through the one-stop system and most have their own performance measures. Although these performance measures may be used for assessing outcomes for individual programs, they cannot be used to measure the success of the overall system. For example, no program has a measure to track job seekers who use only self-service or informational activities offered through the one-stop, which may constitute a large proportion of job seekers. Not knowing how many job seekers use the one-stop's services limits the one-stop's ability to assess its impact. Furthermore, State and local officials told us that having multiple performance measures has impeded coordination among programs. There has been limited progress in developing overall performance measures for the one-stop system. Labor convened a working group in September 2001 to develop indicators of the one-stop system's performance, but they have not yet issued them.

#### FUNDING THE SYSTEM ENVISIONED UNDER WIA IS HAMPERED BY FLAWED FUNDING FORMULAS AND THE LACK OF A SPECIFIC FUNDING SOURCE FOR THE ONE-STOP INFRASTRUCTURE

As States and localities have implemented WIA, they have been hampered by funding issues, including flawed funding formulas and the lack of a funding source dedicated specifically to the one-stop infrastructure. We identified several issues associated with the current formulas. Formula factors used to allocate funds are not aligned with the target populations for these programs, there are time lags in the data used to determine these allocations, and there is excessive funding volatility associated with the Dislocated Worker Program that is unrelated to fluctuations in the target populations. As a result, States' funding levels may not always be consistent with their actual need for services. In addition, no funding source exists with which to fund the one-stop infrastructure, and the volatile funding levels that States have experienced in the past 3 years have limited their ability to plan and develop their one-stop systems under WIA.

#### FORMULAS USED TO ALLOCATE FUNDS HAVE LIMITATIONS

Some of the factors used in the formulas to allocate funds are not clearly aligned with the programs' target populations.<sup>10</sup> For example, the Youth program targets a specific group of low-income youth with certain barriers to employment. However, two-thirds of its funds are distributed based on two factors that measure general unemployment rather than youth unemployment. The remaining third is distributed according to the number of low-income youth in States, but even this factor does not measure low-income youth who face barriers to employment. The target population and formula for the WIA Adult program also are misaligned. Basic services

<sup>10</sup>The formulas for distributing these funds to the States were left largely unchanged from those used to distribute funds under JTPA.

provided through the Adult program are open to all adults regardless of income, while low-income adults and public assistance recipients have priority for training and other more intensive services. However, the WIA Adult allocation formula is more narrowly focused on States' relative shares of excess unemployment, unemployment in Areas of Substantial Unemployment (ASUs), and low-income adults. Finally, the Dislocated Worker Program is targeted to several specific categories of individuals, including those eligible for unemployment insurance and workers affected by mass layoffs. The factors used to distribute Dislocated Worker funds are not, however, specifically related to these populations. Two-thirds of program funds are distributed according to factors that measure general unemployment. One-third is distributed according to the number of long-term unemployed, a group that is no longer automatically eligible for the program.

In addition to formula misalignment, allocations may not reflect current labor market conditions because there are time lags between when the data are collected and when the allocations are available to States. The oldest data are those used in the Youth and Adult program formulas to measure the relative numbers of low-income individuals in the States. The decennial Census is the source for these data, and allocations under this factor through 2002 are based on data from the 1990 Census. The data used to measure two of three factors for both the Youth and Adult programs are more recent, but are still as much as 12 months out of date. The time lags for the data used to calculate Dislocated Worker allocations range from 9 months to 18 months.

Finally, funding for the Dislocated Worker Program suffers from excessive and unwarranted volatility—significantly more volatile, as much as 3 times more so, than funding for either the Youth or Adult program. Some States have reported that this volatility makes program planning difficult. While some degree of change in funding is to be expected due to changing dislocations in the workforce, changes in funding do not necessarily correspond to these changes. For example, changes in the numbers of workers affected by mass layoffs from year to year—one measure of dislocation activity—ran counter to changes in Dislocated Worker allocations in several States we examined. In New York, for example, dislocations due to mass layoffs increased by 138 percent in 2001, but funding allocations that year decreased by 26 percent. Conversely, in 1999, New York's dislocations decreased by 34 percent, while funding allocations actually increased by 24 percent.

Several aspects of the Dislocated Worker formula contribute to funding volatility and to the seeming lack of consistency between dislocation and funding. The excess unemployment factor has a "threshold" effect—States may or may not qualify for the one-third of funds allocated under this factor in a given year, based on whether or not they meet the threshold condition of having at least 4.5 percent unemployment statewide. As a result, small changes in unemployment can cause large changes in funding, and when the economy is strong and few States have unemployment over 4.5 percent, the States that do qualify for this pot of funds may experience large funding increases even if their unemployment falls. In addition, the Dislocated Worker formula is not subject to the additional statutory provisions that mitigate volatility in Youth and Adult program funding. These provisions include "hold harmless" and "stop gain" constraints that limit changes in funding to within 90 and 130 percent of each State's prior year allocation and also "small State minimums" that ensure that each State receives at least 0.25 percent of the total national allocation. While these provisions prevent dramatic shifts in funding from year to year, they also result in allocations that may not as closely track changes in the program target populations.

Developing alternative funding formulas to address the issues we have identified is an important but challenging task. This task is complicated by the need to strike an appropriate balance among various objectives, such as using formula factors that are best aligned with program target populations and reducing time lags in data sources, while also using available data sources to measure these factors as accurately as possible. In addition, there have been proposals for reauthorizing WIA that would substantially modify the program target populations and funding streams, which in turn would have consequences for revising the funding formulas.

#### FUNDING ONE-STOP INFRASTRUCTURE HAS BEEN CHALLENGING

Many of WIA's mandatory partners have identified resource constraints as a major factor in their ability to participate in the one-stops. In fact, the participants

in a GAO-sponsored symposium<sup>11</sup> identified insufficient funding levels as one of the top three WIA implementation problems. Labor also found that in many States, the agencies that administer the Employment Service program had not yet been able to co-locate within the one-stops. We were told by Employment Service officials and one-stop administrators we spoke with that this was often because they still had leases on existing facilities and could not afford to incur the costs of breaking those leases. Limited funding made it even more difficult to assign additional personnel to the one-stop or to devote resources to developing electronic linkages with the one-stop. In the States we visited, mandatory partners told us that limited funding was a primary reason that, even when they co-located staff at the one-stop, they did so on a limited basis. As a result, mandatory partners had to employ a wide range of methods to provide the required support for the operation of the one-stops. Across all the sites we visited for an early implementation study, WIA's Adult and Dislocated Worker programs and, across most sites, Employment Service, were the only partners consistently making monetary contributions to pay for the one-stops' operational costs. Other mandatory partners tended to make in-kind contributions—for example, Perkins and Adult Education and Literacy partners provided computer or GED training.

Mandatory partners also noted that restrictions on the use of their funds can serve as another constraint affecting their ability to contribute resources to the one-stops. Some programs have caps on administrative spending that affect their ability to contribute to the support of the one-stop's operations. For example, WIA's Adult and Dislocated Worker programs have a 10-percent administrative cap that supports both the one-stops' operation and board staff at the local level. In addition, as we have reported in the past, regulations often prohibit States from using Federal program funds for acquisition of real property or for construction.<sup>12</sup> This means partners, such as those carrying out Perkins, cannot provide funds to buy or refurbish a one-stop building. Moreover, Adult Education and Literacy and Perkins officials noted that under WIA they can only use Federal funds for the purpose of supporting the one-stop, though only a small portion of their funds come from Federal sources.

#### WIA'S SYSTEM FOR CERTIFYING TRAINING PROVIDERS MAY REDUCE TRAINING OPTIONS FOR JOB SEEKERS

Training options for job seekers may be diminishing rather than improving, as training providers reduce the number of course offerings they make available to WIA job seekers.<sup>13</sup> According to training providers, the data collection burden resulting from participation in WIA can be significant and may discourage them from participating. For example, the requirement that training providers collect outcome data on all students in a class may mean calling hundreds of students to obtain placement and wage information, even if there is only one WIA-funded student in that class. Even if they used other methods that may be less resource-intensive, training providers said privacy restrictions might limit their ability to collect or report student outcome data. Training providers also highlighted the burden associated with the lack of consistency between the States use for WIA and for other mandatory partners. For example, the definition a State establishes for "program completer" for students enrolled in WIA can be different from the definition a State establishes for students enrolled in Education's Carl D. Perkins Vocational Education Program (Perkins). Training providers find the reporting requirements particularly burdensome given the relatively small number of individuals who have been sent for training. Guidance from Labor and Education has failed to address how training providers can provide this information cost-effectively.

#### STATES AND LOCALITIES SEEK MORE HELP FROM LABOR

In addition to challenges arising from implementing portions of the law, State and local officials often cite the need for more help from Labor in terms of clearer guid-

<sup>11</sup>The symposium included officials from the key associations representing State and local implementers, such as the National Association of Workforce Boards and the American Association of Community Colleges.

<sup>12</sup>See *Workforce Investment Act. Better Guidance Needed to Address Concerns Over New Requirements*, GAO-02-72, (Washington, D.C.: Oct. 4, 2001).

<sup>13</sup>The most recently available data on the proportion of WIA job seekers who receive training shows an overall decline from JTPA figures. During program year 2001, 43 percent of participants who exited the adult and dislocated worker programs had received training under WIA. By comparison, during program year 1998, 73 percent of JTPA exiters (including adults, dislocated workers, and older workers) had received training. This decline may result from a variety of factors, one of which may be fewer training opportunities.

ance and definitions and greater opportunities for information sharing. Although Labor has provided broad guidance and technical assistance to aid the transition from JTPA to WIA, some workforce officials have told us that the guidance has not addressed specific implementation concerns. Efforts to design flexible programs that meet local needs could be enhanced if Labor addressed the concerns of workforce officials with specific guidance and disseminated information on best practices in a timely manner. A number of our studies have recommended that Labor be more proactive and provide better guidance and clearer definitions

- on participant registration policies and on performance measure definitions to allow for accurate outcome tracking and better program accountability<sup>14</sup>
- on how to better administer the WIA dislocated worker program, including how to provide additional assistance to local areas using rapid response funds<sup>15</sup>
- on how to more effectively administer the WIA youth program, including how to recruit and engage parents, youth, and the business community; improve competition in contracts for services to youth; determine eligibility; and retain out-of-school youth<sup>16</sup>
- on a definition of unliquidated obligations so that it includes funds committed at the point of service delivery, specifies what constitutes an obligation and the timeframe for recording an obligation in order to improve financial reporting.<sup>17</sup>

Labor has taken limited steps to respond to these recommendations. It has released revised guidance on the performance measurement system and has allowed States to revise their negotiated performance levels, which may address possible disincentives to serving certain job seekers. Labor is also currently finalizing guidance for State and local areas on services for dislocated workers. In response to our recommendations pertaining to the WIA Youth Program, Labor agreed to issue a toolkit on effective youth councils; reach out to new providers to enhance competition; simplify eligibility documentation; and develop a best practices Web site on serving out-of-school youth. In addition, Labor agreed with our findings and recommendations related to providing clearer definitions of unliquidated obligations; however, it declined to consider obligations in assessing WIA's financial position. Finally, Labor has convened a one-stop readiness workgroup that included representatives from Education, HHS, and HUD. This group has developed a set of suggested strategies for addressing major WIA implementation issues and plans to disseminate a national issuance, signed by the heads of all the Federal partner agencies, that would emphasize the commitment of these Federal partners to the one-stop system.

We have also recommended that Labor be more proactive in sharing various promising practices to help States and localities still struggling with implementation challenges. Our reports have recommended that Labor share promising practices in areas that include cost-effective methods of collecting training provider information, addressing the difficulties of using UI data in measuring outcomes, better ways to coordinate services for TANF clients through the one-stop, and better spending management strategies.

While Labor has developed several mechanisms for providing guidance and allowing local one-stop administrators to share best practice information, these efforts have been limited. Labor is establishing a new unit within ETA—the Office of Performance and Results—whose function will be to coordinate efforts to identify and share promising approaches in areas such as the use of supplemental data sources to close gaps in UI data. In addition, Labor's primary mechanisms for distributing information about promising practices at one-stop centers are a Web site, forums, and conferences. The promising practices Web site, in particular, represents a good step toward building a mechanism to support information sharing among one-stop administrators. However, neither Labor nor the Web site's administrators have conducted a customer satisfaction survey or user evaluation of the site, so little is known about how well the site currently meets its objective to promote information sharing about promising practices at one-stop centers. In addition to the Web site, Labor cosponsors several national conferences to promote information sharing and networking opportunities for State and local grantees and stakeholders. Labor also hosted several forums during WIA implementation to allow information exchanges to occur between the department and State and local one-stop administrators. While

<sup>14</sup> See *Workforce Investment Act: Improvements Needed in Performance Measures to Provide a More Accurate Picture of WIA's Effectiveness*, GAO-02-275 (Washington, D.C.: Feb. 1, 2002).

<sup>15</sup> See *Workforce Investment Act: Better Guidance and Revised Funding Formula Would Enhance Dislocated Worker Program*, GAO-02-274 (Washington, D.C.: Feb. 11, 2002).

<sup>16</sup> See *Workforce Investment Act: Youth Provisions Promote New Service Strategies, but Additional Guidance Would Enhance Program Development*, GAO-02-413 (Washington, D.C.: Apr. 5, 2002).

<sup>17</sup> See *Workforce Investment Act: States' Spending Is on Track, but Better Guidance Would Improve Financial Reporting*, GAO-03-239 (Washington, D.C.: Nov. 22, 2002).

these conferences and forums provide a venue for one-stop managers to talk with one another about what is and is not working at their centers, participation is limited to those who can physically take part.

#### CONCLUDING OBSERVATIONS

WIA represents a fundamental shift in the way federally funded employment and training services are delivered to job seekers and employers. It was, perhaps, a far more radical change than it initially appeared. But, in just under 3 years, States and localities have learned to embrace its flexibility, developing systems that meet local needs. They are doing what WIA envisioned—bringing on new partnerships and forging new relationships at all levels. They are actively working to engage the employer community and involve intermediaries and others to address the economic development needs of local communities. The process of implementation has not been perfect, but it is moving forward. Some aspects of the law that have caused difficulties may deserve attention during reauthorization. But, given the significant changes brought about by WIA, more time may be needed to allow a better assessment of what is working and what is not before making major changes in WIA's structure.

Mr. Chairman, this concludes my prepared statement. I will be happy to answer any questions you or other Members of the Subcommittee may have.

#### GAO CONTACT AND ACKNOWLEDGEMENTS

For future contacts regarding this testimony, please contact Sigurd R. Nilsen at (202) 512-7215. Individuals making key contributions to this testimony included Dianne Blank, Elisabeth Anderson, Katrina Ryan, and Tamara Harris.

#### RELATED GAO PRODUCTS

*Workforce Investment Act: One-Stop Centers Implemented Strategies to Strengthen Services and Partnerships, but More Research and Information Sharing is Needed.* GAO-03-725. Washington, D.C.: June 18, 2003.

*Workforce Investment Act: Issues Related to Allocation Formulas for Youth, Adults, and Dislocated Workers.* GAO-03-636. Washington, D.C.: April 25, 2003.

*Multiple Employment and Training Programs: Funding and Performance Measures for Major Programs.* GAO-03-589. Washington, D.C.: April 18, 2003.

*Food Stamp Employment and Training Program: Better Data Needed to Understand Who Is Served and What the Program Achieves.* GAO-03-388. Washington, D.C.: March 12, 2003.

*Workforce Training: Employed Worker Programs Focus on Business Needs, but Revised Performance Measures Could Improve Access for Some Workers.* GAO-03-353. Washington, D.C.: February 14, 2003.

*Older Workers: Employment Assistance Focuses on Subsidized Jobs and Job Search, but Revised Performance Measures Could Improve Access to Other Services.* GAO-03-350. Washington, D.C.: January 24, 2003.

*Workforce Investment Act: States' Spending Is on Track, but Better Guidance Would Improve Financial Reporting.* GAO-03-239. Washington, D.C.: November 22, 2002.

*Workforce Investment Act: States and Localities Increasingly Coordinate Services for TANF Clients, but Better Information Needed on Effective Approaches.* GAO-02-696. Washington, D.C.: July 3, 2002.

*Workforce Investment Act: Youth Provisions Promote New Service Strategies, but Additional Guidance Would Enhance Program Development.* GAO-02-413. Washington, D.C.: April 5, 2002.

*Workforce Investment Act: Better Guidance and Revised Funding Formula Would Enhance Dislocated Worker Program.* GAO-02-274. Washington, D.C.: February 11, 2002.

*Workforce Investment Act: Improvements Needed in Performance Measures to Provide a More Accurate Picture of WIA's Effectiveness.* GAO-02-275. Washington, D.C.: February 1, 2002.

*Workforce Investment Act: Better Guidance Needed to Address Concerns Over New Requirements.* GAO-02-72. Washington, D.C.: Oct. 4, 2001.

*Workforce Investment Act: Implementation Status and the Integration of TANF Services.* GAO/T-HEHS-00-145. Washington, D.C.: June 29, 2000.

This is a work of the U.S. government and is not subject to copyright protection in the United States. It may be reproduced and distributed in its entirety without further permission from GAO. However, because this work may contain copyrighted images or other material, permission from the copyright holder may be necessary if you wish to reproduce this material separately.

## GAO'S MISSION

The General Accounting Office, the audit, evaluation and investigative arm of Congress, exists to support Congress in meeting its constitutional responsibilities and to help improve the performance and accountability of the Federal Government for the American people. GAO examines the use of public funds; evaluates Federal programs and policies; and provides analyses, recommendations, and other assistance to help Congress make informed oversight, policy, and funding decisions. GAO's commitment to good government is reflected in its core values of accountability, integrity, and reliability.

## OBTAINING COPIES OF GAO REPORTS AND TESTIMONY

The fastest and easiest way to obtain copies of GAO documents at no cost is through the Internet. GAO's Web site ([www.gao.gov](http://www.gao.gov)) contains abstracts and full text files of current reports and testimony and an expanding archive of older products. The Web site features a search engine to help you locate documents using key words and phrases. You can print these documents in their entirety, including charts and other graphics.

Each day, GAO issues a list of newly released reports, testimony, and correspondence. GAO posts this list, known as "Today's Reports," on its Web site daily. The list contains links to the full-text document files. To have GAO e-mail this list to you every afternoon, go to [www.gao.gov](http://www.gao.gov) and select "Subscribe to daily E-mail alert for newly released products" under the GAO Reports heading.

The first copy of each printed report is free. Additional copies are \$2 each. A check or money order should be made out to the Superintendent of Documents. GAO also accepts VISA and Mastercard. Orders for 100 or more copies mailed to a single address are discounted 25 percent. Orders should be sent to: U.S. General Accounting Office 441 G Street NW, Room LM Washington, D.C. 20548. To order by phone: Voice: (202) 512-6000, TDD: (202) 512-2537, Fax: (202) 512-6061.

## TO REPORT FRAUD, WASTE, AND ABUSE IN FEDERAL PROGRAMS

Contact: Web site: [www.gao.gov/fraudnet/fraudnet.htm](http://www.gao.gov/fraudnet/fraudnet.htm), E-mail: [fraudnet@gao.gov](mailto:fraudnet@gao.gov). Automated answering system: (800) 424-5454 or (202) 512-7470.

## PUBLIC AFFAIRS

Jeff Nelligan, Managing Director, [NelliganJ@gao.gov](mailto:NelliganJ@gao.gov) (202) 512-4800 U.S. General Accounting Office, 441 G Street NW, Room 7149, Washington, D.C. 20548.

Senator ENZI. If we could have our next panel move up to the table?

Senator MURRAY. Mr. Chairman, while our panel is convening, I understand you are going to keep the record open for 2 weeks in order for us to submit additional testimony and questions. Is that correct?

Senator ENZI. That is right.

Senator MURRAY. Thank you very much. I appreciate that.

Senator ENZI. That will be for both those of us who showed up and those who did not.

I appreciate this panel of involved experts, and I look forward to the testimony. The first person then is Curtis Austin, who is the executive director of Workforce Florida, Inc., from Tallahassee, FL. Welcome, Mr. Austin.

**STATEMENTS OF CURTIS C. AUSTIN, PRESIDENT, WORKFORCE FLORIDA, INC., TALLAHASSEE, FL; JAMES N. ELLENBERGER, DEPUTY COMMISSIONER, VIRGINIA EMPLOYMENT COMMISSION, RICHMOND, VA; MICHAEL H. KENNEDY, EXECUTIVE DIRECTOR, PACIFIC MOUNTAIN WORKFORCE DEVELOPMENT COUNCIL, LACEY, WA; MICHAEL E. SMELTZER, EXECUTIVE DIRECTOR, MANUFACTURERS' ASSOCIATION OF SOUTH CENTRAL PENNSYLVANIA, YORK, PA; AND CHARLES WARE, CHAIRMAN, WYOMING WORKFORCE DEVELOPMENT COUNCIL, CHEYENNE, WY**

Mr. AUSTIN. Thank you, Mr. Chairman, members of the committee. I am the president of the State board, and that means that I come to you looking at having dealt with an early implementation State for the past several years. In the 1990s, Florida policymakers got together, and they decided the public workforce system was broken. I provided the committee material that showed that less than 9 percent of employees ever interfaced with the system back in the year 2000 and less than 12 percent of the businesses in the State ever interfaced with the system.

They began a series of bipartisan reforms that anticipated the Workforce Investment Act being adopted. Florida passed laws in 1996, 1998, and the year 2000. That reform, which was supported and sponsored by Governors Lawton Chiles, Buddy McKay, and Jeb Bush, transformed the system that today serves at least 20 percent of the people who come in who get a new job every year and at least 25 percent of the businesses that interface with the system.

They found out that even in a difficult economy, we can be able to transition and be able to make significant improvements. If you will notice in the data that I provided you, there have been wage rate gains for those individuals placed in increased placements, even in years when the economy has not been particularly successful. Last year, more than 100,000 people interfaced with the system than did the year before successfully to obtain jobs.

Now, Florida has been very thankful for the Workforce Investment Act because it gave greater freedom than existed under JTPA. In my prepared testimony, which I have provided you already, I focused on four things, and I want to talk about those only briefly.

The first is the consolidation of the workforce funding streams. We do not believe in Florida that that is a major change. When funding comes down from Wagner-Peyser, from dislocated worker and adult, it is based upon the economy, of where the economy was 12 months, 24 months, or even longer ago. It does not tell us how to be able to react.

Senator Enzi, I am originally from Pocatello, ID. I travel every 2 years through Cheyenne, WY, and no one would have known when they appropriated the money to the regional area that affected Cheyenne about 700 jobs to come into an area. And putting 700 additional jobs in Cheyenne does something dramatically different in a community. And all at once, we found—9/11 was a big eye-opener in Florida because we found out—we went from a position where we had less than 3 percent unemployment in some of

our regions to all of a sudden where we had tens of thousands of people unemployed.

When we can shift the resources which Washington has given us from labor market exchange functions in Wagner-Peyser to training, as the economy directs, or if I can move it from adult to dislocated worker or back and forth, I have less need to come to Washington and ask for resources.

We have found out in much of our State—and Florida is a very rural State. It has some huge cities in it, but the rest of it is all rural. And we have found out that one major employer coming into the State or leaving the State means that we have less ability to be able to function.

The Congress took money back from the entire workforce systems, dislocated workers, that was sitting there not being appropriately used after the war in Afghanistan. And it was done partially because the funding streams come down and tell you can only use it in certain areas. If the Governor was allowed to be able to move those funding streams where the need exists, we believe that the system would be even more effective.

Second, I want to echo Senator Murray's discussion when she says that there has got to be some degree where the Governor has some control over State boards and the system. Much of what you hear up here from local workforce systems and State Wagner-Peyser agencies I believe is really warfare among State agencies and has less to do with serving customers than it does to be able to preserve infrastructures that already exist.

How things are done in Connecticut, how they are done in Wyoming, how they are done in Washington State, how they are done in Florida is going to depend upon what is going to be successful in that area. And we believe there should be great latitude given on how Governors can be able to structure a system and be able to force these people to work together. Too often, my frustration has been that I am always in somebody else's fight. I am always trying to be able to get two people to come back to the table and say, all right, will you two guys work this out one way? Vocational rehabilitation one time got kicked out of one of our one-stops, and we told them you cannot do that.

Sometimes the biggest thing you can do is say, "I am going to go tell the Governor." The last thing they want is somebody to go telling on them. But we believe there should be great latitude in that area.

We must also realize that workforce development is economic development. All these infrastructure pieces are put together.

Now, I do not want to get into partisan fights or I do not want to get into philosophies about the money issues, but I have heard several of the members talk about the fact that we do not have enough money in the system. And we quit 3 years ago relying upon appropriations from the State and the Government to be able to fund all these operations. Twenty-seven million dollars taken by Workforce Florida at the State level was matched with \$130 million—private sector, public sector, other operations—to be able to bring some stability into the system.

We have found that the public sector is not the only place to be able to fund all of these issues. But that only happens if you have

the appropriate partnership with your private sector. I have given you specific examples inside the testimony of some of the things that we have done in Florida.

Finally, we welcome the simplified measures. We really ask you to do one thing for us. Do not give us a bunch of processes. Tell us what you want. We will perform. Hold our feet to the fire. Take money away from us if we do not perform. Give us bonuses if we do. Florida went to a performance-based system. We decided that if at McDonald's you purchase a hamburger and it is all there, we do not care about all the process. That is what we are doing with our workforce system.

We want to have someone who is a skilled worker who meets the needs of business, and that is where we are at today. Thank you.

Senator ENZI. I appreciate those comments. I would not have guessed Idaho. I would have guessed Texas by your name.

[Laughter.]

Mr. AUSTIN. Same family.

[The prepared statement of Mr. Austin follows:]

#### PREPARED STATEMENT OF CURTIS C. AUSTIN

I would like to thank you for the opportunity to share my thoughts on reauthorization of the Workforce Investment Act. In Florida, we have used the flexibility provided by the Federal Government to dramatically improve service to job-seekers, incumbent workers and employers in Florida. With bi-partisan leadership, the evolution of Florida's workforce system has enjoyed the support of Governors Lawton Chiles, Buddy McKay and Jeb Bush. Governor Bush has encouraged us to do everything possible to create new jobs and help Floridians keep their jobs. The reauthorization of the Workforce Investment Act is an additional opportunity to fine-tune the workforce system.

Without reconstructing the history of workforce development in Florida, it would suffice to say that the business community in large measure had lost confidence in the public workforce system to deliver relevant services. Just 3 years ago, less than 12 percent of the businesses in Florida that hired new workers, interfaced with the publicly-funded Wagner-Peyser services. Worse, less than 9 percent of workers took time to register with the system for employment. With WIA fully implemented in Florida, more than 25 percent of businesses are using the system for some, if not all, of their hiring and nearly 20 percent of those hired have registered with the local one-stops for one-stop services. Development of a one-stop employment system, integrating labor market exchange and training functions with resources to support both, has been one key to changing attitudes in the State towards the public employment system.

Florida has recorded positive job growth for the last 13 months—the only State in the nation that can make that claim—creating 92,800 new jobs over the last year (April 2002—April 2003). However, many of those jobs are entry level jobs. The public workforce system is designed to direct entry level employees not only to new jobs, but to increased skills to insure that each worker who obtains employment can become self-sufficient. The passage of the Workforce Investment Act has assisted Florida to make great headway in delivering appropriate services to workers and employers. As the Senate addresses reauthorization, I would hope the following issues are considered, so the workforce system may evolve to the next level.

#### GIVING STATES GREATER FLEXIBILITY

**The first priority is the consolidation of workforce funding streams.** September 11, 2001 demonstrated how conditions can quickly change from a situation in some localities of near full-employment, with a desperate need for additional workers, to one of significant lay-offs. Priority services and priority programs may change over-night. The ability to invest public resources in labor market exchange, training dislocated workers, retraining incumbent workers, or assisting disadvantaged adults to the next career level should be only one factor to influence workforce activities. Labor market conditions in a given area should be the other. Today, changes occur quickly and must be responded to quickly. The frustration the Congress seemed to have with the workforce system's failure to quickly utilize Work-

force Investment Act funds and invest them in local communities, as evidenced by the de-authorization of appropriated dislocated worker funds, is—in part—a function of appropriating funding based on where the labor markets were, not where they are or where they may be. Funds are currently allocated on a “needs based formula” that reflect where the economy was. The introduction of a major employer or the loss of the same can dramatically change the economic situation.

In response to September 11th, the State, using WIA funding and two national emergency grants, initiated *Operation Paycheck*. *Operation Paycheck* was a partnership between Workforce Florida (the State workforce investment board), the Agency for Workforce Innovation (State agency for Wagner-Peyser, WIA, TANF, FSET, Vets, etc. funds), private training providers, and the Department of Education, Division of Community Colleges. The program was designed to build quickly upon the work and educational experience of dislocated workers by identifying existing skills, transferable from declining occupations to those in expanding sectors of the economy. More than 8,800 dislocated workers were trained for new employment. Seventy percent (70.0 percent) of Operation Paycheck customers enrolled in high tech training. Completion rates for the program and wages earned were well above traditional training programs. The need for Federal funding would have been mitigated, had Florida been able to shift funds from Wagner-Peyser activities to those training activities that became the areas of greatest need. Providing such combined funding in the form of block grants or authorizing States to do the equivalent would greatly assist in making what was a responsive system, a better system.

In addition, the integration of these funding streams will help put an end to “turf” battles that exist in many States between competing agencies. Too often such agencies view the federally provided funds as “our money” or “your money,” instead of “the people’s money sent from Washington to do “the people’s business.” A one-stop system should have integrated services, that focus on the customers (job seekers, incumbent workers, and businesses). Integration would help bring an end to turf battles that do little to address customer needs.

**The second flexibility issue is gubernatorial leadership in program administration.** The administration’s proposal identified several areas of focus that deal with “doing government better.” These include the streamlining of the State board, strengthening the State’s authority to change local area designations, and the proposals for funding one-stop infrastructure by all mandated partners. All of these changes are designed to make the system a system (not feuding State and local administrations) and refocus the efforts of the system to service delivery and performance from current process. While Florida would prefer that all boards, State and local, are majority-business lead, we recognize that giving the Governor flexibility to tailor the system to the needs and capacities of a given State is one key to the success of the system.

The proposals to give added flexibility regarding the composition of the State board and to give the governor authority over the designation of local service delivery areas are necessary to build a *workforce system*. While service delivery is best provided through a one-stop system attuned to local concerns, all need to know that the public workforce system is a national system designed to meet the needs of workers and businesses. Too much time has been spent in the public workforce system arguing over process and “turf” and not enough on business and worker needs. While some progress has been made under WIA to decrease the time spent on “administrivia” and increase efforts at providing services, the administration’s proposals recognize problems in getting the system to “work.” The increased flexibility provided in the administration’s proposal recognized that much of the solution cannot be legislated from Washington, but must be “worked out” at the State or local level.

#### WORKFORCE INVESTMENT IS ECONOMIC DEVELOPMENT

**Third, invest workforce funds for the economic betterment of communities.** Governor Bush sent an important signal to the workforce system when his first appointment to chair the State board, Toni Jennings, was not only a private sector businesswoman and former State Senate President, but the incoming head of the Florida Chamber of Commerce. The second person he asked to chair the State board, Ray Gilley, is the private sector CEO of the Mid-Florida Economic Development Council. Likewise, the Governor selected the former CEO of a south Florida economic development agency, Susan Pareigis, to head the Agency for Workforce Innovation, the State steward of Federal WIA funding.

Florida has taken the increased freedom granted under the Workforce Investment Act to begin an outreach to business. The State has focused on dispelling the misperception that our workforce system is for the poor, underprivileged only. That

misperception made businesses hesitant to participate and branded the workers as less than capable. Focusing on providing credentialed, skilled workers—no matter what funding streams were used in obtaining that preparation—has been essential to Florida’s success.

Building a skilled workforce is one of the most urgent challenges to ensuring Florida’s economic competitiveness, particularly for our value-added targeted industries statewide. Engaging the business community not only insures jobs for job-seekers, but assists in the State’s aggressive pursuit of other sources of funds for existing training programs and potential expansion of services. For example, Workforce Florida, the State workforce investment board, has committed over \$27.5 million to special training initiatives in key targeted industries and critical shortage areas. This investment will result in over 31,000 trained workers (or \$884 per trainee from the resources of the State board). More importantly, this investment has been met with an additional \$137 million leveraged from matching sources (private and public sector).

While Florida understands that Federal money should not be used to entice movement of industry or business from one State to another (cash for the move), much can be done to grow industry within a State, assist new businesses, assist in the creation of businesses and to assist local businesses to upgrade the skills of their employees. When possible, the workforce system should assist in preventing layoffs (dislocations) if the skills of existing workers can be upgraded and business productivity improved. For too long the system has waited for business downturns or failures to interface with business. In one success story, Florida used different “pots of funds”—transparent to a Florida panhandle employer located in Walton County—to provide local WIA funds for skills upgrade training of existing workers and State general revenue funds to train new workers.

We have used several different sources of funds to build an alliance with the economic development community and the chambers of commerce in the State to address business needs. The transition of welfare recipients from welfare to work was assisted by chambers of commerce throughout the State (lead by the Greater Orlando Chamber) educating employers how to benefit from employing first time workers at higher wages and with greater benefits. As employers understood the cost of failing to retain entry level workers, attitudes began to shift.

Likewise, regional workforce boards have come to understand the needs of businesses and a great partnership is being formed that is in the interest of both the private and public sector. If businesses do not stay and grow in a community, training for jobs does not matter. Florida has stopped training for just any job, and has limited its scarce training dollars to be used for targeted occupations, occupations growing in demand in Florida with wages that enable one to be self-sufficient. At the State level, money is provided through competitive processes to assist local regions in the continued diversification of Florida’s economy.

#### FOCUS ON OUTCOMES

**Finally, focusing on outcomes instead of the processes leads to progress.** The proposed consolidated measures ask critical questions: After all we have done, did the person get a job?; How valuable are the skills that person has acquired in the market place? (or How much did he or she make?); Have they been able to retain their employment?; and How much is this costing us? Florida has now tracked these same measures for 3 years. I have attached a copy of the last 3 years results for your consideration. Combining effectiveness measures and efficiency measures allows assessment of a system and allows comparison with other service delivery systems. These questions are reasonable and should allow the Federal Government to assess whether the funds are being properly invested in communities or not. They allow individual States to add additional measures to ensure that the needs of a particular State are addressed.

While I have heard concern that measuring efficiency can divert attention from the hardest to serve, that has not been our experience in Florida. Florida’s look at “efficiency” has revealed the duplicative administration of the public workforce system. It is not unusual for administrators in one part of the system, to be frustrated and purchase duplicative services elsewhere, rather than fix what seems to be broken. For example, when labor market information is provided in less than friendly format to businesses, purchasing the same type of data a second time—rather than fix the service already being provided by the system—should not be the first solution. Measures of efficiency are important because service costs are driven lower—not with decreased services for those who need them, but by forcing the bureaucracy to work for economies of scale in purchasing and partnership in procuring services.

Florida strongly encourages the model of demanding high performance and providing flexibility in obtaining the performance goals. If processes are dictated, the resources any given State can use to maximize performance are dramatically decreased. We have used an incentive award system in Florida for 4 years, (much like the WIA incentive awards), rewarding local regions with additional resources for a job well done. It has been one of the great drivers for system-wide performance improvement.

Florida welcomes the narrowed scope that allows comparison between all workforce programs (including those funded by education and other public sector activities). When public resources are being used for public ends, it is critical that policy makers and administrators can compare program successes. I worked for the Florida Legislature for more than 9 years and found that the ability to compare programs rarely resulted in decreased performance. Likewise, tracking too many measures, provided too little attention to drive any meaningful improvement.

Trying to control both process and outcome leads to difficult if not impossible situations. For example, the administration sought to bring greater clarity to the mission of WIA youth funds by asking that such funds be focused on out-of-school youth. In the legislative process, those who want in-school youth served have amended the law in part, to allow service to this group. However the House bill would preclude such services to take place in in-school settings. The policy could mean that you let the kids back on the street and try to "collect them" again for an after-school program, or that you fail to give services to young people bussed over great distances in rural areas. I would urge you to make clear your desired outcomes, and then let the States and local areas find a way to accomplish those goals taking advantage of local conditions.



## STATE OF FLORIDA 3 Year Past Performance

### Statewide

#### Market Share - Are our services being used?

Employee - Of those who got jobs, how many got One-Stop services?

Employers - Of those who hired this year, how many got One-Stop services?

	2002	2001	2000
Employee - Of those who got jobs, how many got One-Stop services?	19.10%	13.12%	8.00%
Employers - Of those who hired this year, how many got One-Stop services?	28.90%	23.82%	11.12%

#### Customer Satisfaction - How satisfied were our customers?

Satisfaction rating for employers who received services

Satisfaction rating for individuals who received training

Satisfaction rating for job seekers who got help in finding work

	2002	2001	2000
Satisfaction rating for employers who received services	76.20	68.69	NO SURVEY
Satisfaction rating for individuals who received training	78.60	76.69	NO SURVEY
Satisfaction rating for job seekers who got help in finding work	74.40	NO SURVEY	NO SURVEY

#### Did our customers get jobs?

% on welfare that got jobs

Total Number

Rate which customers that were on welfare return to welfare

% of disadvantaged adults that got jobs

Total Number

% of unemployed receiving training who got jobs

Total Number

% of all job seekers who got jobs

Total Number

	2002	2001	2000
% on welfare that got jobs	26.91%	24.47%	24.13%
Total Number	27,755	25,116	29,561
Rate which customers that were on welfare return to welfare	14.01%	14.78%	15.49%
% of disadvantaged adults that got jobs	77.84%	78.94%	64.80%
Total Number	9,109	6,797	4,020
% of unemployed receiving training who got jobs	86.61%	88.43%	84.10%
Total Number	7,867	6,661	4,023
% of all job seekers who got jobs	37.20%	29.66%	32.60%
Total Number	349,315	248,103	227,979

#### What was their wage?

The average wage of those who were on welfare

Wage rate

The average wage for disadvantaged adults

Wage rate

The average wage for workers that lost their jobs

Wage rate

The average wage of job seekers

Wage rate

	2002	2001	2000
The average wage of those who were on welfare	\$7.04	\$6.61	\$6.38
Wage rate	68.02%	65.78%	48.00%
The average wage for disadvantaged adults	\$10.59	\$8.78	\$8.36
Wage rate	102.32%	87.38%	62.90%
The average wage for workers that lost their jobs	\$12.96	\$11.24	\$10.47
Wage rate	125.22%	111.86%	78.80%
The average wage of job seekers	\$8.98	\$8.49	\$7.83
Wage rate	86.76%	84.49%	58.90%

Wage rate expressed as a percent of the Lower Living Standard Income Level (LLSIL). The Annual 2001 LLSIL for a family of 3 for Florida was \$21,530 or \$10.35/hour; selected by state policy as the indicator for a "self sufficient" wage. The Annual 2002 LLSIL for a family of 3 for Florida increased slightly to \$21,790 or \$10.48/hour.

Customer satisfaction numbers are composite scores provided by the American Customer Satisfaction Index. The index scaled from 0 to 100 allows comparison between the private and public sectors. The composite federal government score was 71 for 2001.



STATE OF FLORIDA  
3 Year Past Performance

Statewide

**Are we helping employed workers?**

% of workers that were employed at registration and have attained credentials to enhance their skills on their current job or to assist them in getting a better job.

2002	2001	2000
46.01%	N/A	N/A

**Are we helping younger youth?**

% of younger youth that have positive outcomes  
Number of positive outcomes

2002	2001	2000
92.78%	91.26%	86.91%
8,914	5,807	2,217

\* Positive outcome based of the Red Green measure, excluding youth goals which are addressed in a separate measure.

\* Year 2000 based on exits--does not include skill attainment for participants still on board

**What are the costs per enrollments?**

The average cost per enrollment for welfare  
The average cost per enrollment for disadvantaged adults  
The average cost per enrollment for workers that lost their jobs  
The average cost per enrollment for older and younger youth

2002	2001	2000
\$1,991.41	\$2,084.31	\$1,698.98
\$1,577.68	\$1,577.68	\$2,297.20
\$1,199.72	\$1,729.09	\$2,236.31
\$2,078.38	\$1,580.35	\$2,158.10

**What are the costs per positive outcomes?**

The average cost per welfare participant getting a job  
The average cost per welfare participant whose case is closed  
The average cost per placement for disadvantaged adults  
The average cost per placement for workers that lost their jobs  
The average cost per positive outcome for all younger youth (older and younger youth)

2002	2001	2000
\$5,765.15	\$5,954.66	\$4,436.41
\$1,493.80	\$1,457.12	\$1,070.46
\$1,809.99	\$5,837.67	\$8,756.20
\$3,913.47	\$4,277.43	\$6,552.16
\$2,952.13	\$2,422.14	\$10,724.41

Based on WIA Annual Report. Positive Outcomes for older youth include entered employment and credential attainment; Positive Outcomes for younger youth include entered employment, entrance into postsecondary education; advance training; apprenticeship; or military; attainment of younger youth goal; and attainment of diploma.

Average cost per: based on the total enrollments/positive outcomes as compared to total program expenditures reported during the same performance period (6/30-7/1).

Source: All performance outcome information based on RedGreen Reports. All cost information from State Annual Reports. See [www.workforceflorida.com](http://www.workforceflorida.com) for details

Senator ENZI. The next presenter is James Ellenberger, who is the deputy commissioner of the Virginia Employment Commission. Thank you for coming.

Mr. ELLENBERGER. Thank you very much, Mr. Chairman and members of the subcommittee. I am delighted to be here on behalf of Virginia Governor Mark Warner and the Commonwealth of Virginia to share our views on this important issue involving the Workforce Investment Act.

There are really three key issues that I am going to focus on. I would like, Mr. Chairman, for my testimony to be entered into the record. I am going to be summarizing most of it.

Senator ENZI. All testimony will be put in in its entirety, so we appreciate the consolidation.

Mr. ELLENBERGER. The three issues that I really want to focus on are the importance of moderation. It is drastically important for those of us who are in the pits trying to make the workforce investment system work that any changes that are instituted and put in

place are changes that are moderate. We do not need to overturn the system and to make things more difficult.

I want to talk about the importance of maintaining separate funding streams for adult education in WIA, for dislocated workers, and, in particular, for Wagner-Peyser. It has critical importance for agencies and States like Virginia.

I also want to talk about personal re-employment accounts, particularly in view of the fact that the President visited the Commonwealth yesterday to make a renewed pitch to Congress to revisit the issue of personal re-employment accounts. The position of the Commonwealth is quite different than that expressed by the President in the Commonwealth yesterday.

Both the administration proposal and the House bill that was passed, H.R. 1261, would consolidate the funding streams for adult ed., dislocated workers, and Wagner-Peyser. And we believe, as we believe the majority of the States would concur with us, that this is the wrong approach. We see this as a direct attack on the 60-year-old public employment service and an effort to end appropriate focus through separate funding streams on segments of the population with very different problems.

It is hard to believe, as we look at it, that there is serious support for a proposal to fold a program with 60 years of proven and effective service to employers and to workers into a program that does not yet have 4 years of practical experience.

Governors are being asked to forego one of the most useful and flexible block grants to States, that of the Wagner-Peyser system, in favor of a single and largely prescribed and locally controlled funding system.

Workers are being asked to give up a publicly operated, free, and nondiscriminatory job service in return for a myriad of disconnected programs that could be privately operated, charge for services, and require certain conditions in order to obtain employment.

Employers are being asked to give up valuable statewide services, including listings, screenings, placement services that are currently provided by the employment service in favor of a system that will not be able to offer comparable services nor guarantee that they could be provided without discrimination or charges.

As in many States, our workforce development system is constructed around and dependent upon a Wagner-Peyser system. The employment service is the anchor for 70 percent of the comprehensive one-stops in the Commonwealth of Virginia. It is also the anchor for our work search requirements under our unemployment insurance law. And as our law requires, claimants have to register with the employment service in order to retain eligibility.

Additionally, our employment service is staffed by a merit-based staff of State employees who administer the employment service. They have a level of professionalism, competence, and skill that is possessed that we feel would be lost by repealing the Wagner-Peyser Act.

The Wagner-Peyser Act provides important services to workers across the spectrum. In addition to the employment service, we administer the veterans program, the migrant seasonal farm worker program, the worker opportunity tax credit program, the Trade Act. We provide alien labor certifications and disseminate labor

market information, among other tasks. Repeal of the Wagner-Peyser will severely diminish, if not destroy, our ability to provide these valuable services to citizens of our Commonwealth. Proposals to devolve and block grant the employment service will threaten the very foundation of the national labor exchange and a consistent service delivery method that is provided around the country.

Virginia has one of the most active employer advisory committee networks in the entire country. We have 33 local committees representing over 1,800 employers in the Commonwealth, and I am pleased to have with me today—and I would like, Mr. Chairman, if I could, to introduce the Chair of our State Employer Advisory Committee, Ms. Patricia Moore, and the Chair of our Northern Virginia Employer Advisory Committee, Ms. Judy Lawrence.

Ms. Moore and Ms. Lawrence, along with many employers throughout Virginia, have written to Members of Congress about the impact of H.R. 1261 in the House on the employment service. In her letter to Senator John Warner, who is a member of the Senate HELP Committee, Ms. Moore asked why the Congress would “want to fix something that is not broken.” She pointed out that the employment service is open to all job seekers, not just hard-to-serve populations, and that employers value the recruitment and placement services—matching the right people with the right opportunities and the right companies—that is the hallmark of the employment service program. She noted that the stability and continuity of the employment service stands in stark contrast to the continual changes, transition, and difficulties faced by those who would be asked to assume the duties that are now provided by Wagner-Peyser.

Mr. Austin mentioned the importance of flexibility, and we would concur that we need flexibility in our program. But if we look at what happened after 9/11, Virginia was impacted severely, particularly in Northern Virginia, National Airport and many, many employers who service Pentagon-related operations.

We established a special satellite office at National Airport using Wagner-Peyser funds. As I said earlier, it is the most flexible grant program in existence. We did this without having to go to the Department of Labor and seek additional funds. We brought in the local WIBs. We had our employees from 40 offices around the State come and volunteer to work Saturdays and Sundays. We had employers from our employer advisory committees come and man tables and give advice to workers who were seeking jobs on how to get employment, how to get into training programs.

Now, we did apply for a national employment grant from the Department of Labor to help us absorb the costs of that operation. Unfortunately, we had to absorb it out of our existing Wagner-Peyser funds and other funds. But, nonetheless, we had the flexibility to act immediately, and we did so, in the first week following 9/11.

I want to talk just briefly about personal re-employment accounts. Since the President was in Annandale yesterday and there were some workers that he introduced, two of those workers—Ms. Mitchell and Mr. Orlandella—were introduced as perhaps examples of how PRAs could aid workers who were struggling to gain new skills and new jobs.

Well, the fact of the matter is that both Ms. Mitchell and Mr. Orlandella were recipients of significant assistance through our dislocated worker program and national emergency grant funds. And the fact of the matter is that the PRA program would have a limit of \$3,000 that those workers would be able to spend on the training that they received, far less than they got under the dislocated program that they did get. And on top of that, if they were unsuccessful in getting a job after spending their PRA money on training, they would be blocked, as Senator Murray pointed out, for a year from getting services from Workforce Investment Boards.

The last issue I want to touch on, Senator—and this will be very quick—1261 in the House has a provision which would permit for the first time public funds to be used to allow recipients of those funds to discriminate against applicants, employers, job seekers, even providers, on the basis of religion. And I would suggest—Virginia is opposed to that. I would suggest that that is a surrogate for discrimination on many other bases as well. It could be race, could be age, could be gender, could be disability, could be sexual orientation, and it is something that I would hope the Senate would absolutely say no to.

Thank you.

Senator ENZI. If we could just get you to have a little passion.

[Laughter.]

Thank you very much for your comments.

[The prepared statement of Mr. Ellenberger follows:]

PREPARED STATEMENT OF JAMES N. ELLENBERGER

Mr. Chairman and Members of the Committee: Thank you for the opportunity to testify on behalf of the Virginia Employment Commission (VEC) regarding the reauthorization of the Workforce Investment Act. I am pleased to represent Virginia Governor Mark Warner and the Commonwealth of Virginia on this important issue. The VEC is the lead agency charged with administering the Workforce Investment Act in the Commonwealth.

Virginia was not among the States implementing the Workforce Investment Act early. As a result of a State level reorganization of the predecessor agency, and because we needed to build a statewide network to administer the program, Virginia did not implement WIA until July 2000. Consequently we have approximately 3 years experience in administering the program, during which time the guidance we received from the U.S. Department of Labor was evolving and changing. Frankly, Virginia feels that the program has only been operational long enough to just now allow us to begin evaluating its successes and shortcomings. Until we have more experience, more data and more consensus among partners, clients and participants, we, along with many of our sister States, feel that it would be most prudent to make modest and gradual changes rather than impose large-scale changes and revisions.

While there are some issues that the VEC would like to see addressed during the reauthorization of the Workforce Investment Act, we are compelled to address the following issues as the most salient for our State:

**Consolidation of Funding**

Both the Administration proposal and the bill passed by the House of Representatives (H.R. 1261) would consolidate Adult, Dislocated Worker and Wagner-Peyser funding streams into a single block grant. Virginia, as we believe the vast majority of States, opposes this approach. We see this proposal as both a direct attack on the 60-year-old public employment service and an effort to end an appropriate focus, through separate funding streams, on segments of the population with very different problems.

**Wagner-Peyser**

It is hard to believe that there is serious support for the proposal to fold a program with 60 years of proven and effective service to employers and workers into a program that does not yet have 4 years of practical experience. Governors are

being asked to forego one of the most useful and flexible block grants to States, the Wagner-Peyser system, in favor of a single and largely prescribed, locally controlled funding stream. Workers are being asked to give up a publicly operated, free and non-discriminatory job service in return for a myriad of disconnected programs that could be privately operated, charge for services and require certain conditions for employment. Employers are being asked to give up valuable statewide listings, screening and placement services currently provided through the employment service in favor of a system that will not be able to offer comparable services nor guarantee that they could be provided without discrimination or charges.

As in many States, Virginia's workforce development system is constructed around and dependent upon our Wagner-Peyser infrastructure. The employment service is the anchor for 70 percent of the comprehensive One-Stop Centers in our State. The employment service is also the "anchor" for the work search requirements under Virginia's Unemployment Insurance statute. Our law requires claimants, as a condition of eligibility, to register for work with our employment service and to report to the employment service as required by the Commission.

Additionally, a merit-based staff of State employees administers the employment service. The level of professionalism, competence and skill that is possessed by these public servants would be lost through the repeal of Wagner-Peyser.

Abolition of the Wagner-Peyser Act could jeopardize the integrity of both the employment service as well as unemployment insurance procedures in Virginia. As others have pointed out, the employment service is financed by statutorily dedicated Federal employer payroll tax funds that, under the Administration's plan as well as under H.R. 1261, could be used in the future to fund private or contract job placement services. Such a change would fundamentally alter the principle of providing an unbiased and nonpartisan agency to make job placements and even pay UI benefits. Coupled with companion proposals from the Administration, including Personal Reemployment Accounts and Unemployment Insurance Reform, some have concluded that the long-term goal is to privatize or abolish unemployment insurance in the United States.

#### **Services to Workers**

Virginia has a network of 39 full-service local offices strategically located throughout the State. Services provided are available to all citizens regardless of income status, residence, employment status, or any other restrictive criteria. In the past year over 475,000 new employment applications were received from customers including 60,000 veterans and 300,000 claimants for unemployment insurance benefits. Our employment service enforces the work test and ensures that all claimants are registered and, when possible, matched with suitable job openings. Additionally, the employment service in Virginia administers the veterans program, the migrant and seasonal farmworker program, the work opportunity tax credit program, the trade act program, provides alien labor certifications, and disseminates extensive labor market information among other tasks. Repeal of the Wagner-Peyser Act will severely diminish, if not destroy, our ability to continue to provide these valuable services to the citizens of our Commonwealth. The repeal will undermine the principle of an unbiased, nonpartisan agency to administer job referrals and assist in the payment of UI benefits. Proposals to devolve and block grant the Employment Service will threaten the very foundation of a national labor exchange and a consistent service delivery method currently provided throughout the nation.

#### **Services to Employers**

The employment service in Virginia has a long history of providing valuable services and resources to employers and businesses. We have one of the Nations most active and influential Employer Advisory Committees comprised of 33 local committees representing over 1800 Virginia employers. With me today are representatives of Virginia's employer community who are strong supporters of the present employment service and who have been in active opposition to the Administration's proposal to repeal the Wagner-Peyser Act. Patricia Moore, Senior Business Development Manager for ALEX or Alternative Experts, is the Chair of our statewide Employer Advisory Committee. Judy Lawrence, Manager of NAI or National Associates, Incorporated, is the Chair of the VEC's Northern Virginia Employer Advisory Committee.

Ms. Moore and Ms. Lawrence, along with many employers throughout Virginia, have written to Members of Congress about the impact of H.R. 1261 on the employment service in Virginia. In her letter to Virginia Senator John Warner, a member of the Senate HELP Committee, Ms. Moore asked why the Congress would "want to fix something that is not broken." She pointed out that the employment service is open to all jobseekers, not just the hard-to-serve populations, and that employers

value the recruitment and placement services—matching the right people with the right companies—that is the hallmark of employment service programs. She noted that the stability and continuity of the employment service stands in stark contrast to the continual changes, transition, and difficulties faced by those who would be asked to assume the duties that are now provided under the Wagner-Peyser Act.

The VEC has also partnered with the “National Business Partnership Group,” a group of major national employers who wish to recruit nationwide and receive a consistent level of service from State to State. Employers the VEC is currently working with include: Venzon, Manpower, Jiffy Lube, K-Mart, Toys R Us, Home Depot, Swift Transportation, and HCA Hospitals Inc. These partnerships could be severely weakened, if not eliminated, by the proposal to repeal the Wagner-Peyser Act.

All of our 39 local offices throughout Virginia have dedicated staff who routinely work with their local employer and business community in providing labor market information, job listing services, job matching, mass recruitment services, testing, reemployment services, and a host of other valuable benefits. Over the past year the employment service in Virginia received over 125,000 job listings from employers resulting in 502,000 referrals of interested candidates. We have also just recently implemented “Business Resource Units” into our local offices to further enhance our ability to provide high caliber recruitment assistance, and other business services to our employers. The repeal of Wagner-Peyser will severely diminish if not destroy our ability to maintain this high quality level of service to our State’s employers.

#### **Adult and Dislocated Worker Funding**

While Virginia would welcome more flexibility in the allocation of WIA funding that would enable the Governor to be more responsive to critical needs, our great fear is that block grants will ultimately lead to ever shrinking and inadequate funding for vital programs.

When Congress established separate funding streams for Adult Education and Dislocated Worker Programs they did so in response to specific needs in identifiable and discrete communities. To the extent that those funding streams are commingled with others the end result is to diffuse the rationale and dilute the support for these programs. WIA adult education is targeted primarily at poor people and those without a connection to the labor force. Dislocated worker programs are targeted at communities of workers with long and strong attachment to the labor force that are suffering high unemployment due to plant closings, downsizing or relocations.

A direct result of the proposal to block grant these programs will be to have different but equally worthy groups competing over shrinking resources. The Government Accounting Office concluded in its report 8 years ago that block grants not only led to programming and administrative difficulties but that, once established, overall funding is greatly reduced from levels in existence prior to consolidation.

#### **Personal Reemployment Accounts**

Although the current versions of reauthorization do not establish Personal Reemployment Accounts (PRAs), the concept of PRAs and the Workforce Investment Accounts have consistently been linked in the Administration’s proposal. Among the many problems with this concept, PRAs appear to restrict rather than expand services and benefits for unemployed workers. Not only would the value of PRAs be less than what is currently available under WIA Individual Training Grants, workers who use PRAs would be precluded from using WIA resources for 1 year after exhausting their PRA accounts. Given that PRAs would be targeted to those individuals profiled as most likely to exhaust their unemployment benefits, it seems shortsighted to deny these individuals the training and retraining tools that the VEC and its One-Stop partners have to assist in their re-employment.

Rather than establish a new, administratively cumbersome program, Virginia would welcome additional funding for extended benefits for the long-term unemployed and for training those who need to upgrade their skills.

#### **Infrastructure Funding**

In Virginia most of the funding for space and equipment for the One-Stop system has come from WIA and Wagner-Peyser funds. Although we have found that WIA partners are willing to establish a presence in One-Stop Centers, they are less willing to bring resources to the table to meet infrastructure and operating expenses.

Part of the issue with infrastructure funding is that while partner agencies do provide some employment services and training, this function is usually but a portion of their overall mission. So, for example, while various offices of the Department of Social Services may offer training programs under Welfare-to-Work, the agency also deals with child-protection, child support collection, foster children, and myriad other programs. The current One-Stop system does not offer enough space

for the partner agencies to have all of their functions co-located, nor is it clear that it would be appropriate to do so.

In order to establish the type of One-Stop system envisioned by the WIA, and one that most benefits the users of the system, long-term reengineering of infrastructure funding across multiple categorical programs is necessary. Such a venture will take a long-term commitment and certainly cannot be expected after only the initial 5-year sunset of the existing legislation. In most cases, each partner has long-term financial and contractual commitments to their individual facilities and offices throughout the State. Building a system focused on the universal customer is a major change in delivery and it must be viewed in terms of "investment return". Without the capital costs placed into the system building, the service outcomes cannot be expected.

Virginia recognizes that there is valid concern that funding pooled by the Governor to cover infrastructure related costs has the potential to diminish program service funding. However, if the proper and adequate infrastructure is not in place to support the new system, it is unlikely that the seamless, one-stop delivery of services will ever be achieved. Congress needs to address infrastructure funding, perhaps with dedicated funding, that will not diminish the ability of the partners in the One-Stop system to provide program support for their constituents.

#### **Waiver of Non-Discrimination, Worker Protections, and Non-Displacement Requirements**

It is our understanding that both the House version and the Administration proposal would broaden the Secretary's ability to grant waiver authority. While the WIA program in Virginia would benefit from increased flexibility in some aspects, we would oppose the waiver of important worker protections and support preserving the civil rights of all participants. In particular, we oppose the provision in H.R. 1261 that would permit some recipients of WIA funding to discriminate against a participant, employee or partner on the basis of religion.

#### **Changes in Governance Structure**

We support measures to reduce the size of State and local workforce boards. While we recognize that it is important to have good representation on the boards, it is also important the size of the boards be kept to a manageable level. In recent legislation approved by the 2003 Virginia General Assembly, the Governor Warner reduced the size of the State Workforce Council from 43 to 29 and instituted certain statewide planning and performance standards. This structure maintains local administrative authority for the program, but ensures that local programs meet minimum standards for quality and accountability.

The VEC supports active business and labor representation on both the State and the local boards. However, it has been our experience that cumbersome governance structures and overly large boards inhibit such participation. Virginia supports providing Governors with sufficient flexibility to tailor the program to their States and sufficient authority to enforce accountability.

The current reauthorization also highlights questions about who should be responsible for certifying One-Stop Centers. Currently local workforce boards are charged with this duty. Since the inception of the WIA, the VEC has been careful not to impose on local prerogatives. However, as our own legislative branch study has found, the quality of local programs varies significantly. Therefore, under recent legislation approved by the Virginia General Assembly, the statewide workforce council is required to create procedures, guidelines, performance measures, and directives applicable to local workforce investment boards and the operation of One-Stop Centers required by the WIA. The bill also requires each local workforce investment board to develop and submit to the Council an annual workforce demand plan for its area based on a survey of local and regional businesses that reflects local employer needs and the availability of trained workers to meet those needs.

#### **Sequence of Services**

Virginia's service delivery under the WIA system was initially established as a "work first" system. Under this sequence of services, all applicants were required to search for work before training was made available. This was appropriate at that time and in that economy—unemployment rates were at historic lows and locating a job was not difficult in most areas of the State. By using a work first approach, we ensured that training funds were concentrated on those most in need of assistance.

But what was appropriate in the economy of 2000 may no longer be appropriate in 2003. Unemployment has approximately doubled, and plant closures and the shifting of production abroad have devastated certain areas of the State. For many of the individuals affected by these structural changes in our economy, their job no

longer exists and their skills are no longer marketable. For those who are ready to work, work first is still a valid approach. Virginia needs the flexibility, based on careful assessment of individual clients, to offer training or other services based on individual needs rather than to require participants to first look for jobs in fields that no longer exist.

### **Conclusion**

Again, the Workforce Investment Act has been operational in Virginia for only 3 years, hardly long enough for a comprehensive evaluation. We have put so much time and effort into getting the program up and running—designating areas, establishing One-Stops, developing memoranda of understanding—that we have not been able to put the time and attention we would like to devote to system building. We urge the Senate not to engage in wholesale revisions at this time. In particular, we ask that you not roll Wagner-Peyser's 60 years of experience into 5 years of experimentation. Instead, Virginia asks that reauthorization focus on those areas where there is a demonstrated need for tweaking, and that you allow us, and all States, time to build the delivery system under WIA that the Congress originally intended. Thank you.

Senator ENZI. The next person, of course, is from Lacey, WA, and has had an introduction, but I will mention that he is Michael Kennedy, the executive director of the Pacific Mountain Workforce Development Council. Thank you for being here. Your testimony?

Mr. KENNEDY. Good morning. Chairman Enzi and Senator Murray, our senior Senator from the great State of Washington, I feel privileged to offer testimony as you deliberate on the reauthorization of the Workforce Investment Act.

I am approaching my 30th year as a workforce professional. Since 1986, I have been the executive director of the Pacific Mountain workforce area, and currently I am also the chairman of the Washington Workforce Association, which is a professional organization of the 12 workforce investment directors from the State of Washington.

The Pacific Mountain area stretches 7,000 square miles, beginning at the southern tip of the beautiful Puget Sound. Our counties—there are five—begin with Thurston, home to our State capital, Olympia; Grays Harbor, Pacific, Mason, and Lewis Counties.

While the Nation struggles with an unemployment rate at 6.1 percent, two of our counties are above 9 percent; two are above 8 percent; and our State battles a 7.3 percent unemployment rate, the second in the Nation. These are tough times in our area.

The Workforce Investment Act has been a valuable resource as we look for local and State solutions to our current economic conditions. You have an opportunity to make that resource even better.

The Workforce Investment Act is about to celebrate its fifth anniversary in August. In Washington State, however, the Act was not implemented until the 1st of July 2000. We are just approaching the completion of our third year.

The Act, while not perfect, goes a long way to acknowledge the value and importance of employers as our customers, to create a vision of a skilled workforce, to ensure competitiveness in the global economy, and recognizes the importance of local workforce boards, led by business, to seek solutions to the unique workforce issues in our communities through collaboration. The Act, however, does not fully support this vision.

As you craft new legislation, I would like to urge you to consider a few improvements. The one-stop delivery system model is an effective resource in serving business and job-seeker customers. It is,

however, an unfunded mandate. Currently, it is like passing a tin cup among partners, and even if the Governor holds the cup, it is not the solution to funding the system. Unless legislation creates infrastructure funding, precious direct service dollars will continue to be diverted. We cannot continue to do this and maintain our ability to meet the demands of business and job seekers.

The Workforce Investment Act is over-regulated. If Assistant Secretary of Labor Emily DeRocco is correct that the Workforce Investment Act is an economic development program with social benefits, not a social program with economic benefits, empower the workforce system to respond to the needs of local businesses by granting authority to train incumbent workers with local funds; untie our hands so we can be a true partner with economic development organizations battling to attract or retain high-skill, high-wage jobs.

The Workforce Investment Act creates a workforce system. This system must be held accountable by common measures that are standardized across programs. The administration's proposal is a beginning, but remains complex and burdensome.

Additionally, it attempts to measure efficiency through a cost-participant model. I believe we are making an investment in our participants. So a return on investment performance model would be preferable to just measuring the costs.

I am also concerned that educational attainment will not be a performance measure. How can we ignore this measure in a workforce system that includes education programs?

The Workforce Investment Act values customer choice and establishes individual training accounts, a voucher system to pay for tuition and fees. The system does not cover the full cost of training at a public provider such as a community or technical college. At a time when most schools are at capacity, a customer with a voucher may not get choice because the program is full and they will be placed on a waiting list. Colleges are not in a position to expand high-demand training programs unless the full cost of the program is covered. Local boards need the authority to contract with eligible providers to expand the capacity to train.

In May of this year, Washington State was notified that it would receive a \$3 million national incentive award based on exceeding and meeting all Federal performance standards under the Workforce Act. We celebrate our achievements, informing partnerships and responding to the needs of our businesses and job seekers, and working toward the enviable goal of a skilled workforce.

I ask you to continue to support our efforts by improving the current legislation and empowering the system to continue to respond to the needs of our employers and workers.

Thank you.

Senator ENZI. Thank you, and thank you for all the travel that you had to do to get here. I recognize that, being from Wyoming. [The prepared statement of Mr. Kennedy follows:]

PREPARED STATEMENT OF MICHAEL H. KENNEDY

America's strength as a nation and as a leader of the global community of nations depends on our continuing economic vitality. And our economy depends, first and foremost, on the skills of the workers who create and produce American products, services, technology and innovations.

American business cannot be competitive in the global market without highly skilled workers. More than any time in history, American economic competitiveness depends on our ability to provide U.S. businesses with a highly skilled, highly adaptable workforce.

The Workforce Investment Act, however, is over-regulated and under-funded. The workforce system deserves the authority and resources necessary for a flexible, effective and immediate response to the economic challenges in our communities. We need to increase the influence of local business and labor over the local systems.

The current act, by omission or commission, creates barriers that have limited our ability to provide training to support retention, expansion and retooling of growth industries, and our ability to obtain effective data for improving performance and measuring our effectiveness.

### **Funding**

While the U.S. economy's demand for highly skilled workers has increased exponentially over the last 20 years, Federal funding to meet that need has decreased by 25 percent.

The workforce development system includes many organizations and funding streams working together to serve businesses and workers. Broadly defined, it includes Workforce Investment Act, Unemployment Insurance, Pell grants, secondary and postsecondary career and technical education, higher education, and Temporary Assistance for Needy Families, among others. The one-stop system created by WIA attempts to create coordinated customer service among these multiple programs. While this section primarily addresses potential improvements in WIA funding, all workforce development funding streams are inter-related and need comprehensive support from the Federal level.

Specifically, funding for the Workforce Investment Act (WIA) is totally inadequate. This funding breaks down into four major activities, all of which need significant improvement.

1. Dislocated Worker funding is stretched thin throughout Washington State and the flood of laid off workers coming through the doors of our one-stop centers has doubled and continues to grow. Washington State has lost nearly 80,000 jobs since 9/11 and the effects of the recession remain entrenched.

If Federal dislocated worker formula funding does not increase, our efforts to retrain laid off workers will be hamstrung. Our economic recovery will languish, sending new jobs overseas or the other States because we have not been able to prepare our workforce to meet the demands of business.

2. The Workforce Investment Act (WIA) requires the creation of one-stop centers to provide access to and coordination among workforce development services, but provides no Federal appropriation to support these centers. This unfunded mandate means the infrastructure costs of the one-stop system are paid by diverting resources from direct customer service and skills training under WIA and other funding streams. One-stop centers are an effective resource in serving job seekers and businesses. For example, WorkSource centers in Washington exceeded all Federal performance measures while serving 321,000 people last year—50,000 more than the previous year—all with no dedicated Federal funding. These results were achieved by pooling WIA, Wagner-Peyser, and many other funding streams, and paying the infrastructure costs with funding that would otherwise have provided additional direct services to businesses and workers. We cannot continue to do this. If Federal funding does not materialize, we will need to downsize the one-stop system or divert additional funding away from career training in order to keep the doors open at one-stop centers.

3. WIA adult funding is a critical tool for helping working people move up and helping businesses increase productivity, but funding levels have been declining for years. The need for businesses to update their workers' skills and remain ahead of their competition has increased dramatically as the pace of change in the marketplace has increased. Likewise, the need for low-wage workers to increase their skills and move up has increased due to TANF reforms. The funding for the system that trains and places low-wage adults must also increase to keep pace with these demands.

4. WIA youth funding is sufficient to serve only 10 percent of eligible, at-risk youth, according to the U.S. Department of Labor. This is inadequate for an issue of such magnitude. According to research funded by the Gates Foundation, "Only 67 percent of all Washington State public school students from the class of 2001 graduated from high school. . . . Graduation rates are significantly lower for African-American students (53 percent), Latinos (47 percent) and Native Americans (47 percent)." Additional WIA funding would mean additional resources to serve our students.

The WIA system has successfully addressed the needs of youth who are either struggling, on the verge of dropping out of school, or who have left the school system still in need of work related skill and academic skill development. In Washington, these programs produce a return on investment greater than 3 to 1 based on increased tax receipts due to increased employment. The \$2,300 cost per participant yields \$34,300 in increased lifetime earnings, which in turn yields \$7,300 in increased tax revenues. Additionally, the average investment in youth in the WIA system is very small compared to the cost of juvenile incarceration, lost future productivity and the cost of training in the future. We cannot afford to gamble on the future of our non-college bound youth and it is necessary that we make that investment now.

Development of a highly skilled highly adaptable workforce is a national priority that is absolutely vital for economic recovery and growth. For example, WIA funding should be increased to \$7 billion, from the current level of \$3.5 billion, over 4 years, as shown in Attachment A.

This should not be accomplished at the cost of other programs that impact the competitiveness of the American workforce. Rather we should build a stronger workforce system through coordinated investments in all programs with relevant workforce components, including WIA, Unemployment Insurance, Pell grants, secondary and post-secondary career and technical education, higher education, and Temporary Assistance for Needy Families.

As the economy has changed over time, the importance of a skilled workforce has increased dramatically. It is time for Federal funding for workforce development, in the Workforce Investment Act and all related funding streams, to reflect this.

#### **Our Customers—Business and Workers**

Workforce Investment Boards are focused primarily on serving the workforce needs of local businesses. This, in turn, enhances our ability to move local workers into good local jobs. It also enhances our ability to ensure that the local labor force can be rapidly trained, retrained and redeployed as demand for workers changes.

Workforce Investment Boards work in partnership with their States' Governors in tackling the economic recovery, student achievement, and competitiveness challenges facing their States. They support their Governor's initiatives at the local level, since they are the "front line" of service to our citizens and employers. They strengthen their States' competitiveness by bringing together key leaders in strategic industries and creating public/private partnerships to attack skill shortages in these industries; and they initiate business/education partnerships to enable all students to succeed in their futures.

As Assistant Secretary of Labor Emily DeRocco expresses it, "WIA is an economic development program with social benefits, not a social program with economic development benefits."

Therefore, it is critical that local, State, and Federal decisions be focused primarily on increasing responsiveness to the workforce needs of local businesses. This can be accomplished as outlined below:

1. Maintain local leadership. The personnel needs of businesses are extremely localized. In the Northwest and across the nation, each local economy demands a customized strategy for developing the local workforce. This strategy can only come from the local business leaders, who know, better than anyone else, what their industries need to increase productivity, remain competitive and profitable and create more jobs for local workers. Now, and into the future, the system must be more responsive to the needs of local business and economic development, and more able to close local skills gaps and move local workers into good, highly skilled careers.

2. Enhance the stature of business and labor to strengthen the ability of business and labor to customize the local system to meet their needs. The workforce system has two clearly defined customers: businesses and workers. The business and labor representatives on local boards are the voice of the customer, and should therefore have particularly strong influence over how workforce development are provided in their communities. WIA took a step in the right direction, which we can build upon by enhancing business and labor leadership of local boards, and in turn giving local boards greater influence over the local system. This could be accomplished by addressing the following three needs:

- a. Waiver authority should allow boards to change their composition to increase manageability and responsiveness to the needs of business and workers. If business and labor in a local community are not fully satisfied with the board structure prescribed by WIA section 117(b)(2), they and their local elected officials should be empowered to change the structure to make the board more responsive to their needs. As with current waiver authority, local waiver applications would be approved by the Governor and Federal level.

b. Make WIA funding more flexible, allowing boards and local elected officials to direct funding where it will do the most good locally. Currently, the funding silos are very rigid, and boards do not have much flexibility to address local needs. This ties the hands of these private-sector boards, as well as the local elected officials in the community.

Therefore, WIA reauthorization should create greater authority to transfer and combine funds in order to strengthen service to local businesses and promote economic development. Greater flexibility within the WIA adult, youth, and dislocated worker (including rapid response) funding streams would create greater local capacity to tailor funding to local circumstances. It must be recognized that each funding stream has a constituency that places high value on maintaining a distinct funding source for their programs, and a compromise should be reached that reflects these concerns while increasing flexibility among funding streams.

c. Increase local boards' waiver authority. At times, the regulations of WIA work counter to the unique needs of a local community. To address this, local boards should be given greater authority to initiate waivers. All waiver authority should be used to demonstrably improve service to the system's customers: local businesses and workers. This will ensure a strong voice for local business and labor representatives in the waiver process and keep the system customer-driven. As with current waiver authority, local waiver applications would be approved by the Governor and Federal level.

These reforms create a workforce development system that is more directly driven by the needs of local businesses and workers. Business and labor are given a stronger voice on local boards, and greater flexibility to use those local boards to meet their needs. As a result, these boards will be able to better guide the system to support economic development needs in their communities.

These are not minor changes. They are critical to America's ongoing economic success. American businesses compete in the global marketplace by providing high quality products using the most modern high-tech production methods. This simply cannot be done without highly skilled workers. American economic competitiveness, and job creation for workers, depends on our ability to provide companies with the skilled workers they need, exactly when they need them. Putting business and labor in the driver's seat of local workforce development is fundamental to the success of the American economy.

### **Barriers**

WIA is over-regulated. This creates inefficiencies that reduce our ability to create the greatest value per dollar for our local businesses and workers. The changes outlined below would create a more streamlined and powerful workforce development system, one that can work in partnership with local economic development entities to attract, retain and expand businesses, and monitor progress to make continual improvements.

1. Increase access to sectoral and incumbent worker training. Local boards are working closely with colleges and other training providers to create sectoral and incumbent worker training, and to tailor it to address the precise skills needed by local industry sectors. However, demand still far exceeds supply, and WIA formula funding often does not allow for creation of such programs. Instead, they are usually created through use of scarce Governor's discretionary funds.

The WIA formula funds should be increased and made more flexible, to allow them to be used for intensive sectoral training programs, particularly for incumbent workers, layoff prevention, and out-placement. Such programs should include a commitment from local employers to interview trainees both at program entrance and completion. These intensive courses, tied directly to local businesses' skills needs, are critical for making our workforce highly adaptable, so workers can be rapidly retrained and redeployed to meet the changing demands of the fast-moving global economy.

2. Increase access to in-demand training courses. Many of the most effective training courses are not available to all who could benefit from them, simply because the classes are full and there is little capacity to expand them. WIA funding could be used to help solve this problem, if the regulations more clearly allowed local boards to fully fund high skill, high wage training courses at community colleges and other training institutions, via a contract for service rather than through ITAs. This would allow local boards to pay for all costs to expand capacity so that WIA trainees may access demand courses that would otherwise be closed to them due to excess demand.

3. The 100 percent match requirement for customized training should be reformed. The 100 percent requirement leads to tracking multiple in-kind employer contributions, making the system overly complicated to employers. This requirement

is a disincentive and a major barrier to small and medium sized employers who simply cannot afford to participate in the program. Employer match is an important indication of employer commitment and demonstrates that the training is of value to the employer, but it need not be so complicated for the employer to track. If the goal of customized training is to provide businesses with a trained and work ready workforce in a user-friendly manner, then the match requirement should be reduced and/or simplified.

4. The performance accountability system should offer timely management information and adopt common measures.

Currently, the accountability system produces annual reports using data that are over 1-year-old when published. This is not useful to local board members who want to continually make adjustments and evaluate their impact on improving outcomes. The current reporting system is not useful for continuous quality improvement.

Therefore, the performance measurement system should include real time indicators for local management purposes, designed in close cooperation with the local Workforce Development Councils, to complement the longer-term Unemployment Insurance data that is currently used for longer-term accountability. For the purpose of continuous quality improvement and local board oversight, a performance improvement system requires a rapid feedback loop, not year old data.

The Administration's proposal for common measures is a beginning. In present form, they are complex and burdensome. Of particular concern is the inclusion of an efficiency measure through a "cost per" mode. Presumably, less cost is best? This is an "investment" and presumably more is better! Educational attainment is not a proposed measure. How can we ignore this outcome in a workforce system that includes education programs?

Over 90 percent of individuals receiving services through the one-stop system are receiving core services only (such as labor market information) for which they don't have to register. Currently, there is no national system for collecting data on core services to non-registrants. This lack of data understates the major undertaking of universal access and the results of the one-stop system.

5. State and local board membership should be flexible. The Workforce Investment Act specifies the membership required for newly created State or local boards. In order to have all the required members, a board must have over 40 members. Instead of creating a new board, States and local areas may choose to use a qualifying entity that was in existence on December 31, 1997. U.S. Department of Labor rules prohibit any significant change in the organization of the pre-existing entity or in the categories of members represented on the entity that requires a change in the entity's charter. A significant change includes the addition of a single voting member representing a category that was not included on December 31, 1997. The Act itself is silent on the ability of pre-existing entities to change membership structure over time.

Many find that the membership required for new boards is too large. The size makes it likely that at any given meeting the private sector members will be outnumbered by members representing the public sector and vendors, defeating the intent of WIA to have a private sector driven system. In addition, less populous workforce development areas have a difficult time recruiting a sufficient number of private sector representatives to fulfill the membership required for a new local board.

Department of Labor rules that virtually prevent any change in the membership structure of pre-existing boards forever freeze in place the old structure. This rigidity prevents boards from evolving to meet changing economic or social conditions or changes in State or local government structures.

Any amendment should remove these rigid requirements and allow the State and local boards to require memberships that meet the unique needs of the State or local area.

The originally proposed technical amendments to WIA should be enacted. Soon after WIA became law, technical amendments were offered that would have allowed youth who are eligible for free school lunches to automatically meet the income requirements for WIA eligibility; increased local flexibility to define out of school youth; and clarified the relationship between Pell grants and WIA funding. These were never enacted, and would further reduce bureaucratic barriers that make the system difficult to navigate, and sometimes counterproductive, for the workers, job seekers, and youths we serve.

To lead the global economy of the 21st Century, America must have the most skilled workforce in the global economy. We have a system that has proven its ability to deliver just that. To use Washington State as an example, all Federal standards are surpassed by Washington's Workforce Development Councils. Washington's statewide results were 105 percent of target for customer satisfaction, 106 percent

for youth outcomes, 103 percent for dislocated worker outcomes, and 101 percent for low-income adults.

More importantly, the system rapidly adapts to changing economic need. In Washington, when the shortage of skilled health care personnel became evident, workforce development councils rapidly invested over \$7.5 million to address this need for the health care industry. They worked with the State Workforce Investment Board and the Employment Security Department to create industry skill panels to identify local businesses' needs, and a new customized training program, Industries of the Future, to address those specific needs. This means that local industries in Washington like biotechnology, information technology, food processing, industrial construction, health care, and manufacturing now have a pipeline of skilled workers feeding their industry, and a feedback mechanism to adjust that pipeline when their personnel needs change.

This system is creating an American workforce whose skills and productivity will be without rival. But the system is badly under-funded and over-regulated. Perhaps most troubling, it does not give its business and worker customers a sufficient leadership role. With the adjustments described above, however, the American workforce development system can build on its past successes and become a more efficient, more powerful engine of economic growth for our nation. This opportunity should not be missed.

Attachment A

### WIA Funding in Billions

	Adult	Dislocated Worker	Youth	One-Stop
Today	\$1	\$1.5	\$1	\$0
10/1/03	\$1.25	\$2	\$1.25	\$0.25
10/1/04	\$1.5	\$2	\$1.5	\$0.5
10/1/05	\$1.75	\$2	\$1.75	\$0.75
10/1/06	\$2	\$2	\$2	\$1

Senator ENZI. Our next presenter is Michael Smeltzer, who is the executive director of the Manufacturers' Association of South Central Pennsylvania, from York, Pennsylvania. Welcome.

Mr. SMELTZER. Thank you. Chairman Enzi, Senator Murray, good morning to you. Thank you for inviting me to speak this morning.

My association is fortunate to be affiliated with the National Association of Manufacturers and Center for Workforce Success, where I am provided the opportunity to share ideas and best practice workforce recruitment, retention, and advancement models with business organizations around the country. My testimony today represents the views of the Manufacturers' Association of South Central Pennsylvania and primarily from a small business perspective, where approximately 70 percent of our member companies employ 50 or fewer workers.

The challenge for the small employer is one of resources. The typical small business does not have a dedicated human resource person, does not have the time to seek the one-stop center, and does not have the time to commit to the WIB, the Workforce Investment Board. At the same time, I think we can all agree that

the small employer offers the greatest opportunity for employment and broad skill development.

The Workforce Investment Act of 1998 represented a great turning point in improvements to the delivery of services through the public workforce system, especially to those in the employer community, who were encouraged to partner with the system to meet their workforce needs.

The proposed framework for reauthorization of the Workforce Investment Act, which was largely accepted in H.R. 1261, builds upon the strengths and weaknesses of the 1998 law, and we firmly believe this framework will move the system forward in a way that is beneficial for all relevant parties and, in particular, the small business community.

In 1998, we viewed WIA as a new law that would open the door for employers to forge new and innovative partnerships with the system, key decisionmakers, and policymakers. Our association members who are represented on the WIBs soon grew frustrated with the bureaucracy and encouraged the association to lead the way to change. But change did not come through the board. So we were essentially left to create a parallel infrastructure that is aimed at demonstrating how the system could be more responsive to meeting the workforce needs of employers.

Despite our frustration with opportunities not fully achieved under the 1998 law, we are committed to maintaining our connection to the workforce investment system, and we believe in the one-stop system for the delivery of services.

The balance of my comments will focus on the challenges that I observe in the current system and recommendations for improvement.

We support streamlined membership and responsibilities of both State and local boards. At the State level, we support a State Workforce Investment Board that is majority business and chaired by business. Membership should also include the State agencies responsible for administering the one-stop partner programs, the State economic development agency, labor union, and State legislators.

At the local level, the appointed WIB must be given both the responsibility and authority to adopt the Workforce Investment Act requirements. A system that allows local elected officials to control policy, funding, and service agencies is not conducive to a functional WIB.

Flexibility of funding. The current silo model of funding streams to States prevents funding from being diverted to the areas of greatest need. We support the proposed consolidation of funding streams to State and local areas.

My next point deals with incumbent worker training. WIA reauthorization provides an opportunity to simplify the requirements for customized training, on-the-job training, and incumbent worker training. In addition to these key reforms, we support proposals to reduce the planning cycle from 5 to 2 years. We also support the need to support our Nation's youth, the future workforce of America. To that end, we support recommendations to target the majority of funds allocated for youth activities under WIA to youth who are most in need.

Finally, we support modifications to the performance indicators as contained in H.R. 1261. We encourage the committee to maintain a customer satisfaction indicator for both employers and individuals. In short, one-stop center performance must be measured toward customer satisfaction.

In closing, I would like to thank you for providing me the opportunity to share with you my association's experience with the current system and recommendations for reauthorization. I want to reiterate that the system is not broken, but does need to be fine-tuned in order to continue the advances that were envisioned by you and your colleagues in Congress 5 years ago.

I would now be happy to answer any questions. Thank you.

Senator ENZI. Thank you, and we will have questions for the panel as a whole when we finish the other member here.

[The prepared statement of Mr. Smeltzer follows:]

PREPARED STATEMENT OF MICHAEL E. SMELTZER

My name is Michael E. Smeltzer and I am the Executive Director of the Manufacturers' Association of South Central Pennsylvania. The Association is a non-profit business membership organization, representing more than 350 manufacturing and related companies in south central Pennsylvania. Approximately 70 percent of the member companies of my Association employ 50 or fewer workers. My Association is fortunate to be affiliated with the National Association of Manufacturers and the Center for Workforce Success, where I'm provided the opportunity to share ideas and best practice workforce recruitment, retention and advancement models with business organizations from around the country. My testimony today represents the views of the Manufacturers' Association of South Central Pennsylvania.

I would also like to extend my appreciation to Chairman Enzi and members of the Subcommittee for inviting me to testify on reauthorization of the Workforce Investment Act. The opportunity to share insights and provide recommendations on behalf of the Association on such a key piece of legislation is extremely gratifying. My views this morning will be primarily from the small business perspective. I will also be speaking from over 25 years of experience in managing human and capital resources for manufacturing companies in the Commonwealth of Pennsylvania.

The challenge for the small employer is one of resources. The typical small business does not have a dedicated human resource person, does not have the time to seek the One-Stop Center, and does not have the time to commit to the WIB. At the same time, I think we can all agree that the small employer offers the greatest opportunity for employment and broad skill development.

The Workforce Investment Act of 1998 represented a great turning point in improvements to the delivery of services through the public workforce system. Especially to those in the employer community, who were encouraged to partner with the system to meet their workforce needs.

But Mr. Chairman, just as the tide turned in 1998, many of the Pennsylvania employers who dove in, ready and willing to get involved, are encountering challenges that are blocking effective implementation of the law and they are no closer today than they were 5 years ago to a public system that is responsive to their workforce needs.

The Bush Administration's proposed framework for reauthorization of the Workforce Investment Act, which was largely accepted by the House of Representatives in H.R. 1261, builds upon the strengths and weaknesses of the 1998 law, and we firmly believe this framework will move the system forward in a way that is beneficial for all relevant parties, and in particular, the small business community. I want to publicly thank Secretary Chao and Assistant Secretary DeRocco for their great leadership in the transformation and integration of the One-Stop system into a cohesive and demand driven workforce investment system.

Simply stated, the engine that drives the system is not broken. But it needs to be fine-tuned in order to ensure that the Workforce Investment System is demand driven, flexible, balanced and responsive to employers and their current and future workforce.

I would like to briefly share with you our introduction to and experience with the workforce investment system. Approximately 5 years ago, the Association's employers could not find enough workers to satisfy the demand. There was an insufficient

supply of welders, machinists, and qualified entry-level workers. We found that schools (teachers and students) had little interest in manufacturing careers. We found that our employers had little knowledge of the public workforce development system. We also found people being trained in areas where few jobs existed.

At that time, we viewed the Workforce Investment Act of 1998 as a law that would open the door for employers to forge new and innovative partnerships with the system, key decision makers and policy makers. In fact, I am pleased to share with you that several Association members were appointed to seats on the newly established local workforce investment boards, and they brought with them the following message:

“A SUCCESSFUL WORKFORCE DEVELOPMENT SYSTEM MUST BE BROAD AND TALL. BROAD TO SERVICE THE ECONOMIC DIVERSITY OF THE COMMUNITY, TODAY AND TOMORROW. TALL TO HELP WORKERS ADVANCE THEMSELVES. BUT MOST IMPORTANT TO ALL, A SUCCESSFUL WORKFORCE DEVELOPMENT SYSTEM MUST RESPOND TO THE NEEDS OF EMPLOYERS; THE DEMAND SIDE OF ANY SUCCESSFUL ECONOMY.”

But they quickly realized that there was little connection among employers, educators and the one-stop infrastructure. Such a connection is necessary to meet the manufacturing industry’s needs.

Despite these initial challenges, we continued to try to maintain involvement in the system. In 2001, the Association developed programs to inform students, parents, and teachers at schools on manufacturing career opportunities in technical careers and strengthening the training programs provided by the Association, we began to share that information with the one-stop system.

Our Association members who were represented on the WIBs soon grew frustrated with the bureaucracy and encouraged the Association to lead the way to change. But change did not come through the Board. So, we were essentially left to create a parallel infrastructure that is aimed at demonstrating how the system could be more responsive to meeting the workforce needs of employers.

We developed and funded two pilot programs to achieve this objective.

One program is focused on soliciting input from employers on workforce development needs in targeted industry groups. Multiple consortiums of companies are now in place and providing feedback and direction on specific sector needs. We are moving towards having a “Skills Specialist” in place to access employers, determine needs, and educate the employer on the public system. Small business owners do not have the time or the resources to learn and take advantage of the services provided by a One-Stop. These are the very businesses that have the greatest need to develop their workforce.

The second program is focused on informing the supply side (potential employees) of the job and training opportunities available. This program, which is being funded by the Association and a local private foundation, will involve several Chamber of Commerce groups, faith based organizations and other community based groups. This program is intended to inform the general public of specific job opportunities, but more importantly, information on One-Stop services. It is our intention to share the pilot programs with the One-Stop centers. However, it is very unfortunate that we had to develop this parallel track when the infrastructure is ideally in place through WIA.

Despite our frustration with opportunities not fully achieved under the 1998 law, we are committed to maintaining our connection to the workforce investment system, and we believe in the one-stop system for the delivery of services. We do not want to walk away, we want to make improvements. But this can only occur with changes to the underlying statute.

The balance of my comments will focus on the challenges that I observe in the current system and recommendations for improvement.

#### MAKING DEMAND DRIVEN VISION A REALITY: RECOMMENDATIONS FOR REFORM

We support reforms to the Workforce Investment Act that will focus on the demand of employers in order to be flexible to adjust to an ever-changing economy. With an understanding of the demand, the system can then work with individuals to provide the necessary tools to achieve a positive outcome for both the individual and the employer. This is not possible without the expertise and access to business partners.

This can be accomplished through reauthorization on three fronts.

*Clarify the membership and function of State and local workforce investment boards.* We support streamlined membership and responsibilities of both State and local boards. At the State level, we support a State workforce investment board that is majority business and chaired by business. Membership should also include the

State agencies responsible for administering the One-Stop partner programs, the State economic development agency, labor union and State legislators. We also support the proposed role of the State board to set policies and priorities for the One-Stop Career Center system.

At the local level, the appointed WEB must be given both the responsibility and authority to adopt the workforce investment act requirements. A system that allows local elected officials to control policy, funding and service agencies is not conducive to a functional WIB.

#### *Flexibility of Funding*

The current "silo" model of funding streams to States prevents funding from being diverted to the areas of greatest need. We support the proposed consolidation of three funding streams for WIA Adult, Dislocated Worker and Wagner-Peyser into one funding stream to States and local areas. This will increase and improve services to adult workers and strengthen opportunities for unemployed workers to be more strongly connected and employment matched to their skill level or training that will lead to employment.

*Simplify access to WIA dollars for incumbent worker training and customized training.* My next point deals with incumbent worker training. With the advancing levels of technology in today's economy, more workers are classified as underemployed. WIA reauthorization provides an opportunity to simplify the requirements for customized training, on the job training and incumbent worker training. Pennsylvania employers are committed to strengthening our workforce, especially during these times, when the manufacturing workforce of today may look much different tomorrow. We want to provide every opportunity possible to not only train new entrants into the industry, but help current workers maintain and improve their skills in order to stay flexible with the demands of the industry.

#### *Other Reforms*

In addition to these key reforms, we support the Administration's proposals to reduce the planning cycle from 5 to 2 years. We believe that State and local workforce strategies must be tied to local economic indicators.

The workforce development and economic development stakeholders in each community (town, county, region or State) need to be rewarded for collaboration efforts that realize true system change and improvement. Local and State WIB groups that work together to serve a common need by adopting innovative ideas that focus more on outcome than process need financial support.

We also recognize the need to support our nation's youth, the future workforce of America. To that end, we support recommendations to the Department of Labor to target the majority of funds allocated for youth activities under WIA to youth who are most in need. Youth who are out of school, ages 16–21.

Finally, we support modifications to the Performance Indicators as contained in House passed bill (H.R. 1261). We encourage the committee to maintain a customer satisfaction indicator for both employers and individuals. In short, One-Stop Center performance must be measured towards customer satisfaction.

In closing, I would like to thank you for providing me the opportunity to share with you my Association's experience with the current system and recommendations for reauthorization. I want to reiterate that the system is not broken, but does need to be fine tuned in order to continue the advances that were envisioned by you and your colleagues in Congress 5 years ago. On behalf of the Manufacturers' Association of South Central Pennsylvania, I would like to urge the committee to recognize and accommodate the importance of small business in workforce investment. The changes being suggested by the Bush Administration, and those I offered today; will enable the system to better meet the country's workforce needs in the 21st Century. I would now be happy to answer any questions.

Senator ENZI. This panel was done in alphabetical order, which brings us to Mr. Ware, and being from Wyoming, I am aware of this penalty of being the last in the alphabet.

[Laughter.]

Senator MURRAY. Washington understands that as well.

Senator ENZI. We do appreciate Mr. Ware, who is the chairman of the Wyoming Workforce Development Council from Cheyenne, WY, for coming today. He is also the vice president of Wyoming's Contractors Association. And before I have you do your testimony, though, I do want to introduce briefly the other folks who are here

from Wyoming: Ray Wolf, who is the president of the Wyoming Contractors Association; Kathy Emmons, who is our director of the Wyoming Development Workforce Services; her administrator of quality assurance, Chris Corliss; and their communications manager, Rachel Gurt; and Jonathan Downing, who is Wyoming's Workforce Investment Board policy analyst and used to be my scheduler.

We also have Charlie's son, Chris Ware, who is an agent with the FBI who came up from North Carolina to hear his Dad testify. So we will be looking forward to having him move back to Wyoming.

[Laughter.]

Mr. Ware, thank you.

Mr. WARE. Thank you, Chairman Enzi, and good morning, Senator Murray. That introduction was great. I appreciate that.

I was appointed to the council by our previous Governor, just a little background, and was moved up to the Chair of the State Workforce Investment Board, and our current Governor has continued to keep me in that position. And I will speak from that point of view.

My comments today will focus on the perspective of the Workforce Investment Board Chairperson representing small businesses in a rural State. I will cover: one, the impact of WIA reauthorization in rural States; second, using WIA programs to link workforce, economic, and community development efforts; three, the value of improving the user-friendliness of WIA to small businesses; and, four, building flexibility into the new WIA program.

I will first talk about the impact of the WIA reauthorization to rural States. In rural States, it is critical to have flexible methods to ensure rural access to the one-stop systems. Senator Enzi made a comment about the example of Dubois, WY. Maybe some of the people in the room want to know where Dubois is. It is 70 miles east of Jackson Hole. I think most people know where Jackson Hole is. So a point there.

That is a challenge, and what Wyoming has done in this case is to make one-stops more accessible, we have developed the Wyoming Job Network, an Internet-based program which supports Wyoming's virtual one-stop. One out of two Wyoming workers are registered on this network. This means that 65,000 job seekers and 17,000 employers used this network over last year, which is one way to shrink our distances in a rural State.

On the youth issue, we believe the change in focus to out-of-school youth from in-school youth is positive but, again, should be flexible to meet the needs of a rural State. The ability to conduct outreach and intake services to youth during school hours is critical to serving our youth. If we wait until after school hours, our ability to reach youth is impaired. For example, in Sundance, WY, which is on the South Dakota-Wyoming border, our intake workers travel 70 miles one way from the local one-stop to conduct outreach activities. It could be difficult to access students after school traveling these distances.

Second, on WIA's link to rural workforce and economic community development, again, Senator Enzi made a comment about the ability to attract Lowe's distribution center. In Wyoming, we developed the Wyoming Workforce Development Training Fund to flexi-

bly meet training needs for Wyoming workers and employers. The fund offers grants up to \$2,000 per worker to increase workers' skills. The result has been increased skills and wages for over 8,000 workers in Wyoming.

When Lowe's came to town, the location was ideal because Cheyenne is at the crossroads of two large interstates that go north and south and east and west. They met with workforce service officials and economic development people to determine the needs that they needed in the workforce to build this facility there.

The flexibility and cooperation between all the entities were able to offer a special warehouse training program through the community college where we trained 300 workers, and Lowe's hired 90 percent of those people, and they are still working, and they were all employed at a very competitive wage. For that reason, we were able to secure Lowe's as an employer and a new business where otherwise we have lost it to a different region in the country.

Third, in improving the user-friendliness of WIA to small businesses, a scenario that I am personally involved in, we have learned in Wyoming when we embark on new construction projects, we often find ourselves searching for qualified workers to meet new construction demands. Seeing this need, the Wyoming Contractors Association invested \$1 million in building the McMurry Regional Training Center in Casper, WY, to offer construction craft training. As the center grew, it discovered a previously untapped pool of workers in WIA and TANF customers that, with training, could fill part of this need.

We ran a fairly large TANF project. We had 60 people trained through a TANF program. Thirty people graduated from the class. Six of these were female graduates, and I am pretty sure the number—we had at least three or four of those who were single moms. They tripled their income in 8 months after graduating from the class, and they basically went from \$6.50 an hour to \$18.50 plus \$4 in benefits, \$22.50 an hour, running heavy equipment.

The class provided them with benefit to the industry but, more importantly, it provided low-skilled workers with personal success and an income that they thought they would never be able to reach. That is really what this whole bill is about, I believe the reauthorization is. We want to get people to have personal success and be able to earn money and contribute to the country.

On Workforce Investment Boards, as a rural State we support the proposed flexibility for Governors to have discretion over the size and membership of the board, while ensuring a majority of the board membership is from the private sector.

Finally, on building additional flexibility into WIA, we strongly support the administration's proposal to combine the WIA adult, dislocated worker, and Wagner-Peyser funding streams into a single formula. This challenge will streamline program administration and reduce the current complexity of parallel management across separate States. As a rural State, we are also well aware that this is rocking the boat in some respects, but it works for rural States.

We also support the small-State provision of 0.3 of 1 percent for all funding sources rather than multiple levels of different sources. This amount will provide critical funding for the small rural States. As Wyoming moves forward with developing its workforce and

workforce development system, we are pleased to see the new and innovative changes within the administration's proposed WIA reauthorization. Wyoming, of course, is eager to be an early implementer of the new proposals because of the ability to work closely amongst the cross-sections of the different departments.

Thank you.

[The prepared statement of Mr. Ware follows:]

PREPARED STATEMENT OF CHARLES WARE

Good morning. Chairman Enzi and Members of the Subcommittee, I thank you for inviting me to testify on reauthorization of the Workforce Investment Act (WIA).

I am Charles Ware, the private sector State Chairperson of the Wyoming Workforce Development Council. I am the Executive Vice President of the Wyoming Contractors Association and manage all legislative and training needs for a construction membership of 249 members.

My comments today will focus on the perspective of a Workforce Investment Board Chairman representing small businesses in a rural State. I will cover: (1) the impact of WIA Reauthorization in rural States; (2) using WIA programs to link workforce, economic, and community development efforts; (3) the value of improving the "user-friendliness" of WIA to small business; and (4) building flexibility into the "new WIA." These are the critical issues for a rural State like Wyoming.

**Impact of WIA Reauthorization in Rural States**

*Overview*

WIA has had a profound positive effect on workforce development in Wyoming. WIA has changed the way we operate and how we invest in workforce development. Like several other States, Wyoming recently retooled its workforce development programs and governance, to be more demand driven and responsive to the changes of a fluid economy. We are quite literally in our first year of operation under a new structure. The new structure delivers comprehensive workforce developmental services in partnership with State and local small businesses, economic and community development groups, health and family services, employment, and education related State agencies. These partnerships "fit" very well with the Administration's efforts to address the challenges of globalization, technological advances, and the demographic changes that the American workforce is currently facing. Rural States rely predominantly on WIA and related Federal funding sources to deliver workforce investment services. As WIA Reauthorization moves forward, these changes will have a profound impact on the futures of rural States.

For Wyoming, a diversified workforce will lead to a diversified economy. The commodities and tourism industries primarily drive Wyoming's economy. We tend to act "counter-cyclical" to the national economy. While the rest of the nation has experienced an economic downturn over the past year, Wyoming has remained virtually untouched. If the national economy experiences growth, Wyoming's economy will likely slow. If the national economy slows, Wyoming tends to grow.

Wyoming is seeking new strategies to diversify its economy; a critical component of those strategies is a well-trained, highly skilled workforce responsive to the changing demands of the State, regional, and national economy. Workforce development in Wyoming is a partnership between the public and private sector. Wyoming's Governor Dave Freudenthal and Department of Workforce Services Director, Kathy Emmons have demonstrated leadership in continuing to build partnerships at State and local levels to focus workforce and economic development strategies to support our workforce and business partners.

As WIA Reauthorization moves forward it is critical to have flexible methods to continue to ensure rural access to One-Stop Systems. To physically access our services, customers in Dubois, Wyoming travel 150 miles roundtrip to access our One-Stop Office in Lander. Though, they can access Wyoming's "Virtual" One-Stop, which provides rural access in every Wyoming community, 24 hours a day, seven days a week. The Wyoming Job Network (an internet based program) supports Wyoming's "Virtual" One-Stop. Approximately 135,000 of Wyoming's 275,000 workers are registered on the Wyoming Job Network. Approximately 65,000 job seekers and 17,000 Wyoming employers have used the Wyoming Job Network to access services over the past year. This is a critical tool to workforce development for a workforce system that covers 97,818 square miles. While our employees and contractors log thousands of miles a year, we have the equivalent of one full service physical One-Stop for every 5,100 square miles. Flexible outreach efforts to rural communities

continue to be a critical component of ensuring effective workforce development practices in Wyoming as we have 5.1 persons per square mile.

As Wyoming moves into its fourth year of WIA implementation we look to new technologies like our State's video conferencing system and Internet based programs as a means to provide rural access to workforce services. Our goal would be that these technologies improve service, efficiency, and reduce the thousands of miles our employees and contractors travel each year to provide quality services. In the future, we would look for the opportunity for eligible training providers to provide services through the Internet or video conferencing technologies. The reporting requirements placed upon Wyoming's eligible training providers (56 percent of which are out of State) have on occasion acted as a deterrent to providing services rurally, whether the provider is a publicly funded community college or private sector. Building flexibility for rural States into the provision of eligible training services and reporting is a critical component to utilizing new technologies.

#### *Youth Services*

We believe the change in focus to out-of-school youth from in-school youth is positive, but should be flexible to meet the needs of a rural State. With this change there will come a total rethinking of how services will be delivered. The ability to conduct outreach and intake services to youth during school hours is critical to being able to serve this population. If we wait until after school hours our ability to reach this population is impaired. In Sundance, Wyoming, population 1,139 people, our intake workers travel 70 miles (one-way) from the "local" One-Stop to conduct these outreach activities. Reaching these youth while they are in school is important. As students of Sundance High School may travel as much as 90 miles roundtrip to school each day. Students traveling these distances to school each day can be difficult to access in a non-school environment and work readiness opportunities are limited because of a limited employment base in a community like Sundance, Wyoming.

We support improving performance accountability; in fact Wyoming's WIA Title I-B, ABE/GED, and Perkins programs became eligible this past year for incentive funds due to improved performance, even though the existing system of seventeen statutory performance indicators is a cumbersome bureaucratic challenge. Reducing the number of indicators allow for more focus on achieving desirable outcomes. The elimination of the requirement to competitively contract for youth services will be a positive step in WIA reauthorization. This requirement would offer flexibility to rural State Workforce Investment Boards, as there is limited availability of qualified service providers to make a competitive process viable and meaningful.

We support Governors establishing Youth Councils as they see fit. I personally support all States continuing with Youth Councils. The bottom line, to our country, is that our youth will continue to be the strength of this country and take it to the next level of leadership and success. We need to invest more time and money in our youth to make this happen.

#### **Rural Workforce Economic and Community Development Strategies**

Wyoming's workforce development system in partnership with WIA and other Federal and State programs, seeks to develop a truly diversified economy and workforce. It should be responsive and flexible to the changing demands of a regional and global economy. Our focus is on developing our rural economies and communities by developing a highly skilled local and homegrown workforce.

In Wyoming, we have developed the Wyoming Workforce Development Training Fund designed to flexibly meet the changing training needs of Wyoming workers and employers. The training fund application is designed to be simple as it is two pages in length, easily accessible, and responsive to employer needs. The fund offers grants up to \$2,000 per year per worker to increase a worker's skills. In order to access funds for approved training, employers commit to increase worker wages as a result of successful training. The result has been increased skill levels, training, and wages for over 8,000 Wyoming workers. It has also significantly improved our workforce, our economic development efforts, and made our workers more competitive, regionally and globally.

This training fund also has pre-employment grants available to businesses seeking to grow, expand, or relocate to Wyoming. These grants are powerful economic development tools as they serve to train what would have been a previously untrained workforce specific to a relocating business's needs. Recently Lowes Home Improvement Stores chose Cheyenne, Wyoming as the location for a regional distribution center.

Lowes met with local and State economic development, community college, and Wyoming Department of Workforce Services officials, the purpose, to determine its

business needs. Approximately 300 workers received warehouse training through the local community college in coordination with economic development and supported by the Wyoming Workforce Development Training Fund. Lowes or another business hired 90 percent of those workers at a competitive salary. The center will employ approximately 700 new workers when at full capacity. Without the ability to flexibly respond to a business need, Wyoming may have lost this new business to another State in the region. The return on investment for Wyoming taxpayers was earned even before Lowes received its first delivery for regional distribution.

Under the existing WIA, Wyoming has difficulty accessing incumbent worker training funds considering the reporting requirements and restrictions placed on the funds. The Workforce Development Training Fund helped us rapidly respond to Lowes unique training needs. As a result of Lowes success, we continue to see more warehousing operations consider Wyoming as a regional warehousing cluster. We are pleased with the potential opportunity to flexibly leverage WIA incumbent worker funds in the future to meet training needs of Wyoming workers and business, just as we have with the Wyoming Workforce Development Training Fund.

Allowing funds to be used for economic development activities will enhance workforce and economic development initiatives. In the past Wyoming has been limited in these efforts due to current WIA requirements. Such a provision would allow a stronger partnership with economic development agencies and allow the workforce system to further develop partnerships with existing and new businesses in a local area. This provision would also enhance new opportunities with organizations such as the local Chambers of Commerce, economic developers and rural business associations.

#### **Improving the “User-Friendliness” of WIA to Small Business**

In Wyoming, the private sector built its own workforce development flexibility, when out of necessity, we developed the McMurry Regional Training Center. As a rural State with less than 500,000 in population, we have learned when we embark on new construction projects, we often find ourselves looking to out-of-state workers to meet new construction demands. The Wyoming Contractors Association under the leadership of such members as Neil McMurry of Casper and Ray Wulf of Gillette, recently built the McMurry Regional Training Center in Casper, Wyoming with the goal of training a local workforce in the construction trades responsive to Wyoming’s needs.

As the McMurry Regional Training Center has grown, we have discovered a previously untapped pool of workers in WIA and TANF customers that, with training, can become a part of the highly skilled portion of the Wyoming workforce. We saw the need to recruit and train new workers in the State. A \$1 million training center was built to offer construction craft classes. We linked with the State to train some folks through a TANF grant, which provided more flexibility than WIA. The initial class had 38 participants and 14 graduates. After graduation, the graduates essentially tripled their income in eight months. The class provided job skills from which they were able to find personal success and create an income they thought was unattainable. This is what motivates all of us. When we as employers and policymakers develop legislative strategies and businesses that fulfill our basic needs, we have a success that is sustainable. The additional result is a vibrant economy and growth in GDP.

In reviewing additional aspects of WIA, continued consideration should be given to making the system flexible for small businesses. Wyoming supports the provision of reducing the number of performance standards from 17 to 8. Though, primarily using unemployment insurance data for measures such as the entered employment rate and employment retention rate may not give an accurate reflection of the customer’s ultimate employment outcome. The workforce system serves many customers. We would urge that in reauthorizing WIA, the WIA system be designed to be more flexible. The seventeen performance indicators (though well intentioned) have in the past been a distraction from WIA’S overall goal of investing in and developing a workforce responsive to the changing needs of ever changing economies.

The largest groups of customers are job seekers and employers, yet many of the performance measures are on job seekers only. If the intent of WIA Reauthorization is to improve services to employers, consideration should be given to performance measures designed to gauge the services to employers, because what is measured, is accomplished. Focusing on measuring services to employers would also result in focusing improving user-friendliness to small business.

In order to further improve the “user-friendliness” of WIA to small business, Governors should have the authority to determine what standards, information, and data should be required for eligible training providers in their State. In rural areas, the critical mass of training providers is limited. In addition, enrollment in various

training programs is cost-prohibitive for providers to invest in a data collection system, which essentially eliminates them as an eligible provider and lessens the number of providers from which customers may choose services.

One of the largest potential impacts of WIA reauthorization would be a new provision for incumbent workers. Under H.R. 1261 local funds can be used for incumbent worker training. Businesses with fewer than 50 employees will only be required to match 10 percent of the costs of the training. This provision will allow a larger pool of funds for incumbent worker programs. This will allow small businesses with limited training budgets to truly benefit from WIA funds.

#### *Workforce Investment Boards*

In Wyoming we have streamlined our governance structure as a State board by working to ensure flexibility in implementing WIA programs and collaboration in bringing private sector solutions to public sector challenges. It is critical to have the ability to communicate the private sector's needs to our public sector partners. Our workforce investment board offers small businesses a forum by which they may communicate the constantly changing private sector needs for a well-trained and highly skilled workforce with the public sector. Our goal in Wyoming is simple, to develop a demand driven workforce responsive to private sector worker and employer needs.

A challenge for single workforce area States, like Wyoming, is that one board carries out the duties for both local and State boards. As a rural State, we support the proposed flexibility for Governors to have discretion over the size and membership of the board while ensuring a majority of the board is from the private sector. We strongly support continued connections between the private sector and post-secondary education, training, social services, and economic development systems to prepare our emerging and second-career workforce for career opportunities and skills in new job sectors. Having these partners "at the table" is a critical link to communicating the private sector's challenges to the systems that ultimately may provide public sector solutions. It is crucial to future efforts, to maintain a majority private sector representation on State level Workforce Investment Boards. To divert from a private sector majority would be detrimental to true comprehensive workforce development.

I have found that our public sector partners often coordinate their efforts to ensure they are meeting their customer's needs. A strong private sector membership on a State workforce board leads to a more global approach of addressing true workforce development. One of the critical components in meeting those needs is the partnership developed on a board that is not dominated by the government sectors.

#### **Building Additional Flexibility Into WIA**

##### *Consolidated Adult Funding Streams*

We strongly support the Administration's proposal to combine the WIA Adult, WIA Dislocated Worker and Wagner-Peyser funding streams into a single formula program. This change will streamline program administration at the State and local level and reduce the current complexities of duplicative management across separate programs. In reality, unless core services were to dramatically change, our current coordination of services would continue, though we would expect the flexibility to strategically allocate our resources to be more responsive to a changing environment.

At the program level Wagner-Peyser and WIA services, funds, and personnel are currently coordinated in our State between the core services being primarily funded by Wagner-Peyser, and the intensive and training services being provided by WIA. This consolidation will encourage this system to be further integrated versus running two separate and duplicative, related services. From a flexibility perspective, it's safe to say, we would much rather have our Governor making the call on what services to offer as he/she would have the flexibility to focus them in areas that would be in Wyoming's best interest, and would help meet our unique rural workforce needs.

##### *Flexible Funding*

We support the small State provision of 0.3 of one percent for all funding sources rather than multiple levels for different funding sources. This amount may seem of little significance to larger States, however, it helps provide the necessary funding for small States.

The discretionary One-Stop delivery activities for low waged workers are a positive aspect of the Administration's WIA Reauthorization Proposal. In Wyoming, one of the largest challenges workers face are day care and transportation. This provision would allow funding to help meet these challenges.

The provision changing the planning cycle from 5 years to 2 years is positive because today's economy can shift dramatically in 2 years. If the planning cycle for State and local plans is reduced from 5 to 2 years, the plan must be made simple and meaningful. As it is now, the development of a plan is incredibly time consuming and small States have small staff to carry out such activities. This cycle should be consistent throughout the entire Act.

*One-Stop Certification*

The provision of One-Stop Center certification will further enhance the One-Stop system. This provision offers the opportunity for a formal process of communication. The Workforce Investment Board will have the opportunity to clearly communicate the acceptable standards of service to One-Stop Centers expected by the Workforce Investment Board. This will give private sector led boards the ability to set guidelines on services provided by One-Stops in rural areas.

Native Americans in Wyoming have unique rural workforce and economic development challenges. Like Wyoming, they need the flexibility to meet their unique needs.

*Conclusion*

As Wyoming moves forward with developing its workforce and its workforce development system, we are pleased to see the new and innovative changes within the Administration's proposed WIA Reauthorization. We would seek to be an early implementer of many of the new proposals. These changes will complement our efforts to diversify our workforce, improve connections with small business, and have a trained workforce available and responsive to a rapidly changing global economy.

This concludes my remarks. I would be glad to respond to any questions you may have. Thank you.

Senator ENZI. Thank you very much. When I was mentioning the people from Wyoming, I left out the contingent of 4-H people that have been listening from out there, just outside. So out of 493,000 people, we have had pretty good attendance today.

[Laughter.]

I thank all of you for your testimony, both the full version and what you were able to emphasize while you were speaking. And I will mention that this session will be open yet for 2 weeks so that people can submit additional questions, both those of us who are here and those who are involved in Medicare and prescription drugs, which is keeping a lot of people away from the committee today, but another very important thing for the United States. But we do have some questions now as well, but we will not be able to get to all of them because of time constraints.

Mr. Ware, you noted in your written testimony that rural areas rely predominantly on the Workforce Investment Act and related Federal funding to deliver the job training and services. You also mentioned the need for flexibility. Could you tell me a little bit more about how building more flexibility in the system would improve the workforce development services in Wyoming and other rural States?

Mr. WARE. Yes, Senator. In my written statement, I think there was a key point, and that was that in Wyoming as well as the rest of the rural States, we have two issues to deal with in every aspect, and that is distance and demographics. And related to your question specifically, by having more flexibility in the rural States, it allows, for example, the Lowe's instance, the success we had there, to have the leaders in the areas that we make those decisions to be able to be flexible. We actually moved some funds around to create the money to do that training, and by moving quickly and being flexible, we were able to bring a new business, a fairly substantial new business into Wyoming.

Senator ENZI. Thank you.

Wyoming has done a remarkable job of leveraging the technology to improve access to the one-stop centers in the rural areas, as you mentioned in your testimony.

Mr. WARE. Yes.

Senator ENZI. Yet the employees and contractors still travel thousands of miles a year to provide services. What could the workforce development system do to encourage and enable use of these new technologies to deliver the quality services.

Mr. WARE. The State of Wyoming in the last 2 years through its legislature has actually created the Department of Workforce Services and carved it out of the Department of Employment, and that is one to deliver better services and more services across the State, and key to that, Director Emmons, who is here today, has created six regional areas with the regional directors having full power to make decisions on local issues, whether it is economic development, workforce development, etc. And that I think is a good example of how we can be more responsive and provide more services.

The one-stops are a great idea, but the one-stops only become a library unless they can actually place people. And that is real critical.

Senator ENZI. Thank you, and I do appreciate all of the Wyoming input that we have had as we have been working the bill and as we will have.

Mr. Austin, the workforce development needs of Florida and Washington are different from Wyoming. Mr. Ware cited the need for flexibility to improve services in rural States like Wyoming. You and Mr. Kennedy both noted in your written testimonies the need to make the Workforce Investment Act more flexible.

How would more flexibility improve the investment system in your respective States?

Mr. AUSTIN. I think as Mr. Kennedy said, there is a great need for incumbent worker training. We have some places in Florida that we actually have—when I went to college, they said 4 percent was full employment. We have regions that have got 2.3 percent. And if we can—when we are given a dislocated worker fund—this current year, based upon what was happening last year and the year before on our funding, we have \$27 million more coming into Florida this year than last year under the Workforce Investment Act, many more dislocated worker dollars, but we actually have put most of those people back to work.

If we can use those dollars to be able to train adults and incumbent workers, we strengthen our economy in a different kind of way. And it is part of the flexibility issue that we talk about. When Wyoming has got this large unemployment rate and Florida is actually below the national average, something is amiss when we are appropriating dollars based upon where the economy was, not where it is. And when we tie the hands of the Governor to say you will use it for where the economy was and not be able to use it where it is, if we can money back and forth between Wagner-Peyser and adult and dislocated worker, we can deal with the economy as it is today. And so we can invest all those funds.

You look at how much of the WIA money sits out there, and, I mean, it has been a concern about the expenditure rates. The Con-

gress has a legitimate reason to ask why isn't the money being invested into the system, but part of it is because it comes down in these funding streams and says, I am sorry, you cannot use it.

If we want to use money at the local level for incumbent worker training, we have to enroll people as though they are coming into a welfare system. Your labor unions, your businesses go absolutely berserk when you take an employee off of their floor and ask them, tell me, are you receiving food stamps right now. Neither the employer nor the labor union want me to be able to ask that question.

I do not have to do that with State-level income and worker training funds. But at the local level, because of the fact that I cannot be able to use those funds, and I cannot use any of the dislocated worker funds to train incumbent workers. So those flexibilities simply say that we can be able to react to the situation as it exists.

And, Senator, I know there were concerns expressed by Mr. Ellenberger about those places where you do not have—you know, everybody is a State employee. Florida is one of those States where we do not have everybody who is a merit retention staff employee or a State employee. They are the same people who deliver the services, whether a private employer person is the individual or if it is a local worker, the same people get the jobs because they have the skill sets. They are just as professional, those local WIBs, as they are at the State merit retention agencies. But the flexibility says let's design the system so it works wherever it is at, and that is what it would allow us. It would allow us to actually invest those dollars in a timely manner so we do not have money sitting around.

Senator ENZI. Thank you.

Mr. Kennedy, did you want to comment on that?

Mr. KENNEDY. Well, my comment would be that at the local level the funds that we receive on an annual basis cannot be used to train incumbent workers. That is a prohibition in the Act. And we then are bound to ask the State to be able to assist an employer either who wants to train for upgrade for higher skills or attempt to retain an employer who may be at risk of moving because there are funds available elsewhere. And it just ties our hands. It is not the way that we should be doing business. We are a system that for years and years has been based on a model of supply side that is being allowed to move to a demand side to respond to the needs of employers. And the direct beneficiary of that is the worker, because we are being able to train in high-skill, high-wage jobs. That is an area where we cannot do it.

Senator ENZI. Thank you.

I will take just a minute more for one more question, because Mr. Smeltzer has a different situation than anybody else on the panel, and I do not want to pass up the opportunity to get that.

My question is: How can the workforce development system be made more responsive to the needs of small businesses? And, most importantly, how can the business intermediaries like your association help?

Mr. SMELTZER. First of all, I think many headlines today tell you that our manufacturing industry in this country is under attack

and is struggling to establish a way to compete in this global economy.

From the small business perspective, our small business owners would like to invest in the future. They are able to reach out for funds to purchase capital equipment, to improve the technology capabilities within their companies that will allow them to compete. The small business owner is having trouble finding funds to train their workers to complement that technology.

We have a desire to move our workers to a greater level, but the expense of training today, as we are looking at advanced technology, is really preventing us from moving in that direction.

To respond to your question, how can an organization like mine provide assistance, as I mentioned in my testimony, the small business does not have the resources, does not have the time to devote to the one-stop center, to devote to the WIB board, and that is what they look for me to do. They look for me to represent them and their views on the WIB board. They look to me to organize them to pursue funding programs, be it State or Federal programs, to provide incumbent worker training that is affordable, again, to allow them to compete in the global economy. So I am a resource to the small business owner.

Senator ENZI. Thank you. Very important point.

Thank you for indulging me for that last question.

Senator MURRAY. Sure. Thank you very much, Mr. Chairman.

Mr. Austin, you have talked a lot about the need for flexibility. I am sure you are aware that States do have transfer authority for up to 30 percent, and I am curious if Florida has used any of their transfer authority in their adult and dislocated worker funds?

Mr. AUSTIN. We do that regularly, but we do not have authority to be able to move workforce labor market exchange pieces in Wagner-Peyser to WIA. But you are right; we have used the 30 percent extensively to be able to put those funds as best we can into areas.

What we have found out is that gives us some greater flexibility. It does not give us all the things that we would like.

Senator MURRAY. Mr. Ellenberger, you have listened to everybody else comment about flexibility. Do you have any comments to add to that?

Mr. ELLENBERGER. Yes, I do, Senator Murray. Governor Warner is a strong supporter of increased flexibility. He has identified workforce development as one of the key issues in his administration, and shortly after he took office, he establish in the Commonwealth three centers that we call Coordinated Economic Relief Centers, or CERCs, and they have taken the concept of one-stop centers and expanded that to offer other State services, including assistance to small businesses and health assistance and all the resources at the State's disposal being put in a single location. And we are in the process now of trying to expand that concept to all of our one-stops. Initially, the CERCs were focused primarily in areas hardest hit by trade and high levels of unemployment, structural unemployment, very serious problems, and mostly rural areas. And we are now taking that concept and expanding it throughout the State with our other one-stops. We need that flexibility to do that, and we think that the current Wagner-Peyser sys-

tem certainly gives the Governor a lot more flexibility than it would under a block grant approach.

Senator MURRAY. Mr. Austin, Florida has a policy that requires local areas to spend 50 percent of adult and dislocated worker training funds on their ITAs. Have any of your local areas reported any difficulty in meeting that 50-percent requirement?

Mr. AUSTIN. Yes, ma'am. When we began, that number was literally picked out of the air by a State legislator who said, okay, we are going to make sure that the money actually gets into training, and they kind of picked it out of the air. The first year was a nightmare trying to be able to determine. We do not use the exact same definitions as the Federal Government does on what constitutes an ITA, but they are close.

In the first year, we ended up having 48 percent of the money going in that direction. After the second year, we put monetary—we do sticks and carrots all over the Florida system. It is designed to try to be able to introduce the marketplaces, so we give bonuses for people who perform well, and we decided that you could not—there were three mandates that the legislature placed in the law, that being one of them, in addition to Federal regulations. And so we said you cannot qualify for a bonus if you do not meet it. And since that point, we have only had one of the 24 regions not meet it.

Senator MURRAY. Thank you.

According to statistics that have been provided by the Center for Law and Social Policy, significantly fewer workers have received training under WIA over the last several years. The sequencing of services language contained in the law appears to be a significant barrier to training. I do not know if you can do it today, but can each of you provide us the information on the percentage and amount of adult and dislocated worker funds that are spent on training in your particular State or local area and submit that back to this committee. I do not know if anybody has got that today. Probably not. OK. Well, if you could get it back to the committee, I would appreciate it.

Mr. Chairman, I know we are running out of time, and I have a number of questions that I will submit for the record. But I did want to ask the panel specifically about performance issues because we have talked quite a bit about that. The current performance measures in WIA have been criticized for being overly burdensome and for not measuring the right kind of outcomes, and I am curious what each of the panelists would give us as recommendations for the committee on performance measures. And if we could just go down and start with Mr. Ware.

Mr. WARE. Thank you, Senator. Wyoming and most of the rural States support going down from that 17 to 8, and, more specifically, on the employer side we would like to see some performance measures that address the satisfaction and interaction between the service and the employer, to use that as a criteria.

Senator MURRAY. Mr. Smeltzer?

Mr. SMELTZER. Yes, Senator, we as well support the movement from 17 to 8 performance measures. We would also suggest that the customer satisfaction indicators for both employers and individuals be included, so 17 to 8 plus 2. I was a math major.

[Laughter.]

Senator MURRAY. Mr. Kennedy?

Mr. KENNEDY. Senator, I support going down to eight, and I would like to see the performance measure proposed for cost per participant changed to a return on investment model, and I would also like to see a performance measure in one of those eight that would recognize educational attainment having been achieved inasmuch as education is our partner in the training program.

Senator MURRAY. Mr. Ellenberger?

Mr. ELLENBERGER. Senator Murray, we also support reducing the number of performance measures, and Governor Warner had legislation that was adopted by the recent session of the General Assembly in Virginia which gives more authority to our State Workforce Board in the establishment of State standards of performance that will apply to local WIBs.

Senator MURRAY. Mr. Austin?

Mr. AUSTIN. We think also that a simplification is there. We are not like where most States are because this has not been a burden on our educational institutions. We collect this data from public and private institutions. As it is right now, we download all of their—the people who have graduated or come out of those institutions, and as a fact if they receive any State funding, that data. So WIA was not a burden to Florida, but simplifying what you are focusing on always simplifies what you are going to be able to improve upon. And we already calculate all the measures that are under WIA right now. You will see in the 3-year report that I gave to you that the cost per service is something we have been tracking for 5 years.

Senator MURRAY. Well, the administration proposal is to eliminate the customer satisfaction and skills measures and add what is called an efficiency measure. Senator Dodd spoke a little bit when he was here about the concern about creaming some of the top people and losing a lot of the folks who really need help. Are any of you concerned about that?

Mr. AUSTIN. Yes. I can tell you, it is not—there are effectiveness measures and efficiency measures, and it is looking at those two together. We have never penalized people for spending more than a minimum amount on areas. But what we have found out is we have local WIBs when we began this process that were spending as much as \$23,000 a job and something that is critically wrong. And being able to measure that and ask what was happening and using our business sector people as a board of directors at the local level quickly cleared up that problem. Penalizing if you do not have a certain level is one issue because cheapest is not always best. But there is a major problem involved if you are spending way too much in terms of infrastructure and not delivering a service.

Senator MURRAY. Mr. Kennedy?

Mr. KENNEDY. I believe that when you look at a cost per model you are basically putting out there that less is better, and every research paper that I have read indicates that the more we are willing to invest in our customers, the better return we have in terms of better jobs and retention and wage gain, and that is a step backwards. That is back to JTPA days in the 1980s.

Senator MURRAY. Anybody else care to comment on that? Mr. Ware?

Mr. WARE. Senator, I would just say that even on the broader points of doing some of these block grant things, there can be some problems involved with actually doing that. If the State boards and the local boards are watching and monitoring it, they become a check and balance in that system.

Senator MURRAY. Well, thank you. I know my time is up, Mr. Chairman, but I think we have to be really careful that we do not set up a system that does that, and that we really encourage participants getting better skills, which should be the focus of this legislation.

I realize my time is up. I do have questions that I do want to submit for the record as well.

Senator ENZI. We will be doing that, and I want to thank you for your help at this hearing today. You are one of the most efficient questioners that I have ever run into.

And for the panel, I do not know of a panel that I have sat in front of before that had as many ideas that I could write down or as many quotable quotes.

[Laughter.]

So we will be using both of those, and I will try and attribute them. But it has been an extremely helpful day, and we will have some more questions for you, which, again, will be helpful for us to get the things done that you have been mentioning today.

Thanks to everybody. The hearing is adjourned.

## ADDITIONAL MATERIAL

### QUESTIONS OF SENATOR KENNEDY FOR CURTIS C. AUSTIN

*Question 1.* You were very enthusiastic about WIA in your testimony—you gave statistics, for instance, about the number of businesses using the system and the number of employees registered with local one-stops. Could you elaborate on why you think the Act has been so successful in Florida?

*Question 2.* If the Act is changed so that funds can be easily transferred among agencies or given in block grants, how would the state determine when the funds should be transferred or determine which agencies would receive which percentage of the block grant? Could you give us a hypothetical example (or an example from the Operation Paycheck program you highlighted) of how the state would determine the distribution of funds or decide when a situation would warrant spreading funds differently among agencies?

*Question 3.* Could you elaborate a bit on the efforts that Florida has made to create a partnership between the state workforce system and business?

*Question 4.* Did Florida use the current waiver authority to transfer funds from adult to dislocated this year? If so, what percent? Could you describe some other initiatives that Florida applied for waiver authority to implement?

### QUESTIONS OF SENATOR KENNEDY FOR JAMES N. ELLENBERGER

*Question 1.* Could you elaborate a bit on the impact that WIA has had on Virginia during the time that it has been implemented?

*Question 2.* In your testimony, you say that Virginia opposes folding Wagner-Peyser into WIA. One of my specific concerns is the Trade Adjustment Assistance (TAA) program. Currently, TAA is operated through the employment service—have you had experience with these programs, and would you care to comment?

*Question 3.* In your testimony, you say that incorporating the Wagner-Peyser and Adult, Dislocated Worker funding streams into a single block grant would have a detrimental affect on workers who now fall under the Adult Dislocated Worker funding. Could you elaborate a bit on the real effects that the block grant would have on those workers?

*Question 4.* Could you elaborate on how the state would determine which people should be accepted into the program without having looked for a job first?

### QUESTIONS OF SENATOR KENNEDY FOR MICHAEL H. KENNEDY

*Question 1.* In your testimony, you discuss the inadequacy of the funding for one-stop centers, dislocated worker, adult, and youth programs under WIA. What are some of the consequences of the inadequate funding in human terms? How have the services provided been affected? How have real workers and businesses been impacted?

*Question 2.* Why, in your opinion, has the dislocated worker funding stream failed to keep up with the flood of laid off workers, particularly in the wake of 9/11? How would you suggest the funding formula be adjusted to meet these demands?

*Question 3.* You contend that the workforce development system needs to be more directly driven by the needs of local businesses and workers. Can you provide specific examples of some of the needs of local Washington businesses and workers that are not currently being met and describe how the increases in local authority you suggest would alleviate these problems?

*Question 4.* How would you suggest we balance improvements in data collection without overburdening training providers?

### QUESTIONS OF SENATOR KENNEDY FOR SIGURD NILSEN

*Question 1.* First, Mr. Nilsen, I want to thank you for all of the work that you have done on the Implementation of the Workforce Investment Act. Your work has informed all of us of the early successes and some of the challenges.

One of the areas that will certainly come up during the reauthorization is the performance measures. You bring up some things in your report that I would like you to comment on further; the first is this idea of assessing the system's performance—could we get some of your ideas on how we could better look at systemic results?

You also mention that some of the performance measures may be causing some operators to deny training to some people ---could you expand on that?

*Question 2.* One of the areas that we will have great discussion on is the formula. I know that GAO is taking an in-depth look at the formula issue, but could I ask you to make some brief comments on some of the issues with the current formula?

*Question 3.* One of the things that I have heard in my meetings on the Workforce Investment Act is the need to have a funding stream for the operation of the One-Stops. In your study, how have local areas dealt with paying for the operational costs and what has been the impact on dollars spent on actual training?

*Question 4.* Your best practice work has been both informative and helpful to us as we try to get a clear picture of what are some of the innovative strategies that have helped businesses and workers. What kinds of assistance could the Department of Labor provide to make sure that local areas could learn from each other's experiences?

#### QUESTIONS OF SENATOR KENNEDY FOR MICHAEL E. SMELTZER

*Question 1.* In your testimony you mentioned that Pennsylvania employers encountered challenges that blocked effective implementation of the law in 1998 and that those challenges still exist today. What do you think was the major cause of the law not being properly implemented?

*Question 2.* What do you think was the major cause of the WEB not being responsive to the concerns of employers?

*Question 3.* What type of a program do you suggest should be set up to make incumbent worker training more accessible? Also will this training be separate from the training opportunities given to those just beginning to enter the workforce?

#### QUESTIONS OF SENATOR KENNEDY FOR CHARLES WARE

*Question 1.* First of all, I just want to say that I appreciate the perspective you bring on the needs of rural states and workers. I was intrigued by your discussion of the Wyoming's "Virtual" One-Stop—it's wonderful that you've been able to reach so many people on-line. Can you talk a little bit more about how you've managed your virtual outreach efforts?

*Question 2.* It sounds as though the Wyoming Workforce Development Training Fund has been quite a success. As the rest of us begin looking at incumbent worker training programs, can you provide any insights into how we might enjoy the same success?

*Question 3.* Thank you for bringing attention to the unique situation of small businesses. In terms of performance indicators, how do you think we should measure effectiveness for small businesses—where one additional employee might mark a significant increase?

*Question 4.* Should we be concerned that adults who are entering the job market may have to compete with workers who have been employed and lost their jobs if adult funding streams are consolidated?

*Question 5.* Has Wyoming used the current authority to transfer money between adult and dislocated funding streams?

#### QUESTIONS OF SENATOR HARKIN FOR SIGURD NILSEN

*Question 1.* My office has received numerous complaints by people with disabilities and organizations representing individuals with disabilities that the one-stop centers are not accessible to and useable by individuals with disabilities. In GAO's work on evaluating WIA and the one-stop centers, did you gather any information on whether individuals with disabilities have been able to gain access to the one-stop centers and effectively use the services provided by the one-stops nationally? If so, what have you found?

*Question 2.* Your report notes that the Department of Labor has not conducted any customer satisfaction or user evaluation of the sites for the general population. Is the same true for people with disabilities and their ability to access and use the one-stop centers? If such information is not gathered by DOL, are you aware of any other reports or investigation into the accessibility and useability of the one-stop centers for people with disabilities conducted through on site visits or interviews/surveys of people with disabilities who have sought services from the one-stop centers?

*Question 3.* Your report notes that the Pikeville one-stop told GAO that cross-training staff about the needs of special populations has helped its staff to accurately identify hidden disabilities and better refer customers with disabilities to the appropriate services. That is a laudable result if the one-stop center is not only referring individuals, but also providing services itself for those individuals with disabilities who prefer to use the one-stop center's resources and not use vocational rehabilitation. We have been told that some of the one-stop centers are automatically referring all individuals with disabilities to vocational rehabilitation and are not able to or willing to provide services to individuals with disabilities who prefer to

access the services at the one-stop center. Has GAO gathered any information on this problem and if so, what have you found?

#### QUESTIONS OF SENATOR MURRAY FOR PANEL I

##### INTRODUCTION

First of all, it was heartening to read in your testimony of the successful programs and strategies one-stops across the country have implemented. I have several follow-up questions to the implementation challenges you outlined in your testimony.

*WIA System Change*—Based on your evaluation of the implementation of WIA, you believe that incremental changes are necessary, but not wholesale revisions.

*Question 1.* Can you speak to how and why you have come to this conclusion, and why incremental changes are more appropriate than the wholesale revisions others suggest?

*Question 2.* Instead of radically overhauling the newly implemented WIA system by folding in WIA Adult programs into one Adult block grant as proposed by the Administration, what changes can you suggest to make to WIA and Wagner-Peyser more fully integrated to maximize the use of available resources?

*Performance measures—high skilled but hard to place workers*—I find it troubling that the performance measures are not only based on outdated data, but also on inconsistent incentives. They do not take into account the unique employment placement challenges faced by certain States; for example, Washington State has a disproportionately large number of high skilled workers like Boeing machinists who are out of a job.

*Question 3.* From your research, how can the Federal Government be flexible in allowing performance measures to be tailored to the unique demands of State and local communities?

*Question 4.* Additionally, what changes in the performance measures would you recommend for one-stops to have an incentive to serve the hard to train or hard to reemploy worker?

*Data collection requirements for training providers*—The burdensome requirements for data collection have resulted in a decline in the availability of training options for WIA job seekers.

*Question 5.* What suggestions do you have for cost-effective data collection, or would you instead recommend eliminating the requirement for training provider data collection as the House bill has done?

*Guidance from Labor*—In the barely 3 years WIA has been fully operational, the DOL has made strides in developing mechanisms to provide broad guidance and in establishing the Office of Performance and Results within ETA. You mention in your testimony that Labor needs to provide more guidance addressing specific implementation concerns, and that there is a need for Labor to disseminate more information on best practices.

*Question 6.* Based on your research and experience, what are the most effective tools and types of information for Labor to share with one-stops?

*Question 7.* What other measures would you recommend for Labor to augment their technical assistance?

*Expenditure of WIA formula dollars*—In a previous report you discussed the issue of expenditure versus obligation of WIA funds at the State level.

*Question 8.* Do you have a policy recommendation on the best way to calculate how quickly States are expending their WIA formula dollars?

*Infrastructure funding*—Currently, WIA does not provide funding for one-stop infrastructure, which has hampered the ability of one-stops to co-locate mandatory partners and provide effective services.

*Question 9.* What recommendations do you have on providing system infrastructure funding that is so vitally needed? How should we require contributions from partner programs?

*Superwaiver proposed by the Administration*—The Administration proposes that Governors should be provided with broad superwaiver authority, giving them an unfettered ability to waive program requirements across the board for a variety of domestic programs, including WIA.

*Question 10.* Can you describe for the Committee specifically how the current waiver authority, which allows Governors to already waive almost every provision of WIA, is so onerous that it would require the radical transfer of authority to the States that a superwaiver would provide?

## QUESTIONS OF SENATOR MURRAY FOR PANEL II

*Specifically for Curtis Austin*—Florida has a policy that requires local areas to spend 50 percent of adult and dislocated worker training funds on ITAs.

*Question 1.* Does Workforce Florida believe this policy has resulted in more individuals gaining access to training?

*Question 2.* Have local areas reported any difficulty in meeting the 50 percent requirement and having adequate funds to pay for other required core and intensive services?

*The rest of the questions can be addressed to all Panel II witnesses.*

*Adult and Dislocated Worker Funds*—According to statistics provided by the Center for Law and Social Policy, significantly fewer workers have received training under WIA over the last 2 years. The sequencing of services language contained in the law appears to be a significant barrier to training.

*Question 3.* Can you provide information on the percentage and amount of adult and dislocated worker funds spent on training in your particular State or local area?

*Who is Being Served?*—Over 90 percent of individuals receiving services through the one-stop system are getting only core services for which they do not have to register for—job search, labor market information, and general information.

Currently there is no system for collecting data on core services to non-registrants. Without this information we don't know the real number of people looking for work or retraining. With this information we could more accurately tailor the one-stop experience to suit all of the needs of a particular population, and help people better move into intensive and training services.

These non-registrants can also have a financial impact on one-stop centers. They often drain resources but aren't accurately counted for in the budgetary purposes.

*Question 4.* Should the Administration require collaboration with State and local stakeholders to identify a very limited number of basic measures to determine who is really being served by one-stops?

*Question 5.* Should we use technology like swipe cards to track those using core services so that usage and repeat usage can be included in any cost measures we adopt?

*Business Partnerships*—The involvement of the business community in WIA at the local one-stop level remains an important necessity for the ongoing success of workforce programs. Earlier during this hearing we heard from the GAO about a number of positive examples of business partnerships with local one-stops.

*Question 6.* How can we make the WIA system more relevant to business and how do we create stronger ties to economic development?

*Additional Funds*—Many States and local workforce boards have found creative solutions to increasing their workforce budgets by leveraging dollars from a variety of governmental and non-governmental sources.

*Question 7.* How can we encourage the WIA system to enhance its focus on training and leverage other partner resources for training?

*Performance Measures*—The current performance measures in WIA have been criticized for being overly burdensome and for not measuring the right kind of outcomes.

*Question 8.* What recommendations do you have for the committee on performance measures?

The Administration's proposal would eliminate the customer satisfaction and skills attainment measures and add an efficiency measure.

*Question 9.* Do you believe the efficiency measure would lead to "creaming" and is it the right approach to eliminate the measures most relevant in assessing our assistance to business?

*Question 10.* Should we continue to encourage participants' attainment of better skills?

*Access to Training*—WIA authorizes local boards to issue Individual Training Accounts vouchers to pay for tuition and fees for training programs at local colleges. But because they only cover tuition and fees, ITAs do not cover the full cost of training at a public provider such as a community or technical college.

Colleges are not in the current financial position to expand enrollment unless the full costs of the enrollment is covered. Especially in the programs that are in the greatest demand in the labor market—such as health care providers.

*Question 11.* Should local boards have the ability to contract to expand capacity in a training program on a state's training provider list that would otherwise be unavailable to WIA participants with ITAs, due to student demand that exceeds capacity?

*Question 12.* Should we clarify the relationship between Pell Grants and ITAs, so that Pell can be used to support the cost of this training?

*High Skilled but Hard to Place Workers*—Washington State has a disproportionately number of high skilled workers who are out of a job. They need access to comprehensive training and new skills to get a job so they can provide for their families.

Currently, performance measures are not consistent from area to area and State to State. They too often reward for factors like wage increase, comparable job placement, etc. In the case of the laid-off Boeing Machinists, these are difficult measures to meet.

With some WIA funding tied to these performance criteria, boards have a strong disincentive to serve the hard to train or hard to reemploy worker. Putting a high skilled worker in a new job with a comparable wage can be far more difficult than finding a job for a laid-off low skilled worker.

*Question 13.* How can we provide incentives for local boards to serve these more difficult cases?

*Question 14.* Currently we reward States on how successful their system is, so how can we reward States like Washington that are successful at placing higher skilled workers in good jobs?

*Personal Reemployment Accounts—Will These Really Help?*—As you all know, the President has proposed to create a program that would provide up to \$3,000 for unemployed individuals who are about to exhaust their UI benefits to help them quickly find work or train for a new job. The total cost of the program is purported to be \$3.6 billion, and it will be administered by our State one-stop system.

*Question 15.* How will we pay for both WIA services—\$3-plus billion—and PRAs—\$3.6 billion—with the larger fiscal problems facing our nation?

*Question 16.* If the most meaningful training averages \$5,000, is \$3,000 really enough for a worker to get the training they need to get a good job?

*Question 17.* With the employment bonus option, aren't PRAs just an incentive to get a low skilled/low paid job as soon as possible rather than finding meaningful training?

July 2, 2003

Hon. MICHAEL B. ENZI,  
Hon. PATTY MURRAY,  
U.S. Senate,  
Washington, D.C. 20510-6300

Dear Chairman Enzi and Senator Murray, we are writing to express our strong belief that the reauthorized Workforce Investment Act (WIA) must ensure service for individuals with significant barriers to work and increase their access to skills training.

We believe that we must improve the integration of one-stop partners and continue building a high quality, universally accessible system of one-stop career centers to meet the needs of business and workers.

Together we comprise a diverse coalition of service providers, advocacy groups, and individuals committed to ensuring that all Americans have access to training opportunities for jobs that will allow them to support themselves and their families. We represent individuals with disabilities and those with limited English proficiency (LEP). We represent welfare recipients, entering the workforce for the first time; single parents, who have significant child care responsibilities or who are caring for aging parents, children with disabilities, or other relatives; displaced homemakers, who may or may not have work experience, but need skill upgrades to be competitive after an absence from the labor market; and women seeking decent wages via jobs that have historically been nontraditional, such as those in the trades or technology.

We have worked to implement the WIA legislation and analyze its effects, and have worked to identify and remedy problems that have emerged in the initial years of the Act's implementation. We are especially concerned about the Department of Labor data showing that the number of individuals receiving training under WIA declined dramatically compared to the prior system. Training matters for all workers, but is critical for those with barriers to employment. Employers increasingly demand high skilled labor and better-educated workers, yet the nation's workforce development system has made it more difficult for job seekers to access training.

The importance of training and education is born out by a number of studies and Census reports. Education and training gives job seekers the skills necessary to succeed in jobs with career potential and upward mobility. Moreover, the U.S. Bureau of Labor Statistics has found that jobs requiring the least education will experience the lowest growth over the next 10 years, while the jobs requiring at least an associate's degree will grow at a rate of 31 percent. As a result, we believe that increased

access to training is essential and that WIA should be revised during reauthorization to better meet the dual needs of job seekers and employers for higher skills.

As you know, current law requires that state plans detail how states will serve low-income individuals, persons seeking nontraditional employment, and others with multiple barriers to employment (including individuals with disabilities and those with limited English proficiency). The 1998 Act also required local areas with limited allocated "adult stream" funds to give public assistance recipients and low-income individuals priority for intensive and training services. This is a vitally important component of the law that must be maintained, and as such, we support efforts in the Senate to use the current law as the starting point. Individuals with barriers to work should not be relegated to a "second tier" priority. Reauthorization of WIA presents Congress with an opportunity to substantially improve access to training for individuals with barriers to work and help build bridges to self-sufficiency. In keeping with this goal, the legislation should include the following:

- Incumbent worker training opportunities that prioritize the retention and advancement of low-wage workers up career ladders leading to higher-wage job opportunities;
- Strong incentives for targeting "harder-to-serve populations" through demonstration, research and other discretionary projects;
- Adjusted outcome measures that recognize the higher costs and societal benefits of moving harder-to-serve individuals toward self-sufficiency;
- Reporting requirements that look at outcomes in relation to the local cost of living, local labor market conditions, and for different populations;
- Dedicated general fund resources for the operation of one-stop centers, ensuring that critical program funds are not diverted from mandatory partner appropriations or siphoned away from individual training accounts for program participants;
- Incentives for business partnerships, such as employer driven on-the-job training programs targeted to training low-wage earners for jobs in emerging sectors and non-traditional work opportunities;
- Ensuring accessibility to all one-stop programs and services for all individuals seeking assistance, particularly those with disabilities and/or limited English proficiency;
- Substantially increased authorization of resources for training, supportive services, and retention efforts.

Additionally, eligibility for services under current WIA law includes language suggesting that an individual must be found to be "unable" to obtain employment through the core services in order to access intensive services, and likewise unable to obtain employment through intensive services in order to access training. This has led many to interpret the law as requiring a rigid "sequence of services" for WIA participants rather than offering an array of services that best fits their demonstrated needs. It has, therefore, often been implemented in a manner that limited access to training services for WIA clients, thereby forcing some individuals to be immediately placed in low-paying jobs rather than allowing them to train for more skilled positions that may better meet the needs of local employers.

We support the Administration's intent to eliminate this unnecessary sequential eligibility process and believe reauthorization legislation should clarify that participants may receive intensive and training services in any sequence that will assist them in addressing barriers to work and obtaining family supporting jobs.

Providing a level playing field for all Americans to develop their skills is not just a matter of their economic survival but a necessity for our nation's growth. As a nation, we will be losing a number of skilled workers upon the retirement of baby boomers. It is imperative to address the skills and training needed to meet the demands of the economy, and to ensure all skills shortages are met in the U.S. workforce. We cannot let our nation's education and training policies fail the population we most need to develop to maintain our economic vitality.

We appreciate your commitment to assisting unemployed and low-wage workers and those with significant barriers to work. Job training and employment needs are of common importance to the economies of all regions of this nation, regardless of geographic location or party representation. Thus, we hope that the reauthorization of this legislation can be accomplished in a bipartisan manner and look forward to working with you and members of the Senate Health, Education, Labor and Pensions Committee on this year's reauthorization effort.

Sincerely, American Congress of Community Support & Employment Services (ACCSES); American Network of Community Options & Resources (ANCOR); American Psychological Association; Association of Farmworker Opportunity Programs; Carlos Rosario International Career Center; Center for Community Change; Coalition on Human Needs; Council for State and Vocational Rehabilitation Administrators; Easter Seals; Evangelical Lutheran Church in America; Goodwill Industries

International; Immigration and Refugee Services of America/U.S. Committee for Refugees; International Association of Jewish Vocational Services; Latino Community Development Center; Legal Action Center; Lutheran Services in America; MALDEF (the Mexican American Legal Defense and Educational Fund); National Advocacy Center of the Sisters of the Good Shepherd; National Alliance For Partnerships in Equity; National Alliance to End Homelessness; National Asian Pacific American Legal Consortium; National Association for Bilingual Education; National Coalition for the Homeless; National Council of La Raza; National Employment Law Project; National Immigration Forum; National Immigration Law Center; National Puerto Rican Coalition; NISH; SER—Jobs for Progress National, Inc; The Arc of the United States; The Workforce Alliance; UCP Public Policy Collaboration; United Jewish Communities—Washington Action Office; Wider Opportunities for Women; STATE AND LOCAL ORGANIZATIONS COSPONSORING LETTER: Albuquerque Hispano Chamber of Commerce (NM); Asian Law Caucus (CA); Asian Pacific American Legal Center (CA); Arizona Women's Education & Employment, Inc. (AZ); Calexico Community Action Council (CA); California Association for Bilingual Education (CA); Cambodian Community Development Inc. (CA); Center for Training & Careers/WorkNET (CA); Centro Campesino (FL); Centro de Accion Latino (NC); CHARO Community Development Corporation (CA); Coalition of Florida Farmworker Organizations, Inc (FL); Connecticut Women's Education and Legal Fund (CT); El Centro Del Pueblo (CA); El Concilio—Stockton (CA); Hacienda Community Development Corporation (OR); Hard Hatted Women (OH); Hispanic Committee of Virginia (VA); Hispanic Office of Planning and Evaluation, Inc. (MA); Housing Development Corp. of Northwest Oregon (OR); Illinois Coalition for Immigrant and Refugee Rights (IL); Indiana Coalition on Housing and Homeless Issues, Inc. (IN); Instituto del Progreso Latino (IL); Literacy Volunteers of Southeast Connecticut (CT); MAAC Project (CA); Mattie Rhodes Center (MO); Maui Economic Opportunity, Inc. (HI); Oregon Council for Hispanic Advancement (OR); San Diego County SER/ Jobs for Progress, Inc. (CA); Siete del Norte (NM); Spanish Action League (NY); Sunflower Community Action—Hispanos Unidos Chapter (KS); Sweatshop Watch (CA); Texas Council on Family Violence (TX); Texas Fragile Families Initiative (TX); The Unity Council (CA); United Laotian Community Development (CA); Washington State Migrant Council (WA); Watts/Century Latino Organization (CA); Women at Work (CA); Women's Association for Women's Alternatives (PA).

INTERNATIONAL ASSOCIATION OF JEWISH VOCATIONAL SERVICES,  
PHILADELPHIA, P.A. 19103,  
*June 18, 2003.*

Hon. MICHAEL B. ENZI,  
Hon. PATTY MURRAY,  
*U.S. Senate,*  
*Washington, D.C. 20510-6350*

DEAR SENATORS ENZI AND MURRAY: On behalf of the International Association of Jewish Vocational Services (IAJVS), I am writing to convey my deep conviction that the reauthorized Workforce Investment Act (WIA) must focus on expanding the resources and options available for skills training that will allow Americans to support themselves and their families.

IAJVS is a not-for-profit association that links 30 non-sectarian health and human service agencies in the United States, Canada, Israel and Argentina. With combined annual budgets of \$390 million, our premier network of employment and training service providers assists over 320,000 individuals annually from across the social strata to improve their lives through access to a wide range of educational, vocational and rehabilitation services. Each year, more than 40,000 employer organizations partner with our service agencies in providing training and employment opportunities to dislocated workers, welfare recipients, refugees, persons with disabilities, the elderly, and youth transitioning to work, from both the Jewish and non-Jewish communities.

The network of IAJVS affiliates believes that the reauthorization of WIA affords Congress with the occasion to improve access to training and to help build bridges to self-sufficiency. To meet this goal, IAJVS suggests that the following could strengthen WIA:

**Increase Resources Available for Training.** In order to adequately address the serious skills development needs of both workers and employers, resources must be increased. As the demand for a highly skilled labor force continues to rise, it is critical that our nation's workforce acquire the skills necessary for our country to compete in the global economy.

**Expand Training Options.** To expedite training services for those who have a demonstrated need, allow flexibility for individuals to access an array, rather than sequential, series of core, intensive and training services. According to a recent study by the Center for Law and Social Policy, there was a 66 percent decline in the number of individuals receiving training between the final year of the Job Training Partnership Act (JTPA) and the first program year of WIA. Our network of provider agencies continue to report on individuals who show the capacity to benefit from skills training yet are being denied the opportunity and forced into unskilled, low-paying jobs. These individuals remain ill equipped to support their families.

**Maximize State and Local Flexibility.** Local Workforce Investment Boards are in a better position to assess worker and business needs than State agencies. With many States facing massive budget deficits, governors and State legislatures will be tempted to use WIA block grant funds to offset cuts to other State-funded programs.

**Create New Opportunities for Business Engagement in the WIA System.** It is imperative that employers have an increased stake in WIA. The system should invest in industry-specific intermediaries that allow multiple employers in a single sector to collaborate with local trainers and worker representatives to develop workforce strategies for that industry.

A skilled American workforce is critical to the economic survival and growth of our nation. We share in your commitment and look forward to working with you and the members of the Senate Health, Education, Labor and Pensions Committee on this year's reauthorization.

Sincerely,

GENIE COHEN,  
*Executive Director.*

---

NATIONAL HIRE NETWORK,  
WASHINGTON, D.C. 20002,  
*July 1, 2003.*

Hon. MICHAEL B. ENZI,  
Hon. PATTY MURRAY,  
*U.S. Senate,  
Washington, D.C. 20510.*

DEAR SENATORS ENZI AND MURRAY, we are writing to share our concerns with you regarding reauthorization of the Workforce Investment Act (WIA). The reauthorization of WIA presents a great opportunity for meeting the challenges faced by hard to employ job seekers. As advocates for sound public policies affecting the employment of individuals with criminal records we believe that the WIA reauthorization is an invaluable tool capable of being modified to address the specialized needs of individuals with multiple barriers to work.

Over 600,000 individuals return to communities every year from U.S. State and Federal prisons. In order to obtain a job, many of these men and women need access to training and supportive services if they are to find a job and keep it. Recent evidence has shown that workforce development innovations when planned well can connect people with criminal records to the labor market and reduce recidivism. Unfortunately, there tends to be a dearth of workforce development resources dedicated to serve this particular hard-to-employ population during their incarceration and after they are released. Individuals with criminal records encounter specific difficulties when trying to obtain employment including the stigma associated with having a criminal record held by employers and potential co-workers, lack of education and training limiting the number of jobs they might be qualified to perform, and licensing restrictions and other bans that limit the pool of jobs to which people with criminal records might have access. Access to services before and after release is a crucial component of success for those at high risk of re-arrest and re-incarceration. When an individual with a criminal record is able to find and keep a job he or she becomes a productive and respected tax-paying member of the larger community.

The National H.I.R.E. (Helping Individuals with criminal records Reenter through Employment) Network, a Legal Action Center innovation, is dedicated to identifying and addressing the barriers to employment that people with criminal records confront. The H.I.R.E. Network works as a rigorous analyzer of national and State government policy and serves as a clearinghouse of information dedicated to influencing public policy discussions and facilitating changes in workforce development and criminal justice settings in an effort to increase the number and quality of employment opportunities for people with criminal records.

The Workforce Investment Act is an untapped resource for assisting people with criminal records, as they attempt to reconnect with their families and enter the workforce. One of the articulated goals of WIA is to lead its consumers to self-sufficiency. WIA reauthorization will be enhanced if it incorporates methods and strategies designed to improve job training, employment and supportive services for hard-to-serve individuals with one or more barriers to employment, including people with criminal records. More specifically, we are interested in the adoption of language that acknowledges the increasing number of labor force participants who begin their job searches facing multiple barriers to labor market success and that encourages policy and programmatic innovations designed to alleviate those barriers and increase employment opportunities for “hard-to-employ” job seekers. In addition, we would like to see specific references to the efficacy of transitional jobs as an integral part of a hard-to-employ person’s job search and post employment services made available to the harder-to-employ immediately following their attachment to a job. In order to assist the hard-to-employ and people returning to their communities following a period of incarceration in their efforts to lead healthy, productive lives we encourage you to consider the following recommendations:

- Require States to reserve a percentage of the funds dedicated to statewide activities to create innovative programs that provide services to hard-to-serve populations with particular barriers to long-term employment.
- Require States to include in their plans specific statements and strategies addressing how employment, training and supportive services will be provided to individuals with criminal records, individuals in treatment or recovery for alcohol and other drug addictions, homeless individuals, or other identified hard-to-employ populations.
- Require State and local Workforce Investment Boards to include representatives who serve a cross-section of hard-to-serve individuals, including people with criminal records, in their board membership.
- Maintain and increase funds for Programs for Corrections Education and Other Institutionalized Individuals (Section 225 Title 2).
- Provide financial rewards to States that employ a certain number of people with more serious barriers to employment, such as individuals with criminal records and alcohol and drug addictions.
- Commit additional funding to develop specific workforce development programs, such as transitional jobs programs, for individuals with criminal records.
- Improve reporting requirements to include all WIA participants who attempt to access services at the One Stop Service Delivery Centers, especially those with one or more barriers to employment.

The use of the Workforce Investment Act to create educational, job training and employment opportunities for hard-to-serve individuals with one or more barriers to employment, such as people with criminal records, is necessary to ensure the success of WIA. Thank you for your time and thoughtful consideration of our concerns. If you have questions or would like to discuss anything in this letter further, please feel free to call Alexa Eggleston, JD, Policy Associate at the Legal Action Center’s National H.I.R.E. Network, (202) 544–5478, x11.

Sincerely, National Organizations—Center for Community Change; Correctional Education Association; Legal Action Center’s National H.I.R.E. Network; National Advocacy Center of the Sisters of the Good Shepherd; National Alliance to End Homelessness; National CURE (Citizens United for Rehabilitation of Errants); Open Society Policy Center; Rebecca Project for Human Rights; Volunteers of America (VOA); State and Local Organizations—Center for Community Alternatives (NY); Centerforce, Inc. (CA); D.C. Employment Justice Center (DC); Greater Hartford Legal Aid, Inc. (CT); Offender Aid & Restoration of Richmond, Inc. (VA); STEPS to End Family Violence (NY); The Bronx Defenders (NY); The New York Urban League (NY); The Safer Foundation (IL); Women in Prison Project/Coalition for Women Prisoners (NY); Individual Supporters—Kelly McGowan, Upstream (NY, NY); Marc A. Rogers, Ph.D. (NY, NY); Robert M.A. Johnson, Anoka County Attorney (MN); Tony L. Hodges (Meridian, MS).

*July 2, 2003.*

Hon. MICHAEL B. ENZI,  
Hon. PATTY MURRAY,  
U.S. Senate,  
Washington, D.C. 20510.

DEAR SENATORS ENZI AND MURRAY, the purpose of this letter is to submit comments to the Subcommittee on Employment, Safety and Training on the reauthor-

ization of the Workforce Investment Act (WIA). As you are aware, the House of Representatives acted on H.R. 1261, and a number of the provisions in that legislation are of concern to us. I encourage the Senate to revise the legislation as it comes before you and work toward a compromise that supports a strong partnership between the State and local entities in providing workforce services.

I support the recommendations made by the General Accounting Office (GAO) that whole-scale, major changes to WIA should not be considered at this time. The dramatic changes envisioned by the WIA are just beginning to take hold in most States and it is premature to consider several provisions contained in H.R. 1261.

#### **Proposal to Repeal the Wagner-Peyser Act**

I strongly urge you to reject repeal of the Wagner-Peyser Act, which would eliminate the 60-year-old U.S. Employment Service (ES), and undermine the principle of an unbiased, nonpartisan agency to administer job referrals and assist in the payment of UI benefits. For over 60 years, the Act has served as the foundation of public labor exchange activities. Oregon's workforce system is built primarily upon our Wagner-Peyser and State supplemental funds, thus a repeal of the Wagner-Peyser Act would have a devastating impact on the comprehensive statewide system.

The ES system is a Federal-State partnership that provides assistance in matching job seekers with employers. The ES program also enforces the work test for unemployment insurance, ensuring that UI claimants are registered for and matched with suitable job openings. The program also assists veterans, migrant and seasonal farm workers and other groups, performs alien labor certification and provides labor market information research.

Unlike private vendors, the ES places no restrictions on the employers or workers it serves. It is often the last resort for workers turned away from private placement agencies, and it occupies a unique position in the WIA One-Stop system, serving as the ideal entryway to One-Stop centers. The strong ES infrastructure in Oregon must be kept in place for the benefit of employers and job seekers. WIA envisions a universal system for businesses and job seekers. Wagner-Peyser could be supported by consolidated funding, but the Wagner-Peyser Act should not be repealed.

#### **Funding Split Between the State and Local Levels for Adult Programs**

I would like to express our support for the National Association of State Workforce Agencies' (NASWA) statement on Reauthorization of the Workforce Investment Act of 1998, dated June 18, 2003. Throughout the statement, the need for additional flexibility to Governors is emphasized. The Governor must have maximum flexibility and authority to direct funds to the local level in a manner that best responds to the needs of the State.

I urge the Senate to support a provision that provides a 50-50 split with no strings attached to the State share. Governor Kulongoski's strategy around economic and workforce development is to consolidate funding to shift the workforce system to a more demand-driven system. To do this, the Governor needs the authority to decide how much of the State's 50 percent share is sent to the local organizations.

It is important for the Governor and the State workforce board to have substantial latitude and flexibility in allocating resources to the local level and to deliver appropriate services throughout the State. The Governor needs this flexibility to develop strategies that would consolidate funding and increase strategic reserves that will shift the workforce system to a more demand-driven system meeting the business needs of the employer community.

Additionally, without dedicated Federal funding for infrastructure, the "one-stop" service delivery system is compromised. Partner contributions are critical to the realization of a true one-stop environment where all pertinent services are offered to workers and business. Requiring partner contributions will increase their level of involvement in the one-stop environment, help ensure that each partner's customers are accessing and benefiting from one-stop services, and improve the umbrella of services provided customers and the rewards shared by all.

#### **Provisions for Designation and Re-Designation of Local Workforce Areas**

States, in partnership with local representatives, should be given maximum flexibility to structure a State workforce development system, as originally proposed by the Administration, to best respond to State and local conditions and workforce needs. Agreements on local area designations should be made as a result of discussions at the State and local level, without Federal involvement.

**Increased Waiver Authority of USDOL and Ability To Apply for a State Block Grant Option**

The language in the House bill does not provide sufficient waiver authority for the States, nor does it contain an option for the State to apply for a block grant, as proposed by the Administration. As was the case under TANF, many States are way ahead of the Federal statute and have developed partnerships with other Federal and State programs in a truly seamless system. Statutory limitations to increased waiver authority should be removed. In addition, the legislation should allow Governors to apply for block grant authority. Under this authority, Governors would have discretion in administering WIA.

The downturn in the economy, and the Northwest's high unemployment rate, are key reasons why Congress needs to strengthen the Nation's publicly-funded workforce system and allow flexibility for the State to design and operate a system that meets its unique needs.

I look forward to working with you as this legislation moves through the Senate and into discussions with the House. If I can provide any additional information, do not hesitate to contact me at (503) 947-1477.

Sincerely,

DEBORAH LINCOLN,  
*Director.*

CITY OF SEATTLE,  
SEATTLE, WASHINGTON 98104,  
*June 27, 2003.*

Hon. PATTY MURRAY,  
*U.S. Senate,*  
*Washington, D.C. 20510.*

DEAR SENATOR MURRAY: I want to thank you for your leadership regarding the need to create more effective and comprehensive national workforce development policies that will help ensure that our nation's workers have the skills they need to find and retain family wage jobs. Well trained adaptable workers are a key element in ensuring that our business community can successfully compete in increasingly competitive world markets. These policies are particularly important as our national, State and local economies continue to suffer from slow growth and very high levels of long-term unemployment.

The reauthorization of the Workforce Investment Act provides an important opportunity to advance policies that will benefit workers and strengthen our economic competitiveness. The debate surrounding the passage of H.R. 1261 identified a number of issues that the City of Seattle believes needs to be addressed by the Senate. I want to submit the following comments as part of the deliberations of the subcommittee and full committee.

The reauthorization of the Workforce Investment Act should address the following key issues:

**Oppose block grants.** The new legislation should not include a block grant that would include the Dislocated Worker and Adult programs in the Workforce Investment Act and/or the U.S. Employment Service authorized under the Wagner-Peyser Act. The creation of a new block grant will undercut support for these important programs and may make them more vulnerable to further cuts.

**Maintain and adequately fund the Employment Service.** It is important that Congress continue to authorize and adequately fund U.S. Employment Service. The elimination of the Employment Service would end a decades-old, clearly defined, Federally funded national commitment to employment services for all U.S. citizens and residents. Abandoning this commitment through a block grant or elimination of funding is unacceptable.

**Increase funding to meet the needs of workers and businesses.** The Senate should insist on a major expansion of funding for the Workforce Investment Act to help our dislocated workers as well as other workers who lack the skills and education needed to find family wage jobs. The past 2 years has seen three million jobs disappear nationally while the Puget Sound region has been very hard hit by long-term layoffs. The administration's proposals to keep funding below fiscal year 2002 levels are unacceptable. The Federal Government needs to strengthen and expand our national commitment to helping our struggling unemployed workers and our businesses that need skilled workers.

**Create a dedicated fund source for "One-Stop" system.** The Workforce Investment Act's support for the creation of State and local "One-Stop" systems was

a major positive step in system reform and integration. The congressional failure to adequately fund these systems have left them unable to adequately serve the needs of unemployed and employed workers and our businesses. H.R. 1261's solution of providing "One-Stop" funding by taking moneys from the system's mandatory partners is the wrong approach. Congress should create a separate dedicated funding stream for the "One-Stop" systems that will ensure that these systems can effectively meet the demand for services in our city and across the country.

**Oppose Personal Reemployment Account.** The Senate should ensure that the new legislation does not include Personal Reemployment Accounts for dislocated workers that had been proposed by the administration. This type of policy will undercut the long-term viability of the dislocated worker program and make it more difficult for hard-pressed dislocated workers to find new family wage jobs.

**Increase training opportunities by changing sequence of service requirements.** The passage of the Workforce Investment Act included a rigid "sequencing of services" prior to participants becoming eligible for more intensive services and training. This policy has had the effect of substantially reducing the numbers of system clients that receive training. This short-sighted policy needs to be changed. The new legislation should make substantial changes in program design that will allow more workers to receive the training they need to find family wage jobs.

**Maintain current relationships between State and local funding and decision-making.** The City believes that the current funding splits and decision-making authority contained in current law should be maintained. Local elected officials and our business, labor, and community partners have the primary responsibility in making the "One-Stop" system work as well as implementing the local WIA programs. Reducing local authority or the percentage of funds flowing to local communities will undercut our efforts to make the system work well.

**Support better performance measures.** The City supports better performance measures across programs that will focus on short- and long-term economic progress for participants. It is important to recognize that participants may have different immediate goals. If their goals are educational in nature, the performance measures should be focused on increased basic skills, training completions, and receipt of certificates and post secondary credentials and transitions to employment. If the goal is employment, the performance measures should be focused on employment indicators such as entry in employment, promotions, short- and long-term earning gains, job retention and lifting participants and their families substantially above the poverty line.

**Maintain employer payments for H1-B program.** It is important for Congress to continue the mandatory employer payments for using the H1-B program that allows foreign nationals to enter the country and fill skilled jobs that cannot be filled by Americans due to a lack of skilled workers. This program needs funding to help train Americans who want to compete for these family wage jobs. The elimination of the mandatory employer payments will cut off another important opportunity for unemployed and underemployed Americans wanting to start new careers that will adequately support their families.

Thanks for your hard work in promoting national workforce development policies that will well serve the needs of workers and employers in our city, State, and nation.

Sincerely,

GREG NICKELS,  
*Mayor of Seattle.*

---

SHORELINE COMMUNITY COLLEGE,  
SEATTLE, WASHINGTON,  
*June 23, 2003.*

Hon. PATTY MURRAY,  
*U.S. Senate,*  
*Washington, D.C. 20510.*

DEAR SENATOR MURRAY: We appreciate the opportunity to submit these written comments and add them to the public record for the Subcommittee on Employment, Safety, and Training's recent hearing on the reauthorization of the Workforce Investment Act (WIA).

WIA is a critical component of the nation's workforce development strategy and an essential resource for widening access to career education, training, and economic opportunity. Community and technical colleges have a vital role to play in the delivery of WIA-funded services, but unfortunately, since the program was first enacted

in 1998, that role has diminished substantially and the Act has failed to live up, so far, to its promise. The transition from JTPA to WIA has made access to core employment services easier and more effective by enhancing program coordination at the local level, but this has come at the substantial cost of reduced funding for training and employer services. Furthermore, some of the “reforms” proposed by the House of Representatives (H.R. 1261) will actually exacerbate this and other problems. A discussion of recommended changes to WIA (and items that should not be changed) follows.

### **Program Funding**

After 5 years of WIA implementation and declining appropriations, it is clear that WIA has been asked to do more than it can possibly handle with the resources it has been given. The mandate to establish locally-responsive and integrated one-stop career center systems came with no additional funding. Scarce WIA dollars that should have gone to the direct provision of employment and training services, have instead been used across the country to pay the rent and operating expenses of large, integrated career centers—an expense that did not exist prior to WIA’s enactment.

The mandate to provide core and intensive services to all workers who come in the door has left virtually nothing for more expensive services like training. A recent report from the Center for Law and Policy Studies estimated that the number of dislocated workers receiving training between 1998 (under JTPA) and 2000 (under WIA) declined from 149,000 to 42,000. The decline in training is even worse for the low-income adult program (see CLASP, *Program Update: Workforce Investment Act*, March 2003, Update No. 1).

To ensure that sufficient resources are in place to fund the service delivery infrastructure and training, WIA appropriations should be increased and separate funding streams should be established for infrastructure and training.

Finally, the proposed integration of Wagner-Peyser funding into WIA will only set the stage for the “block and cut” defunding scenarios we have seen before. It will give State employees previously funded through the Wagner-Peyser program a claim on local WIA resources for the provision of core services that will ultimately lead to further reductions in the funding of training by local workforce investment boards.

### **Access to Training**

Funding is not the only barrier inhibiting access to training. The Act limits access to training to individuals who have failed to obtain viable employment through core services. This *training as last resort* requirement slows the process of directing customers to the services they need and wastes WIA resources. A proper needs assessment documented in an Individual Employment Plan that demonstrates the need for skills training should be all that is necessary to permit access to training without delay. The law should be changed to make it clear that career centers should provide an array of services, not a mandated sequence of services.

Access to training for dislocated workers would be expedited without delays or bureaucratic red tape if the law was changed to allow participation in WIA intensive and training services to satisfy the unemployment insurance work search requirements (as had been allowed under JTPA).

### **Eligible Training Providers and Consumer Choice**

WIA program performance reporting requirements should be limited to WIA participants. If only a few WIA participants access a college program, the college should not be required to track and report on all the program’s students, as is the case under the current law.

WIA and Perkins Act reporting requirements should be reconciled to ensure that the same data is reported for both programs regarding education program performance. The American Association of Community Colleges has submitted a proposal to the U.S. Department of Labor regarding how this can be accomplished.

### **Development and Expansion of Employer Services**

One of the biggest problems with the federally-funded employment and training system is that there are few employer services available. The system is worker-focused. New and better services need to be developed to engage employers in the design and delivery of the WIA system, including job profiling and worker assessment services (including the capability to refer workers to jobs based on objective assessment data to determine if they meet an employer-specific skills profile), and customized training services.

One of the biggest impediments to the development of new and better WIA-funded employer services (besides the lack of available funds due to declining appropria-

tions) is the absence of performance standards that have any relation to these services. All WIA-funded services are subject to the same set of performance requirements, without regard to who the customer is—workers or employers. WIA needs to develop a separate and appropriate set of performance requirements for employer services.

Customized training results should be measured not by worker wage increases or employment gains, but by the achievement of company-identified strategic objectives that motivate companies to engage in incumbent worker skill development. These objectives will vary widely from project to project and company to company, and may include reorganization of the production/service delivery process, reduction of waste, reorganization of staff into work teams, improved customization of products or services, etc. WIA should establish a process for identifying and tracking company-specific strategic objectives for measuring the performance of incumbent worker training initiatives. The Aspen Institute is currently researching how this can be done (see *Documenting Demand Side Outcomes Project*, <http://www.aspenwsi.org/DDSOL.htm>)

#### **Performance Standards**

In addition to the development of a separate performance system for employer services, we recommend dropping the proposed inclusion of a “program efficiency measure” based on cost per participant. We have been down this road before under JTPA and research has shown that performance measures based on costs has led to “creaming” of the most job-ready workers and restricted access to more costly services, such as training, regardless of need (see National Commission for Employment Policy, *JTPA Performance Standards Effects on Clients, Services, and Costs: Final Report*, 1988). Let’s learn from the past and not repeat mistakes we have made before.

#### **Youth Program Enhancement**

In general, we agree with the nine WIA recommendations made by the National Youth Employment Coalition. In particular, we strongly support NYEC’s recommendations regarding streamlining of WIA youth eligibility determination, and building the capacity of local Youth Councils by maintaining local WIB authority over council membership. One area where we differ from NYEC is that we advocate a 50/50 split between in-school and out-of-school youth program funding. These are the issues that most directly inhibit community colleges and local communities from effectively serving economically disadvantaged youth with WIA resources.

Sincerely,

HOLLY L. MOORE, ED.D.,  
*President, Shoreline Community College.*

JOHN E. LEDERER,  
*Executive Director, Government Relations and Grants.*

---

#### PREPARED STATEMENT OF WADE DELK

##### ABOUT THE NATIONAL ORGANIZATION FOR COMPETENCY ASSURANCE (NOCA)

NOCA, the oldest and largest organization representing certification agencies, testing companies, consulting firms and individuals involved in professional certification, was created in 1977 as the National Commission for Health Certifying Agencies (NCHCA) with Federal funding from the Department of Health and Human Services. Its mission was to develop standards for quality certification in the allied health fields and to accredit organizations that met those standards. With the growing use of certification in other fields, NCHCA’s leaders recognized that what is essential for credible certification of individuals in the healthcare sector is equally essential for other sectors. With this vision, NCHCA evolved into the National Organization for Competency Assurance. NOCA is a non-profit, 501(c)(3) organization, committed to serving the public interest by ensuring adherence to standards that ensure the highest competence of certification programs.

NOCA’s membership is composed of more than 300 organizations responsible for certifying specific skill-sets and knowledge bases of professions and occupations at the national and international level. Through certification, NOCA members represent more than six million individuals around the world and include certification programs of some 150 professions and occupations, including 57 healthcare professions. NOCA members certify individual skills in fields as diverse as construction, healthcare, automotive, and finance. A current roster of NOCA members is attached.

NOCA also brings the expertise of its internationally recognized accrediting arm, the National Commission for Certifying Agencies (NCCA). NCCA uses a peer review process to evaluate adherence to its standards by certification programs and grants recognition through accreditation to those programs that have met those standards. These standards exceed the requirements set forth by the American Psychological Association and the U.S. Equal Employment Opportunity Commission and thus help to protect the health, safety, and welfare of the public. NCCA is the national accreditation body that provides this service for private certification organizations in all disciplines.

NOCA's mission is to promote excellence in competency assurance for individuals in all occupations and professions. No other organization has the presence in or commits the resources to the field of certification. NOCA is proud of its position as the international leader in competency assurance for certification programs, as well as its role in promoting excellence in competency assurance for practitioners in all occupations and professions.

#### WHAT IS CERTIFICATION?

The certification of professional and occupational skill-sets affirms a knowledge and experience base for practitioners in a particular field, their employers, and the public at large. Certification represents a declaration of a particular individual's professional competence. In some professions certification is a requirement for employment or practice. Doctors, mechanics, accountants, surveyors and many others are all required to go through a certification process of some kind. In all instances, certification enhances the employability and career advancement of the individual practitioner or employee.

Many organizations in today's competitive and challenging economy have recognized their workforce as their most valuable asset. Likewise, individuals, whether employed or self-employed, know that now more than ever before they must acquire and maintain more comprehensive skill-sets to ensure their own attractiveness and ability in the workplace.

The benefits of certification include:

- Higher wages for employees in the form of higher salaries and pay scales, bonuses, or education assistance
- A more productive and highly trained workforce for employers
- Prestige for the individual and a competitive advantage over non-certified individuals in the same field
- Enhanced employment opportunities
- Assisting employers in making more informed hiring decisions
- Assisting consumers in making informed decisions about qualified providers
- Protecting the general public from incompetent and unfit practitioners
- Establishing professional standards for individuals in a particular field.

Equal to the benefits of certification is the importance of establishing an underlying certification program based on best practices and recognized processes and procedures developed by the field of certification. NOCA serves as the member-based organization for the field of certification to enhance professional excellence and ensure the competency of certification programs.

Indeed, many policy-makers have regarded certification as so valuable to our nation's workforce and national security that the Senate Commerce Committee recently added a provision the Federal Aviation Administration reauthorization bill providing for the certification of new security skill-sets for flight attendants.

#### NOCA'S RECOMMENDATIONS FOR ENHANCING THE WORKFORCE INVESTMENT ACT

Among the resources that will enable displaced workers move back into employment, possibly better employment or enhanced career opportunities, would be access to certification programs whose prerequisites and requirements these workers may be eligible or could quickly become eligible. Certification of one's specialized skills learned from years on the job may well be the quickest pathway to reemployment.

In many instances, an occupational certification does not require a college degree. College is an expensive and time-consuming undertaking which may not represent a viable alternative for many dislocated workers. Some occupations, such as auto mechanics or X-ray technicians, only require a certification, not a college degree. A certification in either of these fields can open up a rewarding career path, with good pay and opportunities for advancement, to many individuals.

NOCA recommends including information on opportunities for certification and licensure as a core service available through the One-Stop employment and training activities and including certification and licensure in the scope of training services offered through the One-Stop system.

Certification would offer a meaningful and direct pathway to re-employment for many individuals eligible for assistance through the One-Stop system. Certification may be a part of the training for specific job skills required in local markets and will enhance the job readiness of many with skills from previous work experience. Including information about the vast array of opportunities available to job seekers when they visit One-Stops is a sure way to assist an individual in obtaining new work and possibly better career opportunities.

In fact, career counselors who staff One-Stop Centers are certified as Global Career Development Facilitators by the National Board for Certified Counselors, a NOCA member and the largest certification program for the counseling profession. These career development professionals receive specialized training for working in career development fields. The Career Development Facilitators credential establishes minimum competency requirements to serve the dislocated worker and requires adherence to a professional Code of Ethics.

#### CONCLUSION

Improving the prospects for reemployment and career opportunities of displaced workers represents the core of the Workforce Investment Act. Many employers in today's competitive and challenging economy have recognized that their workforce is their most valuable asset. Likewise, individuals, whether employed or self-employed, know that now more than ever before they must acquire and maintain more comprehensive skill-sets to ensure their own marketability and competence in the workplace. Certification represents an excellent pathway to employment opportunities for workers in all areas in the economy. It also serves as an important assurance for employers and the general public that individuals have attained the necessary skill sets to provide the services or carry out the scope of their employment. We hope that the Subcommittee will recognize the important role that certification has to play in the One-Stop system.

#### APPENDIX

##### **NOCA Organizational Members**

NOCA's Organizational Members consist of associations, certifying organizations, customer groups, and government agencies that are interested in credentialing.

- AACE International
- ACNM Certification Council, Inc.
- Academy of Ambulatory Foot Surgery
- Academy for Certification of Vision Rehabilitation and Education Professionals
- Accrediting Bureau of Health Education Schools
- Aerobics and Fitness Association of America
- American Academy of Audiology
- American Academy of Nurse Practitioners
- American Academy of Otolaryngology—Head & Neck Surgery
- American Academy of Pain Management
- American Academy of Wound Management
- American Association for Medical Transcription
- American Association for Respiratory Care
- American Association of Critical-Care Nurses Certification Corporation
- American Association of Family and Consumer Sciences
- American Association of Medical Assistants
- American Association of Physician Specialists
- American Board for Certification in Orthotics and Prosthetics, Inc.
- American Board for Occupational Health Nurses
- American Board of Ambulatory Medicine
- American Board of Cardiovascular Perfusion
- American Board of Chiropractic Consultants
- American Board of Chiropractic Orthopaedists
- American Board of Chiropractic Sports Physicians
- American Board of Industrial Hygiene
- American Board of Nursing Specialties
- American Board of Opticianry
- American Board of Pain Medicine
- American Board of Professional Neuropsychology
- American Board of Surgical Assistants
- American Board of Transplant Coordinators
- American Board of Veterinary Practitioners
- American Certification Agency for Healthcare Professionals
- American Chiropractic Neurology Board

- American Chiropractic Registry of Radiologic Technologists
- American College of Forensic Examiners
- American College of Healthcare Executives
- American College of Sports Medicine
- American Compensation Association
- American Construction Inspectors Association
- American Council of Certified Podiatric Physicians and Surgeons
- American Council on Exercise
- American Fence Association, Inc.
- American Hospital Association Certification Center
- American Institute of Certified Public Accountants
- American Lung Association National Asthma Education Certification Board
- American Medical Technologists
- American Nurses Credentialing Center Commission on Certification
- American Occupational Therapy Association
- American Osteopathic Association
- American Payroll Association
- American Petroleum Institute
- American Physical Therapy Association
- American Podiatric Medical Specialties Board
- American Production and Inventory Control Society
- American Reflexology Certification Board
- American Registry of Diagnostic Medical Sonographers
- The American Registry of Radiologic Technologists
- American Society for Industrial Security
- American Society for Microbiology
- American Society of Anesthesia Technologists and Technicians
- American Society of Association Executives
- American Society of Military Comptrollers
- American Speech-Language-Hearing Association
- Aquatic Exercise Association, Inc.
- Art Therapy Credentials Board
- Associated Landscape Contractors of Colorado
- Association for Canadian Registered Safety Professionals
- Association for Death Education and Counseling
- Association for Investment Management and Research
- Association of Government Accountants
- Association of Medical Illustrators
- Association of Professionals in Business Management
- Association of Social Work Boards
- Association of Surgical Technologists, Inc.
- Association of Water Technologies, Inc.
- BICSI: A Telecommunications Association
- Behavior Analyst Certification Board
- Biofeedback Certification Institute of America
- Board for Certification in Podorthics
- Board for Orthotist/Prosthetist Certification
- Board of Certification for Emergency Nursing
- Board of Certification in Professional Ergonomics
- Board of Certified Safety Professionals
- Board of Environmental, Health & Safety Auditor Certifications
- Board of Pharmaceutical Specialties
- Board of Registered Polysomnographic Technologists
- California-Nevada Section, American Water Works Association
- California Water Environment Association
- Canadian Alliance of Physiotherapy Regulators
- Canadian Board for Respiratory Care, Inc.
- Canadian Chiropractic Examining Board
- Canadian Council of Professional Engineers
- Canadian Securities Institute
- Certification Board for Music Therapists
- Certification Board of Infection Control and Epidemiology
- Certification Board Perioperative Nursing
- Certification of Disability Management Specialists Commission
- Certified Financial Planner Board of Standards, Inc.
- Certified Fund Raising Executive International Credentialing Board
- Certified General Accountants' Association of Canada
- Certifying Board for Dietary Managers

- Certifying Board of Gastroenterology Nurses and Associates
- Clinical Nutrition Certification Board
- College of Massage Therapists of Ontario
- College of Medical Radiation Technologists of Ontario
- College of Occupational Therapists of Ontario
- College of Respiratory Therapists of Ontario
- Commercial Real Estate Education Foundation, Inc.
- Commission for Case Manager Certification
- Commission for Certification in Geriatric Pharmacy
- Commission on Dietetic Registration of the American Dietetic Association
- Commission on Graduates of Foreign Nursing Schools
- Commission on Rehabilitation Counselor Certification
- Computing Technology Industry Association
- Construction Management Association of America
- Consultant Services
- Convention Liaison Council
- Council on Certification of Nurse Anesthetists
- Council on Licensure, Enforcement and Regulation
- Council on Nutrition
- Defense Activity for Non-Traditional Education Support
- Dental Assisting National Board
- The Educational Foundation of the National Restaurant Association
- Examination Board of Professional Home Inspectors
- Hand Therapy Certification Commission, Inc.
- Healthcare Quality Certification Board
- Human Resource Certification Institute
- IEEE Computer Society
- ISA, the international society for measurement and control
- Infusion Nurses Certification Corporation
- Illinois Department of Professional Regulation
- Institute of Certified Management Accountants
- Institute of Hazardous Materials Management
- Institute of Real Estate Management
- International Air Filtration Certifiers Association
- International Association for Colon Hydrotherapy
- International Association of Healthcare Central Service Materiel Management
- International Association of Psychosocial Rehabilitation Services
- International Board of Lactation Consultant Examiners
- International Certification and Reciprocity Consortium/Alcohol & Other Drug Abuse, Inc.
- International Conference of Building Officials
- International Electrical Testing Association (NETA)
- International Executive Housekeepers Association, Inc.
- International Society for Clinical Densitometry
- International Society of Arboriculture
- Joint Commission on Allied Health Personnel in Ophthalmology
- Knowledge Management Certification Board
- Lamaze International
- Liaison Council on Certification for the Surgical Technologist
- National Aerobics & Fitness Trainers Association
- National Air Duct Cleaners Association
- National Association Medical Staff Services
- National Association for Subacute & Post Acute Care
- National Association of Alcoholism and Drug Abuse Counselors
- National Association of Boards of Pharmacy
- National Association of Forensic Counselors, Inc.
- National Association of Legal Assistants
- National Association of Mortgage Brokers
- National Association of Purchasing Management
- National Athletic Trainer's Association Board of Certification
- National Board for Certification in Hearing Instrument Sciences
- National Board for Certification in Occupational Therapy
- National Board for Certification of Registrars
- National Board for Certified Counselors
- National Board for Professional Teaching Standards
- National Board for Respiratory Care
- National Board of Certification for Community Association Managers, Inc.
- National Board of Examiners in Optometry

- National Board of Orthodontics, U.S.
- National Business Aviation Association
- National Center for Competency Testing
- National Certification Board for Diabetes Educators
- National Certification Board for Therapeutic Massage and Body Work
- The National Certification Board of Pediatric Nurse Practitioners and Nurses
- National Certification Commission for Acupuncture and Oriental Medicine
- National Certification Corporation for the Obstetric, Gynecologic, and Neonatal Nursing Specialties
- The National Commission for Health Education Credentialing
- National Commission for the Certification of Crane Operators
- National Community Pharmacists Association
- National Contact Lens Examiners
- National Council for Interior Design Qualification
- National Council for Therapeutic Recreation Certification, Inc.
- National Council of Architectural Registration Boards
- National Council of Examiners for Engineering and Surveying
- National Council of State Boards of Nursing, Inc.
- National Council for Therapeutic Recreation Certification
- National Council on Qualifications for the Lighting Professions
- National Dental Hygiene Certification Board
- National Examining Board of Ocularists
- National Glass Association
- National Ground Water Association
- National Healthcareer Association
- National Ground Water Association
- National Indian Child Welfare Association
- National Institute for Automotive Service Excellence
- National Institute for Certification of Healthcare Sterile Processing and Distribution Personnel
- National Institute for Standards in Pharmacist Credentialing
- National Phlebotomy Association, Inc.
- National Registry of Emergency Medical Technicians
- National Registry of Food Safety Professionals
- National Safety Management Society
- National Strength and Conditioning Association (NSCA) Certification Commission
- National Surgical Assistant Association
- North American Electric Reliability Council
- North American Registry of Midwives
- North American Technician Excellence
- The Nuclear Medicine Technology Certification Board
- Oncology Nursing Certification Corporation
- Ontario College of Pharmacists
- Ophthalmic Photographers' Society, Inc. Board of Certification
- Pharmacy Technician Certification Board
- Professional Photographers of America
- Project Management Institute
- Radiology Coding Certification Board
- Registry of Interpreters for the Deaf, Inc.
- Registry of Magnetic Resonance Imaging Technologists, Inc.
- Rehabilitation Engineering and Assistive Technology Society of North America
- Royal College of Physicians and Surgeons of Canada
- Sales & Service Voluntary Partnership, Inc.
- Society of Actuaries
- Society of Cable Telecommunications Engineers
- The Society of the Plastics Industry, Inc.
- Society of Tribologists and Lubrication Engineers
- Transportation Professional Certification Board, Inc.
- Washington State Department of Health
- Wound, Ostomy, and Continence Nurses Certification Board

PREPARED STATEMENT OF SORY HINTON JORDAN

Good morning Mr. Chairman and Members of the Committee. I am Sory Hinton Jordan of California, President of IAPES, which is a nonprofit educational association representing 17,000 professionals worldwide who work in public and private workforce development programs. The mission of IAPES is to enhance, serve, and

support those interested in workforce development programs. IAPES was founded in 1913 when there were only 62 public employment offices in the United States operating in 19 States. The need for uniformity in methods, procedures, and in the exchange of labor market data and workforce ideas was realized by many managers and officials of these early workforce agencies and so they helped to form our organization. I thank the Committee for the opportunity to share with you some thoughts about the reauthorization of WIA as it affects the important contributions our members provide in assisting workers and linking them to employers and opportunity.

The 1998 enactment of the Workforce Investment Act was intended to reform the nation's employment and training system. It was recognized at the time that parts of the system were fragmented or overlapping and that the system as a whole could be coordinated and improved to better serve both job seekers and employers. WIA is an attempt to integrate employment and training services at the local level into a coordinated workforce development system. As you know, full implementation of WIA began in July 2000, with the primary focus on the establishment of a network of local one-stop delivery centers, which is where many of our IAPES members work to assist job seekers and employers.

Over one million people received intensive services or training services through WIA-funded programs during the period July 1, 2001 to June 30, 2002. During this same period, millions more job seekers and employers benefited from job search and placement assistance, other labor market information, unemployment insurance assistance, counseling and customized services for veterans, adults, youth, individuals with disabilities and dislocated workers—all provided through this same coordinated workforce development system under the authority of WIA, the Wagner-Peyser Act, the Rehabilitation Services Act, the Adult and Vocational Education Acts and the Social Security Act.

However, in the current national economic environment of high unemployment and historically long duration of joblessness, modest successes in reorganizing employment and training programs into a coordinated workforce delivery system have not proven sufficient to address the needs of the nine million Americans who are now out of work and the many millions more who have stopped looking for work. Strengthening the capability of programs that help Americans get back to work—both through reauthorization legislation and robust Federal funding—is even more essential at this time.

Mr. Chairman, the House of Representatives has passed its proposed WIA reauthorization. We have some thoughts regarding the House bill that may be useful to you as you consider your own reauthorization bill.

H.R. 1261, as passed by the House of Representatives, proposes to improve the workforce investment system through various amendments intended to strengthen one-stop career centers, alter WIA governance relationships, emphasize consumer choice, target youth services, and focus on performance outcomes.

The House bill would alter the membership and responsibilities of State workforce investment boards. Greater responsibility would fall upon State workforce-related agencies, where there is a significant concentration of our IAPES membership. It is our hope that through such a "refocusing" State boards would ensure that State-level administrators of one-stop programs have a greater say in setting policies regarding the coordination of services within the one-stop centers. Our membership is pleased that the House bill emphasizes serving individuals with disabilities but feels more emphasis must also be placed on the special employment services required and well earned by our nation's veterans. We also feel that State authority to require a regional plan from local areas is an important feature of the House bill that can help improve the overall State workforce system. The House would drop the requirement that each of the local one-stop partner programs have a seat on the local board. While we do not oppose this change, we reiterate it is essential that the local labor exchange agency (the Employment Service) as well as representatives of the unemployment insurance agency, the labor market information agency, veterans and individuals with disabilities be at the table when decisions affecting the local labor market are made. H.R. 1261 provides that each one-stop partner program whose budget is controlled by the State must contribute a portion of its annual funding for allocation to the infrastructure funding of local one-stop centers. Again, while IAPES does not specifically oppose this concept, we want to ensure that the portion of the funds provided for infrastructure costs remains a small percentage of each partner program's overall funding and that it is proportionate to the program's use of the one-stop system. Our concerns were addressed by a House bill amendment offered by Representative Kline.

The House bill also anticipates the consolidation of the three adult funding streams—WIA adult and dislocated worker funding streams and the Wagner-Peyser

labor exchange (Employment Service) funding stream. Under this arrangement, all former Employment Service functions would be maintained through the provision of core services within the one-stop delivery system. Under current law, both WIA and the Wagner-Peyser Act provide funds for services to connect job seekers with available jobs. All adults are eligible to receive these services. Such WIA activities are called 'core services' and under Wagner-Peyser they are 'labor exchange services.' But the services are very similar and, in many States, are offered through a coordinated or fully integrated local delivery system. The House would give governors the option of either providing the funds to the local areas or utilizing State employees to provide the services locally in the one-stop centers. Under Wagner-Peyser, but not WIA, there is a regulatory requirement that labor exchange services be provided by State merit staff employees.

Some IAPES members feel that consolidation of these funding streams is consistent with the program delivery coordination that their States have pursued and, therefore, is appropriate. Based upon the comments we have received from our membership and the legislative outreach to the membership that we have undertaken, it is clear however that the majority of IAPES members strongly believe that the separate identification of labor exchange resources has been very valuable to their State's job seekers and employers. Also, Mr. Chairman, virtually all of our IAPES members appreciate that merit service requirements in many public programs grew out of patronage abuses that harmed public service capabilities. We feel the protections provided to vital public services through a merit service requirement remain extremely important. But many of our members feel this is not the only criterion that should be considered in deciding how to improve the workforce delivery system. However, all of our IAPES members are concerned about the availability of adequate Federal resources for the workforce system to serve employers and, particularly in difficult economic times such as these, job seekers. Frankly, Mr. Chairman, this latter concern of our membership is the strongest reason we feel it may not be prudent at this time to consider the consolidation proposed by the House. Since there are so few national organizations that focus on the "employment security" side of employment and training programs—including UI, ES and labor market information—and so few who also focus on VETS and services to individuals with disabilities, and since our Membership was historically concentrated in these areas, our organization has tended to focus here. In the past few years, Federal funding for employment and training programs has declined, in total, by significant amounts—in spite of rising joblessness and unemployment duration. We worked very hard during this period to preserve Federal resources for UI administration, the Wagner-Peyser labor exchange, ALMIS, VETS and WIA disabilities activities. For fiscal year 2003, Congress, for the most part, protected these programs. At the same time however, the administration proposed (and continues to propose) large cuts in employment and training programs. The Congress responded last year by cutting other WIA programs by more than \$600 million. We think this approach by the Congress is due, in part, to the historic commitment Congress has had to the UI and ES programs. Facing more Federal cuts for at least as long as these massive, renewed Federal deficits endure—which could be many more years, we think it is probably wiser to face our chances in the bruising annual Federal appropriations process with the limited leverage of a separate Wagner-Peyser funding stream still in place. We think, unfortunately, WIA programs will be cut again this year—and probably more in the years ahead. We think, on balance, it would be better if we had a shot at trying to protect labor exchange resources under Wagner-Peyser.

Finally, Mr. Chairman, let me say a word about a program we were not so successful in defending in the appropriations process last year. America's Labor Market Information System is central to effective Federal, State and local policy making in the workforce system. And it is critical to the millions of individual decisions job seekers and employers make every year as well. Yet we, as a system, tend to ignore the essential services it provides when we make our funding decisions or consider legislative changes. I would therefore ask, Mr. Chairman, that we have the opportunity to continue discussing ALMIS issues as you work through the WIA reauthorization this year.

Again, Mr. Chairman, thank you for offering IAPES this opportunity to submit this testimony.

PREPARED STATEMENT OF STEVE H. PERDUE

On behalf of the Board of Directors for the American Congress of Community Support and Employment Services (ACCSES), I welcome the opportunity to provide comment on the reauthorization of the Workforce Investment Act of 1998. ACCSES is a national, nonprofit organization of providers of vocational rehabilitation and

community supports committed to maximizing employment opportunities and independent living for individuals with disabilities.

As the Senate Health, Education, Labor, and Pensions (HELP) Subcommittee on Employment, Safety, and Training considers reauthorizing legislation for the nation's workforce development and public vocational rehabilitation systems, ACCSES appreciates the opportunity to share with you its recommendations. Earlier this year on April 24, ACCSES sent each of you a letter encouraging your subcommittee to pursue a more deliberative path on reauthorization of the Workforce Investment Act (hereafter referred to as WIA) and Rehabilitation Act (hereafter referred to as Rehab Act) by seeking greater public input from stakeholders. The public hearing convened on June 18 was a step in the right direction and hopefully additional hearings will follow.

WIA was intended to provide displaced workers with the information, training, and resources necessary to obtain and retain employment through the design and implementation of the One-Stop Delivery System (hereafter referred to as the One-Stops). By establishing the One-Stops, the previously fragmented employment and training system was replaced with an integrated, enhanced system of services and supports corresponding to needs of a competitive labor market.

WIA also recognized that individuals with disabilities often required more specialized services and supports and, therefore, authorized certain mandatory partners participation, such as the Vocational Rehabilitation (VR) program. By mandating the State VR Agencies participation, individuals with disabilities were given physical, programmatic, and systematic accessibility to the workforce investment system.

ACCSES contends that the following recommendations shall serve to improve the existing workforce development and public vocational rehabilitation system.

#### UTILIZING COMMUNITY-BASED PROVIDERS IN THE ONE-STOP SYSTEM

Community-based providers represented by ACCSES play a pivotal role in integrating individuals with disabilities into their communities, and providing the skills necessary to lead more productive lives. Community-based providers offer a wide array of services and supports, including vocational rehabilitation, employment skills, residential services, mental health services, substance abuse services, transportation, case management, day treatment, counseling, and family services. All of these services and supports represent a sound public investment because they assist individuals with disabilities become self-sufficient, tax-paying citizens.

ACCSES believes that the ability of community-based providers to assist individuals with disabilities obtain and retain employment largely depends on a strong, comprehensive workforce development system. Therefore, it is critical that the necessary steps be taken during reauthorization to ensure that continued improvements are made to the WIA's infrastructure, along with the allocation of appropriate resources. One of the most significant improvements involves greater utilization of community-based providers in the One-Stop system.

Challenge Industries, Inc. located in Ithaca, New York (Tompkins County) provides an excellent example of a community-based provider being included as an integral component in a successful One-Stop system. Challenge is a vocational rehabilitation agency, serving over 500 job seekers per year comprised of individuals with disabilities and job seekers transitioning from public assistance.

Although many areas in New York State report continued failure to widen participation in the local One-Stop infrastructure, Tompkins Workforce New York One-Stop system has achieved success, in part, by its inclusion of community-based providers. Where other One-Stops have been unable to achieve the overall goals set forth in WIA, Challenge's involvement in Tompkins Workforce New York One-Stop has helped to eliminate duplication of services.

Some unique features, which have resulted from the inclusion of community-based providers in the Tompkins Workforce New York One-Stop system, include:

- Co-location of agencies serving job seekers with barriers, resulting in more effective networking and supports for job seekers (including, but not limited to, housing, transportation, child-care, financial planning, etc.)
- Active participation in One-Stop planning including marketing the "system," rather than approaching the business community as several distinct agencies
- Greater support systems and individualized training opportunities for job seekers (have been able to tap into WIA funds, when VR is unable to financially assist)
- Shared staffing in the One-Stop Center which includes direct staff from community based agencies who specialize in serving individuals with disabilities
- Increased participation with AOSOS which has improved the reportable outcomes representing successful job placements of individuals with disabilities

- Disability expertise in the One-Stop system (accessibility, accommodations, workplace disclosure, social security advisement, tax credits and other work incentives)

Community based providers have long histories of established relationships with the business community that have resulted in growing placement rates for job seekers with disabilities. In short, the success of the public VR system depends on its ability to collaborate, partner and include community-based agencies in serving individuals with disabilities in the One-Stop system.

#### UTILIZING COMMUNITY-BASED PROVIDERS IN THE STATE VR SYSTEM

ACCSES also contends that reauthorization should include comprehensive language that encourages State VR Agencies to utilize the services and supports provided by community-based programs. Considering the U.S. Supreme Court's 1999 Olmstead decision, President Bush's New Freedom Initiative, and subsequent Executive Order Number 13217, the success of the public VR program will depend, in large part, on its ability to collaborate and partner with other agencies, both public and private, in providing services and supports to individuals with disabilities. Since many States are focusing on Olmstead implementation, community-based programs will continue to play an increasing role in assisting individuals to obtain work.

For instance, in Florida the total amount of VR expenditures spent in 2002 on private, community-based providers was approximately 8.3 percent (total VR expenditures was \$125,176,210 and \$10,485,380 was spent on private providers). Yet, the private, community-based providers in the State produced almost four times as many successful closures (22.8 percent). There were 10,013 total employment outcomes defined as 26 closures and private, community-based providers closed 2,284 cases.

Likewise, the State VR Agency in Illinois spent approximately \$24 million of its \$84 million budget on private, community-based providers (27 percent). The total number of successful outcomes achieved in Illinois last year was an estimated 6,600 and private providers closed 42 percent of the cases (2,801). In Florida and Illinois, private, community-based providers have demonstrated their value to the VR program by successfully working with individuals with disabilities to obtain and retain employment.

State VR Agencies and community-based providers, alike, need additional training on the needs and best practices in employment services for individuals with severe and persistent mental illness. Based on some estimates, the unemployment rate among this fragile population continues to remain around 90 percent. Therefore, increased resources for community-based demonstration projects for supported employment and supported educational services are needed.

#### INCREASING COORDINATION AND ACCESSIBILITY

For almost 30 years, the cornerstone of Title I of the Rehab Act has consistently been to provide individuals with disabilities with customized vocational rehabilitation, employment services, and other supports. More importantly though, Title I has represented the commitment of the Federal Government to empower individuals with disabilities to take control of their own lives by becoming more independent. ACCSES strongly believes that the reauthorization process needs to maintain this commitment by strengthening not weakening the public VR system.

Clearly individuals with disabilities who access services and supports from the public VR system stand to benefit by becoming more self-sufficient and less dependent on the public doles. For example, according to the New Jersey Division Vocational Rehabilitation Services (NJDVRS) there were 3,788 recipients of NJDVRS services in New Jersey successfully rehabilitated and placed in jobs in fiscal year 2002. **For those individuals placed successfully the average weekly wage at achievement of employment was \$417 compared with an average weekly wage at the time of referral to NJDVRS of \$74.** This demonstrates considerable growth in the earning capacities of those who were successfully placed after NJDVRS services.<sup>1</sup>

In addition the long-held belief that vocational rehabilitation saves tax dollars was supported by data on public support recipients from New Jersey who were referred for NJDVRS services and placed successfully. **At the time of their referral, 30 percent were receiving some type of public support (SSDI, SSI, Public**

<sup>1</sup>New Jersey Division of Vocational Rehabilitation Services, "Fiscal Year 2002 Report on Activity to Senators Frank Lautenberg and Jon Corzine," 2003.

**Assistance), while at the successful completion of their program and subsequent placement, 12 percent continued to receive public support.<sup>2</sup>**

Protecting the integrity of Title I and State VR Agencies must remain a priority to insure proper services for individuals with disabilities. Keeping the current program infrastructure and funding separate from other employment and training programs will best achieve this objective. During the 1998 reauthorization of the Rehab Act, attempts were made to consolidate VR programs into one funding source—this was avoided because advocates successfully demonstrated that the One-Stops could not effectively work for all individuals with disabilities needing services. The same holds true today. Despite keeping the program infrastructure and funding separate, there has been little technical guidance on how best to effectively coordinate the services available at the One-Stops and its mandatory partners.

A study completed in October 2001 by the General Accounting Office (GAO) determined that mandated partners were concerned that their participation may lead to serving ineligible clients. Specifically, State VR Agencies expressed apprehension that changes to their traditional service-delivery system was forcing them to serve individuals outside their target populations. Since many individuals who enter the system seeking services and supports are not disabled, GAO found that VR was reluctant to provide core services to these individuals. Yet, without VR's active participation and presence, the One-Stops are often ill-equipped to serve individuals with disabilities who require more specialized services and supports.<sup>3</sup>

The Rehab Act mandates that State VR Agencies must serve individuals with the most severe disabilities based on an Order-of-Selection if they do not have the funding to serve all. Local VR counselors have expressed programmatic concerns over serving non-disabled individuals entering the One-Stops (i.e. providing initial intakes or making referrals). In response to their concerns, the U.S. Department of Education (DOE) has indicated that such services are permitted, and also in compliance with their WIA participation.<sup>4</sup> Although DOE has attempted to provide clarification, the GAO study concluded, "the lack of explicit direction leads to continued confusion and a general hesitancy to conduct activities not normally provided in their existing offices." The current 2003 reauthorization provides an excellent opportunity to clarify the ongoing confusion.<sup>5</sup> Since resources available to individuals with disabilities are already limited, the need for clarification on delivery methods is essential to the One-Stops being able to successfully serve these individuals. In order to improve accessibility at the One-Stops, mandatory partners need additional technical guidance and resources to provide for local and regional planning. Congress and Federal agencies need to modify the authorizing legislation and regulations, respectively, to make them more uniform with the One-Stops.

Also, incentives need to be given to mandatory partners for relocation to the One-Stops. One-Stops that have the physical presence of their mandatory partners are better able to serve their targeted populations seeking services and supports. Individuals with disabilities often have difficulties finding adequate and accessible transportation, therefore having a centralized location offering the desired information, training, and resources would help to alleviate this dilemma. In the GAO study, staff reported cases where individuals with disabilities were referred from one location to another in order to receive services.

As previously mentioned, limited resources often create barriers to employment by complicating the ability of individuals with disabilities to access services. Mandatory partners participating in the One-Stops should be allocated additional funds for costs associated with their participation. Fiscal restraints placed on mandatory partners' ability to collocate with the One-Stops, while maintaining their existing locations, has made it hard to assign additional staff to the One-Stops. Providing additional funding to link existing offices with the One-Stops would encourage greater participation. It would also grant individuals with disabilities options when attempting to access services.

Better coordination between the One-Stops and its mandatory partners is also consistent with congressional intent to make the workforce development system physically and programmatically accessible to people with disabilities. The American with Disabilities Act (ADA) and Sections 504 and 508 of the Rehab Act also mandate that the One-Stops include physical and programmatic accessibility standards. In many cases these standards have not been achieved by the One-Stops.

<sup>2</sup>"Fiscal Year 2002 Report on Activity to Senators Frank Lautenberg and Jon Corzine," 2003.

<sup>3</sup>United States General Accounting Office, GAO-02-72, "Workforce Investment Act: Better Guidance Needed to Address Concerns Over New Requirements," October 2001, p. 15.

<sup>4</sup>GAO-02-72, p. 18.

<sup>5</sup>United States General Accounting Office, GAO-02-72, "Workforce Investment Act Better Guidance Needed to Address Concerns Over New Requirements," October 2001, p. 16.

Although ACCSES contends that improving the One-Stops accessibility is an essential piece of reauthorization, it should not come at the expense of the mandatory partners existing obligations. Many of the mandatory partners, such as VR, are already severely under-funded having to place people on waiting lists for services and supports. In fact, currently 37 State VR Agencies are operating under an Order-of-Selection. Funds appropriated to the VR system should not be re-directed for purposes other than the ones mandated by the Rehab Act. The Rehab Act clearly outlines accountability criteria for VR-related funds, which includes prohibiting the transfer of funds. Section 16(a) of the Rehab Act reads, "No funds appropriated under this Act for any program or activity may be used for any purpose other than that for which the funds were specifically authorized." Therefore, ACCSES is strongly opposed to siphoning such funds for administrative and infrastructure development of the One-Stops.

#### MAINTAINING DEDICATED PROGRAMS AND FUNDING

It is widely recognized that individuals with disabilities require varying services and supports depending on the severity of their physical or cognitive impairment. In response to these differences, Congress authorized several smaller, specialized programs designed to address specific service needs of individuals with disabilities. The Rehab Act specifically includes four dedicated programs Supported Employment State Grant program, Projects With Industries (PWI), Migrant and Seasonal Farm workers, and Recreation Projects whose distinct tasks are better served separate from the larger State VR grants.

The President's fiscal year (FY) 2004 budget proposes to fold these four smaller programs funded through Title VI of the Rehab Act into the larger VR State grant program. The President's budget argues that these programs are redundant and should have the same funding source. By consolidating these programs, individuals with disabilities will have less choices made available to them because many States would opt not to fund smaller programs as part of their core VR services, costing jobs and opportunities. Each of these programs is proven to be highly successful programs complimenting the basic State grants, despite being level funded year after year.

The Projects with Industry (PWI) program provides an excellent example. PWI has a proven track record over more than 30 years of placing persons with disabilities into competitive jobs in the community. It has proven to be a most effective means of involving the business community in the rehabilitation process. PWI provides a bridge between the private business community and government supports for people with disabilities. In every nationwide PWI competition conducted during the last 15 to 20 years, the number of qualified applications has far exceeded the available funding.

ACCSES believes additional funding should be made available so that more individuals with disabilities can be placed through PWI projects. Since this program serves a very important role as adjuncts to the VR services authorized under Title I of the Rehabilitation Act, ACCSES cannot support the President's request to consolidate these separate funding streams into the Title I State VR grant. ACCSES recommends that the Projects with Industry program maintained in the Rehab Act as part of WIA and be funded at \$50 million for fiscal year 2004.

Rather than eliminate the structural integrity of these successful programs, Congress should concentrate on improved coordination not only between intra-agency programs, but also on a larger scale between the One-Stops and its mandatory partners. Even more troubling is that the President also wants to consolidate three adult training programs administered under DOL.

According to DOL's own website, "The purpose of Adult programs under Title I of the Workforce Investment Act (WIA) is to provide workforce investment activities that increase the employment retention and earnings of participants, and increase occupational skill attainment by the participants. This program aims to improve the quality of the workforce, reduce welfare dependency, and enhance the productivity and competitiveness of the nation's economy." These objectives can be best attained by dedicated programs that tailor to the specific needs of workers with and without disabilities.

ACCSES fears that the employment needs of individuals with disabilities trying to obtain employment and training skills will be harder to access under a consolidated One-Stop system. There are already enough barriers to employment facing this fragile population that is underserved by the One-Stops. The current law that provides dedicated funding for WIA adult, dislocated worker, and Wagner-Peyser State grants programs must be maintained.

## PROVIDING FOR YOUTH-IN-TRANSITION

In its 18th Annual Report to Congress on the implementation of the Individuals with Disabilities Education Act (IDEA), DOE's Office of Special Education Programs (OSEP) recognized that while all IDEA requirements are important, some of its requirements have a more direct relationship to student results than others. OSEP placed the highest priority on compliance with those IDEA requirements that have the strongest relationship with improved services and results for students with disabilities and their families. The first priority indicated was the statement of **needed transition services** for students with disabilities beginning no later than age 16 (and younger if appropriate).

ACCSES supports that the full array of transition begins by age 14. The statement of needed transition services is the required link to the community; the drop out rate of youth with disabilities prior to the requirements in the current law necessitates its implementation prior to age 16. Using community based organizations in transition planning will assist students to be better prepared by providing them with opportunities to apply skills necessary for employment.

In addition, ACCSES supports the proposed legislation with Senate Bill 1248 for IDEA reauthorization, which amends the Rehab Act to include language specific to VR counselors providing transition assistance for youth with disabilities. However, with 37 States already in an order of selection, the resources necessary to carry out this provision must be included. Under funding this provision will put an overwhelming burden on a system that is already lacking resources necessary to fulfill its current requirements. Also, the public VR system was designed to promote employment and training for individuals with disabilities. Their role in transition planning must be specific to these areas only.

## CONCLUSION

The ongoing reauthorization provides your Subcommittee the opportunity to remedy some of the inconsistencies that exist under the workforce development system that result in severe barriers to accomplishing the purpose of these programs, i.e. to further the education, employment, and independence of persons with disabilities. These barriers need to be removed. ACCSES believes that individuals with disabilities would be better served by a seamless service delivery system, whereby the Workforce Investment Act, Individuals with Disabilities Education Act, Rehabilitation Act, and Ticket to Work and Work Incentives Improvement Act coordinate and use identical language to foster smooth transition and cooperative services.

## PREPARED STATEMENT OF DIANE D. RATH

As Chair of the Texas Workforce Commission and the Commissioner Representing the Public, I appreciate this opportunity to submit a statement for the record regarding the reauthorization of the Workforce Investment Act (WIA). This landmark legislation brings together employers and workers in a system that meets the needs of both groups. By matching job seekers with targeted occupations in a particular area, Congress eliminated prior programs that provided training without consideration to the needs of employers, resulting in well-trained but unemployable individuals.

The WIA is an essential part of our system in Texas. Through the foresight of then-Governor George W. Bush and the Texas Legislature in 1995, we instituted services similar to those available through WIA, a full 3 years before WIA became law. The Texas Workforce Network, consisting of TWC and local workforce boards, offers a seamless delivery system for all employers and job seekers, regardless of their background or job status. If you go into one of the more than 270 workforce centers and satellite offices throughout the State, you will not see unemployed people, welfare recipients, veterans, ex-offenders or employers, although all of those people are present. You will just see people being served through an integrated system. About 1.5 million job seekers receive employment services through our local workforce centers each year.

Texas is one of the few States in the country with such a consolidated system, and it has been a tremendous success. We bring together clients seeking work under several Federal programs, including WIA, Temporary Assistance for Needy Families, Food Stamp Employment and Training, Trade Adjustment Assistance, Wagner-Peyser Employment Services, veterans assistance, and child care. We have received three consecutive WIA Incentive awards from the Secretary of Labor. We also have an outstanding record of placing adult TANF recipients in jobs, and Texas has received high performance bonuses from the U.S. Department of Health and Human Services in each of the past 3 years.

Reauthorization of WIA presents us with the opportunity to build on these successes by providing increased flexibility to States and Governors. Our experience since 1998 has revealed the limitations of the current law, and certain changes are necessary to ensure that States can realize the full potential of the WIA system.

#### CONSOLIDATION OF FUNDING

The States need additional flexibility in WIA funding to help employers recover and workers regain jobs. The limited transferability among WIA funding streams and the separation of WIA and Wagner-Peyser activities restricts the assistance that States and local workforce boards can provide. Our 1995 State law would block grant funds for Wagner-Peyser Employment Services (ES) to local areas, but the U.S. Department of Labor has not allowed Texas to implement that provision. We therefore strongly support the consolidation of WIA Adult, WIA Dislocated Worker, and Wagner-Peyser ES funds into a single funding stream. In addition to allowing us finally to conform to our State law, this consolidation will help eliminate inefficiency and duplication, as well as provide for greater integration of services to all customers.

In a State as large and diverse as Texas, one size does not fit all and the current separation of Adult and Dislocated Worker funds does not meet local needs. In the Rio Grande Valley, the unemployment rate in the McAllen-Edinburg-Mission MSA stood at 11.4 percent in May 2003, the State's highest. Despite this high rate, the area does not need additional Dislocated Worker funding, but could use funding to upgrade the skills of Adult residents in the area to enable them to meet employers' needs. Similarly in the Dallas area, with unemployment at 7.0 percent, the local workforce area does not need Adult funds, but it desperately needs Dislocated Worker funding in order to respond to the needs of the employers and residents in the area.

Consolidation of these funding streams, along with ES funds, would ensure that ample resources are available to meet the unique workforce needs of all our local communities. The Governor should have complete discretion over the State's share of the consolidated funding grant to ensure that funds can be targeted where they are most needed.

#### BLOCK GRANTS AND WAIVERS

We strongly support providing the Governor expanded block grant and waiver authority. The Governor is in a uniquely strategic position to identify the emerging needs of all regions of the State. The Governor therefore should have as much flexibility as possible to respond to those local needs.

Block grant authority would enable the Governor to determine sub-state funding and governance structures. The Governor would also be able to design and administer WIA Title I formula programs, both Adult and Youth, to meet the needs of employers and job seekers. As we have seen during this period of economic slowdown, those needs vary not only from region to region, but also from week to week and month to month. Waiting for the annual planning cycle to evaluate needs fails to take into account the volatile situation many areas are now experiencing, where employers are desperately trying to sustain their businesses but need the skills of their current workforce upgraded to stabilize the company and the community. This flexibility is limited under current law. States have this flexibility in TANF, and we need it under WIA.

In addition, Texas has aggressively applied for and successfully used waivers under current law to develop innovative workforce development solutions and respond appropriately to employers' needs. Each of the waivers granted to us will improve our services for the affected populations, allow the Texas boards to respond to local economic conditions, and facilitate matching employers with job seekers. We urge you to continue and expand the Department of Labor's authority to grant waivers during reauthorization.

#### INFRASTRUCTURE FUNDING

Partner programs in the one-stop system should be expected to share some of the costs of running the one-stop centers. This is an issue of fundamental fairness. Without the involvement of partner programs, infrastructure costs must be paid solely out of WIA funds, draining the resources available for the delivery of services.

Texas has been proactive in developing cost allocation agreements with our one-stop partners. Accordingly, reauthorization should give States broad discretion in how to structure and administer infrastructure cost-sharing among partner programs. Most importantly, any new provisions addressing this issue should take care

not to disrupt or undermine the innovative solutions that States are already implementing.

#### LOCAL AREA DESIGNATION

Texas seeks the ability to maintain its current local workforce area designations, which reflect several local labor and economic markets within the State. The Governor should be able to design the geographic areas that best represent the distinctive characteristics of our large State. Local area designation should remain a State-level decision, and a local area's ability to appeal to the Secretary of Labor should be eliminated.

#### YOUTH

All Federal youth programs should focus on a strong educational background that would result in long-term attachment to the workforce and lifelong learning. We need to improve the activities that connect our youth with the local job market and promote youth development. There must be increased coordination among all programs serving youth. One integrated coherent strategy with meaningful outcomes is an overarching necessity.

In addition, local workforce boards should be allowed to use the Eligible Training Provider system to secure training providers for youth activities, eliminating the requirement to competitively procure training providers for youth separately from the ETP system. This reform will improve the access youth have to services through workforce centers and expedite the process of providing those services.

#### PERFORMANCE MEASURES

Our system is a success because businesses and industries view the Network as a viable solution to workforce needs. Because business is a primary customer of our system, performance measures should therefore evaluate how we serve employers.

The system must focus on outcome, not process, measurements. We must be able to listen to the customer and design our services to meet those needs. We need to establish a core set of common performance measures such as employment, retention, and earnings that would apply across all partner programs. We also need to create common definitions and reporting formats that encourage common State and local reporting systems for one-stop partner programs. We need to encourage co-enrollment among programs to maximize available training and related resources.

As a further step, the workforce development system could be greatly improved by the increased integration of Federal programs. Different definitions for common populations, different funding cycles, and different performance measures result in competing priorities at the local level. The lack of integration causes administrative complexity, increased administrative costs, and diverts the focus from providing quality services to the employers and residents.

#### EDUCATION ISSUES

Another example of the need for improved integration among Federal programs relates to the adult education program under Title II of WIA. Thousands of garment workers have been affected along the Texas-Mexico border as the textile industry has moved to other countries. The workers left behind may receive assistance under the Trade Act, but the adult education services provided are intended only to help the worker get his or her high school GED without consideration of workplace skills. The result is a worker that may have improved English skills but is still unemployable. While this is a Texas-specific example, other States may have similar situations. Adult education programs should prepare a worker to go to work, to continue to be self-sufficient, instead of leaving that person better educated but still unemployed.

Another challenge has arisen with changing interpretations by educational agencies of the Family Educational Rights and Privacy Act (FERPA), which deals with the confidentiality of student enrollment data. As you may know, WIA called for increased accountability by education and training providers, and directed States to set up performance reporting systems that evaluate graduates' outcomes in the workforce. To do this, workforce agencies compare the wage records reported by employers quarterly with the enrollment and graduation records at educational institutions to determine whether the student was employed in the field for which he was trained. This disclosure—for reporting to oversight Federal agencies and to the Congress, not for public disclosure—is one of the hallmarks of WIA, to instill accountability in the use of taxpayer dollars for training purposes. No longer are public funds used to pay for training where jobs don't exist. Training can be provided with

WIA funds if it meets the requirements of employers within industries and for occupations and jobs in demand that have been targeted by the local workforce board in its annual plan.

The information provided via student records is not intended to reveal how an individual student performed in class, but rather to disclose how effective the training provider was in preparing students for the world of work. The reluctance of our education partners to share this data with workforce agencies makes it difficult to assess the effectiveness of WIA funding within the country's higher education system, and challenges the procedures by which Congress can assess the effectiveness of the entire workforce investment system.

The accountability provisions of WIA have strengthened the performance outcomes relative to the use of our WIA training funds. However, the reporting requirements are so burdensome that we are losing some of our State's most valuable training providers—our community colleges. While we want to ensure that WIA participants receive training for jobs that exist, we must also ensure that participants can choose from a broad array of programs and providers. Granting States increased authority to determine standards for training providers would be welcome to these important partners.

#### CLOSING

I appreciate the opportunity to submit comments to the subcommittee and hope you can see why we are proud of our accomplishments in Texas. We believe we have built a strong foundation for our reformed workforce system and look forward to new opportunities to build programs that will serve Texans better.

#### PREPARED STATEMENT OF C.W. VAN VALKENBURGH

Thank you, Mr. Chairman and Members of the Subcommittee for this opportunity to testify on the reauthorization of the Workforce Investment Act (WIA). I serve as CEO of Rappahannock Goodwill Industries in Fredericksburg, VA, and am testifying today on behalf of Goodwill Industries International, Inc.

As you know, Goodwill Industries is a major player in the employment and training provision arena.

Goodwill Industries may be best known for its retail thrift stores. We have a presence in nearly 95 percent of counties in the United States and are among the top 25 retailers in the United States based on the number of stores that we operate.

What many people don't know is that Goodwill Industries is also the largest provider of job training and career services in the nation, serving individuals with significant barriers to work. In 2002, we helped more than 583,000 individuals in the United States and Canada obtain job training, build career ladders, obtain work-supports such as childcare and transportation, and find the employment they need to become self-sufficient. More than 100,000 of those individuals were placed into good jobs in their communities.

This is what Goodwill has been doing for more than 100 years. While our origins were faith based, we operate now as independent, not-for-profit, community-based organizations in 23 countries worldwide. Collectively, we are the seventh largest nonprofit organization in the United States.

Yet, it is our business model that distinguishes us from many other nonprofits and charities. Goodwills operate as autonomous organizations, run by highly-trained CEOs, generating their own revenue streams in each of the 166 Goodwill territories throughout this nation. In aggregate, Goodwill Industries' revenues in 2002 totaled more than \$2.06 billion.

Almost 75 percent of those revenues were derived from our retail operations selling used clothing or other goods that were donated by generous individuals in our communities including, I imagine, many of the members of this committee. The useable items are then resold and more than 85 percent of those revenues are pumped directly back into serving people in our communities. The remainder of our revenues is derived largely from contracts and services that we provide to businesses and public-sector entities. We are best described as highly efficient businesses whose fundamental mission is to enhance the quality and dignity of life for individuals, families, and communities.

Mr. Chairman, it is this unique perspective as operators of businesses, our strong connections in local communities, and our unrivaled level of service to the hardest-to-serve populations that makes us a vitally important thread in this nation's safety net for the most disadvantaged persons.

Our programmatic knowledge and experience with communities of all sizes and compositions compels us to offer this feedback about the Federal employment and training system, authorized in 1998 by the Workforce Investment Act (WIA).

Goodwills operated career resource centers in communities long before WIA was passed. Many of these centers are now operating as official one-stop centers in dozens of communities throughout the nation. In the vast majority of our 166 territories in the United States, we serve as a direct service provider of vocational training or job readiness programs. In 2002, nearly 198,000 of the total clients we served were referred to Goodwills by one-stop centers and we continue to strengthen our partnerships within the national system. We serve on local and State workforce investment boards in many communities; in some cases in seats reserved for community-based organizations and in other areas serving as a business partner.

Mr. Chairman, the wisdom of the WIA system as Congress constructed it in 1998 is that it creates a framework for local communities to connect many dissociated programs into a cohesive network of specialized service providers and gives the client the power to build his or her own career opportunities with professional guidance.

While initial steps have been taken to deploy that vision nationally, we believe that this system must be given the time and resources to reach its potential. Since the system has had less than three full years to transition to the new framework, we believe that only modest changes to the system would be prudent at this time. However, there are several recommendations that we urge the committee to consider when reauthorizing the Act. Central to each of these points is the need to dramatically improve access to training and work opportunities that lead to self-sufficiency.

First, Mr. Chairman, despite the fact that Goodwills are serving many individuals through work with our local workforce boards, we believe that much more should be done to truly integrate the voluntary partners, particularly community-based organizations, into the system.

The success of WIA's demand-driven one-stop delivery system depends on the effectiveness of partnerships between service and training providers, including community-based organizations (CBOs), which often provide highly successful programs to assist individuals with specific needs and often seriously disadvantaging conditions.

However, the Department of Labor has found that both community-based organizations and faith-based organizations often are not fully utilized as partners in the workforce investment system. In many areas, community-based organizations running effective, successful programs may be listed as eligible training providers, but receive few referrals from one-stop operators.

We hope that the committee will take steps in the reauthorization to encourage workforce areas to further utilize the wide range of eligible providers offering various types of training and job-readiness services and fully leverage the collective capacity of these organizations on behalf of job seekers. If the system is to truly become a demand-driven system, then clients—our—customers must be given sufficient, real-time information about the availability and outcomes of all eligible service providers.

Second, the WIA system needs far more resources to serve the tremendous number of individuals who need skills training or employment assistance, yet are falling through the cracks of the system every day. Workforce areas simply do not have the resources to provide intensive training services to every eligible individual walking through the door. Neither do they have the resources to help the vast numbers of individuals working at poverty-level wages upgrade their skills and begin building career ladders.

In light of this persistent inability to serve everyone that needs assistance, it is critical that we continue to emphasize and prioritize funds for those with the most significant barriers to work: chronically unemployed individuals, individuals with disabilities, displaced homemakers, new entrants to the workforce, those for whom English is not the first language or who need literacy training, or individuals with substance abuse problems.

As you know, current law requires that State plans detail how States will serve low-income individuals, persons seeking nontraditional employment, and others with multiple barriers to employment. WIA also required local areas with limited "adult stream" funds to give public assistance recipients and low-income individuals priority for intensive and training services. This is a vitally important component of the law that must be maintained, regardless of how the funding streams are structured in the reauthorized legislation. Individuals with barriers to work should not be relegated to a "second tier" priority.

Third, many of the reauthorization proposals that have been widely discussed have involved some provisions for streamlining the performance measurement protocols required by the Act. The system is and should be set up to encourage and reward positive outcomes. Accountability for performance is critical to maximizing our

resources. However, some measures, such as the proposed cost per client “efficiency” measure, fail to fairly characterize the fundamental differences between the populations each provider serves. Serving populations with greater disadvantages often incurs a higher cost per participant and may require more time for successful placements.

To ensure that programs are not disincentivized from serving “hard to serve” individuals, the common outcome measures established by reauthorization legislation should include a “weighting” mechanism to provide greater clarity on how localities and providers are performing. Congress should provide greater incentives for serving individuals with barriers to work, and certainly should not inadvertently discourage it.

We also believe that, to be truly effective in holding localities accountable for performance within the context of a customer-driven system, Congress should retain the measure of “customer satisfaction” already in use for both job seekers and the business community.

Fourth, we believe that the legislation must prioritize the systemic elimination of barriers faced by disabled individuals, those with limited English proficiency, and those with other barriers to work in accessing one-stop services. Sections 501 and 504 of the Rehabilitation Act of 1973 require Federal agencies to provide reasonable accommodation to employees and applicants for employment who have disabilities. However, individuals seeking employment and training services through our nation’s one-stop system too often encounter physical or systemic barriers to accessing those services. Congress must demand that one-stop facilities funded and developed under the Workforce Investment Act system be made fully accessible in terms of programs and services to all persons with barriers to work.

Finally, the legislation must strive to leverage existing relationships between businesses and community-based organizations that match employer demands with job seekers to move chronically unemployed individuals into the workforce and to create incumbent worker training opportunities that prioritize retention and advancement of low-wage workers into career ladders leading to higher-wage job opportunities.

Already, many intermediary organizations such as Goodwill Industries have strong partnerships with members of the business community to train and employ workers in high-demand fields. Goodwill is fortunate to work nationally with companies such as Bank of America training individuals for jobs in the financial industry and CVS for opportunities in the retail, pharmacy, and photo technician fields. These are but two illustrative examples of partnerships between Goodwill or other CBOs and businesses in localities, and the legislation should facilitate and encourage such promising practices.

Mr. Chairman and Members of the Subcommittee, I understand that it is often difficult from where you are sitting to see the changes that these programs make in people’s lives. Those of us that actually run programs and provide services are occasionally uplifted by the infinitely rewarding smiles or words of gratitude from our graduating clients. We get to hear the inspiring words of people like Rose Hunter, our 2002 graduate of the year, who had a history of mental illness, suffered for more than 15 years in an abusive marriage, and lived in poverty-level conditions before coming to Goodwill.

Today, Hunter works as a respected counselor in the psychiatric ward of Elmhurst Hospital in New York. She organizes group discussions, advocates for patient rights and counsels patients who are experiencing similar difficulties to what she endured. She has reached financial independence and no longer relies on government assistance. Speaking of her experience with Goodwill, she stated that its Creative Recovery Program “helped me grow in many ways, by opening so many doors I couldn’t open myself.”

The story of Janice Armstrong from Saint Petersburg, FL, was similar. She explains it profoundly:

“When I moved back to Tampa in 1999 after leaving an abusive marriage of 17 years, I was like a big plot of rich quality land, but without seed and tools to farm it, it wasn’t very valuable. Then I went to Goodwill for help. Goodwill told me ‘we can give you the seeds and the tools to work the land, but you have to do the work.’ I thought, ‘This is a pretty good deal. They help me, they back me, and I get an education and career out of this.’ Last January I started working at Tampa General as a surgical tech in the cardiac OR. I graduated from school last March. Though I work in Cardiac O.R., the Life Link surgeons are who I usually scrub with. Life Link deals in organ transplants. Before I went to Goodwill I was much like someone needing an organ transplant. I was living, but the quality of life wasn’t there. Now, I have a whole new life. I’m self-sufficient. I will receive my first raise now in January; I have great benefits and a wonderful life. But, but, but none of this would have

been possible without my parents, my family, my friends and Goodwill. I had the best team support anyone could have. I can truly say that I am blessed.”

The stories are echoed by thousands of individuals who come to us every day for vocational training or other assistance in finding or preparing for work. These are the voices that the WIA system must be adequately prepared to nurture, and these are the individuals who most need the limited help that our Federal system can provide. Thus, we hope that you will do everything possible to improve access to training for individuals with barriers to work and help build bridges to self-sufficiency for those who face disadvantaging conditions as you consider provisions to include in reauthorization legislation.

Again, thank you for this opportunity to provide testimony. We hope that you will consider Goodwill Industries International as an ongoing resource on issues affecting those individuals who we serve and look forward to answering any questions that you may have.

PREPARED STATEMENT OF THE INDIAN AND NATIVE AMERICAN EMPLOYMENT AND TRAINING COALITION

SECTION 166: THE CORNERSTONE FOR NATIVE AMERICAN SERVICES

The Native American programs authorized under Section 166 have a unique status within the Workforce Investment Act (WIA). The purposes of this Section include a community focus, unlike that of all the other programs under the Act. The service population for the Section 166 programs consists of Native Americans—American Indians, Alaska Natives and Native Hawaiians—with a special relationship to the United States government established in the Constitution, treaties and numerous statutes. Native American people suffer from the most severe unemployment and poverty rates of any group in the country. And the Section 166 programs are to be administered in a way consistent with basic Federal Indian policy, of which they are an important element.

The special status of the Section 166 programs and the support provided for them under WIA are central to the relationship between Native American people and their institutions and the rest of the federally-funded workforce system. The provisions of Section 166 of the current law must be retained and strengthened in any WIA reauthorization measure. In this regard:

- Native American programs must remain separate and distinct, with their own purposes and governing policy retained from Section 166 of WIA.
- The flexibility of the current Section 166 programs must be continued and strengthened, governed by requirements which are specifically appropriate for Native American programs.
- The funding for the Section 166 Comprehensive Services and Supplemental Youth Services programs must be increased significantly.

The Indian and Native American Employment and Training Coalition shares the commitment of leaders of the Senate Subcommittee on Employment, Safety and Training that the reauthorization of WIA should:

- Improve the ability of WIA to operate effectively in rural areas. Most Indian reservations and Alaska Native villages are very rural.
- Support economic development. Many of the problems of Native American people are directly or indirectly related to the lack of jobs in Native American communities.
- Further the flexibility permitted by the WIA law. Many Native American communities face labor market conditions very different from those of prosperous metro areas. The only way services can be effective is if there is an ability to tailor the delivery of workforce services to local conditions.

REAUTHORIZATION ISSUES AND NATIVE AMERICAN PROGRAMS

Pending proposals for the reauthorization of WIA would continue Native American programs under Section 166 as special, nationally-administered programs, providing funding directly to Indian tribes, Alaska Native and Native Hawaiian organizations and Indian-controlled organizations serving Native people in off-reservation areas. However, several features of H.R. 1261, intended to address issues in the State-administered programs, would have very serious adverse consequences for the Section 166 programs. The provisions relate to:

- The financing of one-stop centers. H.R. 1261 and other proposals would give Governors and local Workforce Investment Boards the authority to take Federal funds appropriated for services for Native American people away from Native grantees to use to fund the State's one-stop centers and their services for non-Native people.

**Native grantees and the Coalition strongly oppose these provisions.** One-stop centers are often geographically inaccessible to Native people, especially those in rural areas. They do not provide the special services relevant to Native people and available through their own tribal and off-reservation organizations. Diverting Federal funds appropriated to serve Indian and other Native American needs to the States to be used for services to non-Native people would set a very serious precedent in Federal-Indian relations. Moreover, Native WIA programs, funded at a level of approximately \$70 million per year cannot make any significant difference in the financial base of the State's one-stop centers, whose partners collectively receive nearly \$32 billion per year (including TANF funds).

**The distribution of youth funding.** Indian tribes and other grantees receiving Section 166 Supplemental Youth Services funds are currently allocated 1.5 percent of the approximately \$1 billion provided for basic WIA youth services. H.R. 1261 would reduce the base on which the reservation of Section 166 Supplemental Youth Services funds is calculated by 25 percent.

**Native grantees and the Coalition strongly urge the Congress to retain and increase the current funding level for the Section 166 Supplemental Youth Services program.** Native grantees funded under this program should receive not less than \$15 million per year. The first contact with a work environment for many youth in reservation areas is through this program. Over the years it has enabled thousands of Native youth to establish a permanent, productive attachment to the workforce. In addition, Section 166 grantees serving off-reservation areas need support from the proposed Youth Challenge grant program and through the pilot and demonstration program account to assist the Native youth they serve to enter the workforce.

**In addition, the responsibilities of the Native American Employment and Training Council are at stake in reauthorization.** Under current law, these responsibilities include assisting the Labor Department in identifying highly qualified candidates to lead the Native programs Division within DOL. Native grantees and the Coalition oppose the provision in H.R. 1261 which would eliminate this responsibility, depriving the Department of valuable expertise in selecting persons for this position.

The Coalition would like to thank the Committee for the opportunity to discuss WIA reauthorization issues of concern to the Native American community.

#### PREPARED STATEMENT OF THE NATIONAL COMMUNITY PROVIDER COALITION (NCPC)

The National Community Provider Coalition (NCPC) is a newly-formed coalition of national organizations working to promote and enhance the employment, community living, economic self-sufficiency, and inclusion of individuals with disabilities by supporting community provider organizations offering employment, vocational, and related services and supports.

As representatives of community providers across the nation, we believe that individuals with disabilities want to work and are able to do so, given the appropriate supports and services. The Workforce Investment Act of 1998 (WIA) and other employment programs authorized under the Act, hold the promise of assisting many individuals with disabilities who want to work in obtaining and maintaining employment within their communities. While WIA was intended to create a comprehensive, seamless workforce development system for all job-seekers, individuals with disabilities have faced numerous barriers when attempting to access the system. Further, community providers who want to participate in the system and assist individuals with disabilities to gain and retain employment have also faced numerous challenges.

The NCPC believes that reauthorization of WIA, which includes reauthorization of the Rehabilitation Act of 1973, as amended, (the Rehabilitation Act), presents an opportunity to strengthen the nation's workforce system for individuals with disabilities and assist community providers in becoming true partners in the system. A major overhaul of current law is not warranted at this time. Yet, improvements can be made.

As the Senate considers reauthorization of WIA, and the programs authorized under the Rehabilitation Act, we offer these recommendations to ensure WIA fulfills the promise to individuals with disabilities, creates true partnership with community providers, and establishes the comprehensive, seamless system envisioned by Congress. We maintain WIA reauthorization must:

- Increase physical and programmatic access to One-Stops;
- Utilize performance measures that account for serving individuals with disabilities;
- Improve transition services to youth with disabilities;

- Strengthen the role of community providers in One-Stops and on State and local Workforce Investment Boards;
- Ensure separate, adequate funding for WIA programs and provide dedicated funding for One-Stop infrastructure; and
- Strengthen programs and partnerships authorized under the Rehabilitation Act.

#### I. FULFILLING THE PROMISE TO INDIVIDUALS WITH DISABILITIES

In February 2001, President Bush noted that the unemployment rate for people with disabilities hovers at 70 percent, and pledged to increase the ability of Americans with disabilities to integrate into the workforce. Individuals with disabilities want to work, and as community providers have long demonstrated, they can work when provided with appropriate supports and services. Local One-Stop Centers could provide vital employment and training services to many individuals who are not being served by the Vocational Rehabilitation system (VR) to increase their employment, retention, and earnings capacity. However, the workforce development system cannot assist individuals in achieving successful employment if individuals with disabilities cannot get through the door or cannot access needed supports and services once inside.

##### **A. Increasing Physical and Programmatic Access to One-Stop Services**

Universal access is one of the underlying principles of WIA. For more than 25 years, Section 504 of the Rehabilitation Act has mandated that Federal programs, or programs that receive Federal funds, are to be physically and programmatically accessible to people with disabilities. For more than 13 years, the Americans with Disabilities Act has required States to make programs under their jurisdiction physically and programmatically accessible to people with disabilities. In 1998, Congress required the Federal agencies to make their electronic and information technology accessible to people with disabilities under Section 508 of the Rehabilitation Act. Together, these provisions are the driving force behind universal accessibility at the One-Stop system.

Reasonable accommodations are necessary to ensure the meaningful participation of many individuals with disabilities in the services and programs available at the One-Stops. Unfortunately, despite the provisions in WIA that require One-Stops to be universally accessible, far too many fail to provide reasonable accommodations; too many individuals with disabilities are prevented from entering the centers, let alone utilizing the programs and services.

Individuals with disabilities often need a broad array of individualized supports and services to assist them in obtaining and retaining employment. Unfortunately, too many One-Stops do not offer the array of supports and services necessary to assist individuals with mental retardation, cerebral palsy, and other significant disabilities. While it is already difficult to physically access many One-Stops, obtaining necessary services should not be further complicated by requiring individuals with disabilities—many of whom lack direct access to transportation or live in areas without accessible public transportation—to go somewhere else, some other time, on some other day for services that should be readily available.

WIA's "work-first approach" has also hampered the ability of individuals with disabilities to access needed services and supports and, in particular, training. The "work-first approach" promotes employment at any job as soon as it can be found, without consideration of an individual's interests or capabilities, and without consideration of multiple and complex supports needed to obtain or sustain employment. Individuals with significant disabilities may need a comprehensive array of training supports and services before they begin working, as well as on-going or post-employment supports and training.

##### *Recommendations*

NCPC recommends that the Senate take action necessary to ensure compliance with current requirements for universally accessible services. State and local workforce boards must recognize this obligation and guarantee both physical access and programmatic access at the One-Stops for individuals with disabilities, including individuals with significant disabilities. Specifically, NCPC makes the following recommendations:

- State and local workforce plans must reflect a commitment to assure that individuals with disabilities have physical and programmatic access to the workforce investment system;
- State and local workforce boards must increase the capacity of the workforce system to serve people with disabilities in outreach, intake, assessments, and service delivery;

- State and local workforce boards must demonstrate a commitment to training the One-Stop staff in serving individuals with disabilities;
- Delivery of One-Stop services must be flexible so that individuals with disabilities can access individualized training as appropriate; and
- States should require that their workforce investment systems comply with Section 508 of the Rehabilitation Act.

#### **B. Performance Measures**

NCPC maintains the current performance measurement system is flawed. According to testimony provided by the Government Accounting Office (GAO) to this Subcommittee, the need for One-Stops to meet current performance measures is often the driving factor in deciding who receives WIA services. In order to meet current performance measurements, One-Stop staff is often reluctant to serve clients who may be less likely to find employment or experience earnings increases. Accordingly, some clients are denied services. The need to meet specific performance measures creates a disincentive to provide services to harder-to-serve populations. NCPC believes that the effect of this flawed system significantly impacts the ability of individuals with disabilities to receive appropriate training and employment services.

However, the application of the Office of Management and Budget's fourth proposed measure of efficiency (annual cost per participant) to all One-Stop partners is not the answer. This application would create additional disincentives to serving people with disabilities, many of whom require more costly services over a longer period of time. If performance measures are truly intended to rate performance accountability, it is important to ensure that we are measuring the effectiveness of the services provided, and not the cost.

#### *Recommendations*

Accordingly, NCPC makes the following recommendations:

- Performance measures must be tailored to acknowledge the differences in populations being served, recognizing and crediting provision of services to harder-to-serve populations; and
- Congress should direct the Department of Labor to develop measures that more clearly represent the individualized needs of participants, including individuals with disabilities, and that provide incentives to serve individuals with significant barriers to employment, such as individuals with disabilities.

#### **C. Transition Services**

Youth with disabilities require proactive support from the workforce development, vocational rehabilitation, social security, education, and other systems to successfully gain the experience, education, and skills to achieve and sustain employment. They confront many challenges in making the transition from school to adult life, but with appropriate supports can succeed in securing jobs, accessing post-secondary education, living independently, and fully participating in their communities. NCPC appreciates efforts to strengthen access to transition services through the reauthorization of IDEA, and recommends that comparable improvements be advanced through the reauthorization of WIA as well.

The transition from high school to post-secondary education, employment, and independent living must begin early, or at least by 14 years of age (OSEP Report, 2001). Ideally, it is at this point that young persons with disabilities, their families, and education, rehabilitation, workforce development, and other agencies initiate planning, services, and experiences that support future education and foster basic work skills development and employment, in order to develop essential skills for independent living. This dialogue should be inclusive and tailored to the unique needs and interests of each participating youth.

The workforce development system should play a crucial role in helping youth with disabilities transition out of high-school into employment. Unfortunately, however, the percentage of students with disabilities currently participating in comprehensive transition programs through WIA is very low, and students with significant disabilities are being served at even lower rates. We believe that there are a number of factors for this low rate of engagement: lack of awareness and understanding of the needs of youth with disabilities by the local workforce boards; uncertainties regarding eligibility of youth with disabilities, particularly those students receiving SSI benefits; outcome measures that work to create disincentives to serving youth with disabilities, particularly youth with significant disabilities; the lack of training of One-Stop staff in serving youth with disabilities; the failure to work with the local schools in developing effective transition programs; and the complete lack of outreach to youth with disabilities, particularly youth with significant disabilities. Proposals that significantly limit funding for in-school youth would only exacerbate the challenges an already underserved group of children face.

*Recommendations*

NCPC believes that this reauthorization presents an important opportunity to improve transition services, and thus, employment outcomes, for youth with disabilities, and makes the following recommendations:

- State and local workforce boards should place greater priority on serving youth with disabilities, particularly youth with significant disabilities, and should demonstrate this commitment in State and local plans;
- Local One-Stop staff must receive better training on how to serve and provide reasonable accommodations to youth with disabilities;
- Performance indicators should measure functional skills related to employment, such as handling money, making change, recognizing common symbols, getting to work on time, or dressing for work appropriately, as well as unpaid work experience, such as community service;
- Planning and implementing successful transition services for youth with disabilities must include and support families of youth with disabilities;
- State and local workforce boards should recognize the role of nonprofit community providers and utilize the expertise in providing transition services to youth with disabilities and their families through partnerships, grants, or contracts; and
- The local workforce boards must create a system—a collaboration among agencies—particularly education, in order to assure that youth with disabilities have successful post-secondary outcomes.

## II. CREATING TRUE PARTNERSHIPS WITH COMMUNITY PROVIDERS

Under WIA, Congress established a public-private partnership from which all job-seekers could benefit. Actively involving all stakeholders in the system is critical to the success of this public-private partnership. WIA job seekers in general, and individuals with disabilities in particular, could benefit from the WIA-envisioned, public-private partnerships between the One-Stops and community-based providers that current practice now impedes. Unfortunately, State and local workforce investment boards (WIBs) and local One-Stops have failed to adequately and effectively involve an essential partner: community organizations with experience in providing employment supports and services to individuals with disabilities (community employment providers).

**A. Strengthening the Role of Community Providers in One-Stops**

Community employment providers continuously demonstrate that individuals with disabilities can work and be productive members of the community. Community providers have a long history of working with employers; they have demonstrated the benefits of hiring individuals with disabilities to local businesses, as well as to local, State and the Federal government. They have experience in tailoring jobs for individuals who were previously unseen as potential employees. They are employers themselves, many of whom are experiencing shortages of well-trained workers. In short, community providers have a first-hand understanding of the local workforce needs. All too often, local One-Stops do not recognize the value of partnering with private community employment providers.

Community providers are excellent and appropriate—yet, often overlooked—resources for One-Stops. Community providers have proven to be cost-effective in delivering skills development and training. Community providers can assist One-Stops in serving job-seekers with disabilities by offering the missing training, employment services, and needed wrap-around supports to sustain successful employment of people with disabilities. Being on the front lines each and every day, they have developed creative approaches to jobs and job-training options that enable individuals with disabilities—and in particular, those with the most significant disabilities—to become productive employees.

As employers themselves, community providers can also assist One-Stops in training and other employment services to job-seekers without disabilities. Community providers have experience in assisting individuals who may have numerous barriers to employment; these same providers may also have the experience and staff resources necessary to assist other job seekers.

There are many examples of successful partnerships between One-Stops and community providers. One example is Challenge Industries, Inc. located in Ithaca, New York. Challenge is a vocational rehabilitation agency, serving over 500 job seekers per year and is comprised of individuals with disabilities and job seekers transitioning from public assistance. The program is an integral component in the successful Tompkins (County) Workforce New York One-Stop system.

Although many areas in New York State report continued failure to widen participation in the local One-Stop system, Tompkins Workforce New York One-Stop sys-

tem has achieved success, in part, by its inclusion of community providers. Where other One-Stops have been unable to achieve the overall goals set forth in WIA, Challenge's involvement in Tompkins Workforce New York One-Stop has helped to eliminate duplication of services. Some unique features, which have resulted from the inclusion of community providers in the Tompkins Workforce New York One-Stop system, include:

- Co-location of agencies serving job seekers with barriers, resulting in more effective networking and supports for job seekers (including, but not limited to, housing, transportation, child-care, financial planning, etc.);
- Active participation in One-Stop planning, including marketing the "system," rather than approaching the business community as several distinct agencies;
- Greater support systems and individualized training opportunities for job seekers (have been able to tap into WIA funds, when VR is unable to financially assist);
- Shared staffing in the One-Stop center, which includes direct staff from community based agencies who specialize in serving individuals with disabilities;
- Increased participation with America's One-Stop Operating System has improved the reportable outcomes representing successful job placements of individuals with disabilities; and
- Disability expertise in the One-Stop system (accessibility, accommodations, workplace disclosure, social security advisement, tax credits and other work incentives).

In order to better serve individuals with disabilities seeking One-Stop services, examples like the one above must become the rule, not the exception. One-Stops must draw upon community providers as partners—not as competitors in the One-Stop system.

*Recommendations:*

- One-Stops must actively reach to and partner with community providers serving individuals with disabilities.
- The Department of Labor and State workforce boards should create incentives to encourage One-Stops to serve individuals with disabilities and partner with community providers.

**B. Ensuring Representation of Disability Interest—Including Community Providers—on State and Local WIBs**

Congress understood the important role that community employment providers play in assisting job-seekers with disabilities and included provisions in WIA that community organizations be represented on both State WIBs and local WIBs. To address the needs of individuals with disabilities, Section 111(b)(1)(C)(v) of the Act provides that State WIBs shall include *representatives . . . of organizations that have experience and expertise in the delivery of workforce investment activities, including . . . community organizations within the State* [emphasis added]. Section 117(b)(2)(A)(iv) states that membership of each local WIB *shall include representatives of community organizations, including organizations representing individuals with disabilities for a local area in which such organizations are present* [emphasis added].

Nearly 5 years after implementation of the WIA, many State and local boards do not fully understand the need to involve community employment providers. State WIBs are attempting to address the employment needs of individuals with disabilities by including a representative of the State vocational rehabilitation program (VR) on the State WIB, as required by WIA. However, all too often, VR is represented by the head of the umbrella agency housing the Designated State Unit administering the VR program, rather than the director of the VR program. In addition, some States—based on the grandfather clause in Title I of WIA—use previously existing boards to operate as the State WIB and may not have anyone at all representing VR.

Community providers have also had limited success in becoming members of local WIBs. Currently, WIA requires local WIBs to include representatives of local community-based organizations. As a result, many WIBs include representatives of the public VR program and individuals with disabilities. Across the country, however, providers have offered differing experiences of serving on local boards. Although some excellent relationships have been established between local boards, VR, people with disabilities, and community-based providers, other regions are sorely lacking such relationships and have expressed concerns over the inability to establish such relationships.

*Recommendations*

- States and the One-Stops should take additional steps to get more representation from the disability community in the WIA system by ensuring direct represen-

tation of Vocational Rehabilitation (VR), community-based providers, and people with disabilities on State WIBs.

- Section 111(b)(1)(C)(v) should be amended to read as follows (proposed language is bold type):

(v) representatives of individuals and organizations that have experience and expertise in the delivery of workforce investment activities, including chief executive officers of community colleges and community-based organizations within the State (**including organizations representing and providing employment service to individuals with disabilities**);

- NCPD believes each State WIB must also include in its membership the State's VR director, i.e., the person who is responsible for overseeing the administration of the State plan for VR services, or an individual designated by the VR director. In States where the law has established a separate State VR agency to serve individuals who are blind and visually impaired, the director of that specific VR program should also be a voting member of the State WIB.

To accomplish this recommendation, Section 111(b)(1)(C)(vi)(II) should be amended to read as follows:

Section 111(b)(1)(C)(vi)(II):

**(vi)(II) in the case of the public Vocational Rehabilitation program authorized under Title I of the Rehabilitation Act of 1973 (29 U.S.C. 720 et seq.), the Vocational Rehabilitation director employed by the Designated State Unit or the Vocational Rehabilitation directors in States that have a separate State entity that is responsible for the rehabilitation of individuals who are blind and visually impaired; and**

Redesignate current subsection (vi)(II) as (vi)(III).

- With respect to local WIBs, Section 117(b)(2)(A)(iv) must be strengthened to ensure that the interests of people with disabilities continue to remain a part of local WIA implementation by making specific reference to a representative of the public VR program, a representative of community-based providers, and at least one individual with a disability.

### III. ESTABLISHING THE COMPREHENSIVE, SEAMLESS WORKFORCE SYSTEM

To ensure the comprehensive, seamless One-Stop system that WIA set to create, One-Stops and their public and private partners must have adequate funding to deliver the services and supports required by all job-seekers, including individuals with disabilities.

To date, funding levels for One-Stops and their services have not kept pace with the demand. WIA adult, dislocated worker, and youth training programs all received less funding from fiscal year 2002 to 2003, and again the President's fiscal year 2004 budget request. Just last week, the House and Senate Appropriations Committees approved WIA funding levels for fiscal year 2004 that, in general, are equal to fiscal year 2003 amounts. Given inflation and current demands on the system, this equates to a funding cut. Better alternatives than simply cutting WIA funding must be identified and implemented. As the nation's economy fails to rebound as quickly as hoped, as State budget deficits continue to grow, and as more individuals find themselves struggling in today's economy, it is imperative that the nation's workforce investment system has appropriate funding to support the demands on the system.

An important funding issue that WIA reauthorization must address is the lack of One-Stop infrastructure funding. Currently, no funding source exists to support One-Stop infrastructure. Yet, a sound infrastructure is critical to the success of One-Stops—to increase physical and programmatic access and improve services available to all participants, and particularly individuals with disabilities.

As a recent GAO report found, paying for the costs associated with operating One-Stops without a dedicated funding stream has been an on-going challenge. Lack of infrastructure funding has contributed to the physical and programmatic inaccessibility on many One-Stops for many individuals with disabilities. The lack of specific infrastructure dollars often results in funding being diverted from WIA programs and services and from mandatory partners. As a result, funding is taken from service delivery and precludes job-seekers from obtaining necessary services. In particular, individuals with disabilities cannot receive the individualized supports and services to obtain and maintain employment. Providing infrastructure funding will allow WIA program and other partner program funding to be directed to delivering services to job-seekers and will help offset reductions in Federal appropriations for WIA programs. Therefore, a separate line-item for infrastructure funding must be authorized so that other WIA programs—as well as other partner programs such as vocational rehabilitation—are not raided.

The NCPC is also concerned with the Administration's proposal that was incorporated into the House-passed WIA reauthorization legislation (H.R. 1261) that would consolidate funding for all three of the WIA Title I adult programs—adults, dislocated workers, and the Wagner-Peyser State grants into one single grant. While the intent is to free-up funding that would have been dedicated for administrative purposes, the NCPC believes that, by consolidating funding streams into one single fund, dislocated workers will be able to access a disproportionate amount of funding, crowding out individuals with disabilities seeking individualized supports and services as adult workers.

*Recommendations*

- Adequate funding must be provided for WIA programs to support current demands on the system;
- Separate, dedicated funding must be authorized in order to support physically and programmatically accessible infrastructures of One-Stops; and
- Separate funding for WIA adult, dislocated worker, and Wagner-Peyser grants programs must be maintained.

IV. STRENGTHENING THE REHABILITATION ACT

While reauthorization of WIA and its programs offers the opportunity to strengthen partnerships between the workforce investment system and community providers, attention must also be paid to strengthening partnerships among programs authorized by the Rehabilitation Act of 1973, as amended (Rehab Act), and community providers.

**A. Reconnecting Partnership between JWOD & Fed/State VR**

The Rehab Act should acknowledge that individuals with disabilities may benefit from other Federal and State job training and rehabilitation related programs, including the Javits-Wagner-O'Day Program (JWOD). The Rehab Act must require State VR agencies to collaborate and cooperate with these programs to ensure the full participation of individuals with disabilities in the benefits of these State and Federal programs. State VR agencies must only provide the technical assistance needed to assist and facilitate the physical and programmatic accessibility of all job training and rehabilitation related programs for persons with physical, mental, sensory and cognitive disabilities.

The VR program and the JWOD program must work cooperatively to create employment opportunities for people with severe disabilities and to prepare them to succeed. Policies, practices, and events of recent times have limited the cooperation of these two venerable programs. Common ground should be identified on which the employment of people with severe disabilities can once again be the focus of their cooperative efforts.

*Recommendations:*

- Add State plan requirements for State agencies to:
  1. Describe the manner in which cooperative agreements with private nonprofit vocational rehabilitation service providers will be established; and
  2. Identify the needs and utilization of community rehabilitation programs under the Act commonly known as the Javits-Wagner-O'Day Act.

**B. Defining Extended Employment**

Currently, the Rehab Act does not have a definition of extended employment. NCPC believes a definition of extended employment is needed.

*Recommendation*

- Add a definition of extended employment to the Rehab Act that defines extended employment to mean work in a non-integrated or sheltered setting for a public or private nonprofit agency or organization that provides compensation in accordance with Section 14(c) of the Fair Labor Standards Act and any needed support services to an individual with a disability to enable the individual to continue to train or otherwise prepare for competitive employment, unless the individual through informed choice chooses to remain in extended employment.

**C. Ensuring Effective Implementation of the Ticket to Work Program Through the Rehab Act**

The Ticket to Work and Work Incentives Improvement Act of 1999 (TWWIIA) created the Ticket to Work and Self-Sufficiency Program (Ticket Program). Two significant goals of TWWIIA are to increase the universe of private providers who will assist Social Security Disability Income (SSDI) and Supplemental Security Income (SSI) beneficiaries with disabilities in obtaining employment and increase the em-

ployment rate of people with disabilities, reducing their reliance on Social Security benefits. The Social Security Administration (SSA) began rollout of the Ticket Program in early 2002 and the Ticket Program will be nation-wide by 2004. Eligible beneficiaries receiving a ticket to work will be able to deposit their Ticket with an Employment Network (EN) or the State VR program and receive services and supports to obtain or regain employment.

The Rehab Act must ensure that individuals with a Ticket who are also eligible for VR services choose when and where to deposit their Ticket. Local community employment providers serving as ENs and the VR program must work together, as necessary, to ensure that individuals with severe disabilities receive necessary services and supports to be successful under the Ticket Program and can reach their employment goals.

*Recommendations*

- The Rehab Act must ensure that the Rehabilitation Services Administration (RSA), the SSA, and the Department of Labor (DoL) work cooperatively for effective implementation of the Ticket to Work Program across the nation.
- The Rehab Act must require RSA, SSA, and DoL to work cooperatively to provide outreach to eligible individuals receiving Tickets and potential ENs about the Ticket Program.
- The Rehab Act must encourage RSA and SSA to work together to ensure that individuals receiving VR services who receive a Ticket have real choice when selecting an EN and that there is no auto-assignment of tickets to VR.

**D. Dedicated Funding Must Remain for Supported Employment, Projects With Industry, Migrant and Seasonal Farmworkers, and Recreation Projects**

The Rehabilitation Act includes a number of smaller, specialized programs designed to address specific service needs of individuals with disabilities. NCPC strongly supports the balance that is struck with these dedicated programs and urges their continuation in the pending reauthorization of the Rehabilitation Act. Since these programs serve a very important role as adjuncts to the VR services authorized under Title I of the Rehabilitation Act, NCPC cannot support the President's request to consolidate these separate funding streams into the Title I State VR grant.

*Recommendation*

- The Supported Employment State Grant program, Projects With Industries (PWI), Migrant and Seasonal Farmworkers, and Recreation Projects must continue to exist as distinct programs within the Rehabilitation Act.

PREPARED STATEMENT OF THE SOCIETY OF THE PLASTICS INDUSTRY, INC.

The Society of the Plastics Industry, Inc. (SPI) is pleased to have the opportunity to submit comments to the Senate Committee on Health, Education, Labor, and Pensions Subcommittee on Employment, Safety, and Training for its June 18, 2003, hearing on the Workforce Investment Act (WIA) reauthorization.

Founded in 1937, SPI is the primary plastics industry trade association representing the entire plastics industry supply chain which includes plastics products processors, manufacturers of machines and molds, and raw material (resin) suppliers. The plastics industry represents the fourth largest manufacturing sector in this country, employing 1.5 million workers and providing \$330 billion in annual shipments.

SPI SUPPORTS WIA REAUTHORIZATION

SPI supports the reauthorization of WIA. It has made a significant contribution to the needed training and education of incumbent workers in the plastics industry. Even though manufacturing industries in the U.S., including the plastics industry, have experienced a serious economic downturn and resulting layoffs, there still exists a shortfall of skilled employees. Workers in manufacturing need to be much more skilled than 20 years ago. The WIA has demonstrated that it can play a significant role meeting this need that is critical to ensuring the competitiveness of U.S. manufacturing.

Further, SPI supports the reauthorization of WIA because Federal monies are subsidizing training and certification that businesses could not otherwise afford. The training and certification programs have been shown to reduce operating expenses and increase profits; thereby, making the businesses more competitive.

Finally, without the Federal assistance, today most companies cannot afford training and certification. Training budgets have been drastically reduced in most compa-

nies, especially smaller to mid-sized companies, which comprise a large part of the U.S. plastics industry. State funded customized training programs through community colleges and technical colleges have been cut also.

#### SECTOR-BASED TRAINING UNDER WIA

SPI has been able to help the plastics industry utilize training opportunities under the WIA and hopes to significantly expand such opportunities. Further in the testimony are summaries of two workforce training projects that SPI conducted with the States of Florida and North Carolina. Both of these projects were fully funded with WIA dollars, at a cost of \$700 per person in Florida (2001) and \$800 per person in North Carolina (2002–2003). WIA monies subsidized the cost of both training and certification testing.

SPI has conducted operator training and certification testing in injection molding and extrusion in FL, NC, SC, GA, PA, CA, OH, MI, WI, NH, NY, KY, AR, MD, LA, KS. In NY, FL, NC, SC, and CA, companies received 100 percent funding through their local Workforce Investment Board (WIB) or a State-funded program. PA and KY offered a 50 percent reimbursement through State funded programs. The other States did not offer funding for IWT or funding was not available because their IWT program was under development. In some cases, partial funding was available through either local or State programs but funds were obligated for the agent's fiscal year or companies chose not to apply for partial funding due to the "red tape" involved. In instances where SPI or a company receives funding, training is coupled with the respective certification exam. Companies can elect to participate in the National Certification in Plastics Program (NCP) exam without participating in the training program. In most cases, if a company participates only in the NCP, the company pays for the testing.

The National Certification in Plastics Program is conducted under the auspices of SPI. The NCP program was implemented in 1998 and the training program for operators was implemented in 2000. Approximately 150 companies have participated in either SPI's testing or training programs. Between 1998 and 2003, SPI administered Internet-based certification exams in injection molding, extrusion, blow molding or thermoforming to 642 workers. Of the 642, approximately 92 percent or 590 workers have passed one of the exams and become certified operators. In addition to these 642 workers, SPI has tested an additional 1,066 workers in injection molding or extrusion following their completion of SPI's 28-hour training course. Of the 1,066 workers, approximately 85 percent or 906 workers have earned their certification as plastics operators.

In addition to operator training delivered via SPI's Plastics Learning Network (PLN), SPI has partnered with Paulson Training, Inc. to conduct technician level training in injection molding troubleshooting. Approximately 157 technicians in FL, NC, SC, NY, and NH have participated in this 2-day seminar. 127 of the 157 received 100 percent funding for the training subsidized with WIA dollars by local workforce boards. This training did not result in certification, but companies viewed it as important technical training.

#### RECOMMENDATIONS TO STREAMLINE AND FINE TUNE WIA TO INCREASE EFFECTIVENESS

Some State programs are more effective than others because they have streamlined the process for companies. Thus far, Florida has been the most customer-friendly for SPI because there is one point person at the State Workforce Investment Board (WIB) level rather than multiple contacts at the local WIB level.

For reporting purposes, SPI has one report to submit to the State rather than one report per WIB. From the company's perspective, the application is not cumbersome and can be submitted by the Internet.

SPI and Florida's point person divide the responsibilities and communicate frequently when funding grants are involved. Reporting by the company is minimal and all forms are web-friendly. On the other hand, when IWT programs are administered at the local level, SPI develops a relationship with more people, and is more involved in building local training partnerships. This type of collaboration has proven valuable for the community/technical college system, economic and workforce development agencies, and the participating companies.

Simplicity is the key to State programs working more effectively. Keep the IWT application short, simple, and ask only for necessary information (info that is needed for tracking standard outcomes). Also, timely turn-around time for application approval is important. IWT application review committees should work to expedite the evaluation and approval process.

## WIA SHOULD BE MORE DEMAND DRIVEN

SPI has found that States that identify “high-skills” targeted industries are more responsive to employers and their current and future workforce needs. In these States, local boards have a sense of direction and support from the State, and can focus on serving growth industries.

## WIA SHOULD BE MORE FLEXIBLE

WIA should be flexible in order to be able to adjust to an ever-changing economy and resultant changing needs of workers. SPI recently hosted a focus group for evaluating its current training and certification programs, and also for assessing future training and certification needs. This effort resulted in recommendations to develop technical level training and technical certifications for the plastics industry.

## PROVIDE MORE DEFINITION FOR INCUMBENT WORKER TRAINING

SPI thinks that the training of the unemployed, underemployed, welfare recipients, and dislocated workers is very important; however, SPI thinks that the training of incumbent workers is equally important. Companies that remain sufficiently competitive to be able to create jobs are those that continuously upgrade the skills of their workforce.

WIA funds should be allocated at the local level depending on current and projected workforce needs. In areas where there have been numerous closures and layoffs, awards of WIA funds should reflect the need for re-training and education of dislocated workers.

Also, awards of WIA funds should reflect the current and future needs of incumbent workers in high-skills and growth sectors, thus providing upward mobility for incumbents, and at the same time, providing entry level jobs for the unemployed and underemployed.

SPI thinks that the WIA should provide more definition for IWT. This would be especially valuable because IWT training is a growing trend with local and State WIB’s. WIA says little about IWT. There are few guidelines mentioned. Because of this, local and State workforce boards create their own guidelines. Many guidelines require too much work and documentation for the participating companies.

Several local WIB’s with which SPI has worked created requirements much like those in other funded programs. For instance, one local board created an employee information sheet that was two pages long. Questions about drug abuse, pregnancy, etc. were included, much like the standard WIA application. Initially, the board asked employers for two forms of ID on each student along with a copy of their I-9 form. In addition, the application had so many performance and monthly reporting requirements that several of the companies lost interest. One company said, “Forget it, I don’t have the time for this bureaucracy.”

## COMPOSITION OF STATE BOARDS

Board membership at the State and local levels needs to be at least 51 percent business representation and chaired by business in order to be more effective. Inclusion of economic and workforce agencies is also important, along with representation from educational institutions. Legislative representation and labor union representation should be encouraged but not made a requirement.

## WORKFORCE INVESTMENT IS ECONOMIC DEVELOPMENT

Workforce investment goes hand in hand with economic development. Human capital is any company’s most valuable resource. Targeted and “growth” occupations should get greater consideration for WIA funds.

## WIA SHOULD PROVIDE GUIDANCE ON HOW TO MEASURE OUTCOMES

While there is significant focus on outcomes, there is not a system in place to educate and train companies on how to measure outcomes. It is easy to measure retention or wage increase within 6 months but it is more difficult to measure turnover rate, quality improvements, decrease in worker’s compensation costs, machine down time, etc. all of which affect a company’s bottom line. Similarly, SPI is not aware of any system for measuring delivery effectiveness other than the standard job retention and wage increase metrics.

A customer satisfaction indicator for both employers and individuals should be maintained, and One Stop Center performance must be measured towards customer satisfaction. The best One-Stop Centers are those that gather customer service input

from employers and individuals and then use the information productively. To be a “Certified One-Stop”, a customer service indicator should be a requirement.

#### NATIONAL ASSOCIATION OF WORKFORCE BOARDS PARTNERSHIP

SPI thinks that the Act’s support of sector-based training alliances across the nation is very important and is working to more effectively utilize such alliances. On June 24, SPI announced a strategic alliance with the National Association of Workforce Boards (NAWB) for the purpose of educating State and local workforce boards about the plastics industry and enlisting their assistance and resources in creating training partnerships.

SPI is targeting State and local WIB’s in the top 20 plastics employment States. NAWB is also targeting/educating State and local WIB’s in the top 10 plastics employment States. This effort has just begun and more time is needed to ascertain the effectiveness of the combined efforts of SPI and NAWB.

Working with NAWB should allow SPI to more effectively target training for plastics companies. SPI has already targeted regions within States that have a high density of plastics companies. Working with NAWB will allow SPI to reach the other half of the equation . . . the local boards. WIA allows clients and companies the flexibility of choosing their training providers.

SPI hopes that the partnership will facilitate communication among local boards, companies, community agencies, educational institutions, and SPI. SPI thinks that a more informed audience will result in boards and companies that have interest in collaborative training projects that may utilize WIA funds. The alliance will provide information aimed at helping plastics manufacturing companies in the regions to upgrade the skills of the current and future plastics industry workforce.

#### EXAMPLES OF SPI’S WORK WITH STATE WORKFORCE BOARDS

Following are two models, one in Florida and one in North Carolina, that illustrate how SPI has worked with State Workforce Boards.

#### FLORIDA INCUMBENT WORKER PLASTICS TRAINING PROJECT

##### **The Consortium**

The Florida Plastics Learning Consortium was a partnership between Workforce Florida, Inc. (WFI) and SPI that conducted the Florida Incumbent Worker Plastics Training Project between March 13 and July 27, 2001. This innovative project brought together a State Workforce Development Board, a national trade association, a State broadcasting network, a manufacturing extension research and training program, 33 Florida plastics manufacturing companies, and 9 educational institutions to train and certify incumbent workers as plastics operators. In addition to the broad stakeholder involvement, the project was unique because it utilized WIA dollars to fund the industry-specific training and testing.

##### **The Service Providers**

The Plastics Learning Network (PLN) and the National Certification in Plastics (NCP) programs, administered by SPI, provided both the training and certification testing services. The NCP was developed by the industry in collaboration with the Educational Testing Service’s Chauncey Group to provide an independent, third party evaluation of employee skills resulting in a portable national credential. The PLN is a consortium of the SPI, the Polymers Center of Excellence (PCE) and South Carolina Education Television (SCETV), which broadcasts plastics training nationwide.

##### **Background and Goals**

In 1999, the State Workforce Development Board, Workforce Florida, Inc., in conjunction with Enterprise Florida, Inc., the State economic development entity, identified a need for skills upgrade training for existing workers in the plastics industry. The plastics industry sector is considered a “targeted industry” in Florida, offering “high skill/high wage” jobs.

The goal of WFI was to assist employers in upgrading the skills of their workers, thus providing an avenue for advancement and retention. A secondary goal of WFI was to pilot a multi-employer training project utilizing an alternative delivery method for use as a model for future projects in other industries.

To achieve this goal, WFI and SPI, through a State Incumbent Worker Training Program grant award, created a partnership whereby WFI fully funded the PLN certification training and testing for qualified Florida companies, a value of \$700 per worker. SPI provided the live, interactive training via satellite to designated

downlink sites in Florida and subsequent testing of participants at designated testing centers utilizing Florida's educational system.

Several partners made additional cash and in-kind contributions to the training project. For example: SPI contributed an estimated \$149,000 in marketing efforts and staff time, PCE contributed \$18,000 in-kind for instructor training and course development, SCETV contributed \$8,000 in-kind for staff time, and many of the participating employers paid their employees wages while in training as well as associated travel expenses.

When asked how Command Medical Products, Inc., Ormond Beach, Florida, compensated their employees for participating, Brad Harris, VP of Operations, responded:

*All hourly participants were paid their normal wage rate during the training sessions. Our training goal was to increase company knowledge in extrusion while providing a foundation for new and incumbent extruder operator learning.*

*The potential financial gain for all participants was the promotional opportunity that would result from business growth. New extrusion operators could also benefit from the knowledge gained through PLN since their wage progression is based on demonstrated skill. Two employees have received increases based on these criteria.*

#### **Incumbent Worker Plastics Training Project**

The Florida Incumbent Worker Plastics Training Project was well received by employers and employees because the training was: State funded, conveniently delivered, live and interactive, short-term in length, and resulted in a national credential for the workers. David Outlaw, Plant Manager of Precise Technology, St. Petersburg, Florida observed:

*The PLN courses are useful for all departments within a plastics operation because they remove the mystery usually confined to the manufacturing floor and help administrative, manufacturing, design, mold-building and maintenance people understand the fundamentals of the business.*

*Because of this project, I have become more involved in workforce development on a local and State level. Overall, we have brought people and organizations together who want to work toward improving the lives of our workers and the Florida economy.*

#### **Program Delivery**

To deliver the training, PLN utilized SCETV for broadcasting and the renowned Polymers Center of Excellence in Charlotte, NC, for instruction. PLN contracted with 10 Florida downlink sites equipped with distance-learning classrooms. These sites included seven community colleges, one technical college, one plant facility and one middle school.

Incumbent workers enrolled in either "Preparation for National Certification in Injection Molding" or "Preparation for National Certification in Extrusion." Classes were held at the sites 2 times per week, from 4–6 p.m. for 7 weeks. After completion of training, workers took the National Certification in Plastics exam at their local community college, with college personnel serving as proctors. The exam was administered through Net Certification, an on-line testing vendor.

#### **Outcomes**

Through this collaborative partnership, 210 of the 230 incumbent workers (91.3 percent) completed the training and passed the NCP exam, thereby receiving a nationally recognized, portable credential as either an injection molding or extrusion operator.

The incumbent workers that participated were from 33 companies located across two Florida counties in both rural and urban areas. This training project produced more highly skilled and knowledgeable workers resulting in 33 promotions at an average wage increase of \$.59/hour (ranging from \$.25/hour to \$.97/hour) at 8 of the 33 companies. Other companies plan to consider wage increases at the time of employee performance evaluations.

#### **Conclusion**

The Florida Plastics Learning Consortium is an excellent example of how an innovative, collaborative training partnership can leverage multiple resources to serve employers throughout a State, resulting in benefits for the incumbent worker, the employer, the local community, and the State. In 2002, the NAWB recognized WFI's and SPI's partnership with a prestigious Theodore E. Small Workforce Partnership Award.

Workforce Florida, Inc., the State's workforce board, has supported SPI's training initiatives in Florida since the spring of 2001. SPI has completed its third training contract with Workforce Florida who has said that "SPI is Florida's poster child" for

successful incumbent worker training. The 2001 grant greatly influenced the two additional grants that SPI received. In the fall of 2001, SPI received a grant through The Agency for Workforce Innovation, which is under the umbrella of Workforce Florida. This grant ended in fall 2002 and was for operator training and certification.

In the spring of 2003, SPI received a grant through Workforce Florida's Incumbent Worker Training Program. As in the spring of 2001, this grant was for technician training. Workforce Florida reported at the recent SPI/NAWB Alliance Luncheon that 84 percent of the trainees in the spring 2001 project are still employed in the plastics industry and have averaged a wage increase of \$1.00/hour.

### **Toward a National Workforce Education and Training Policy**

By Ray Uhalde, National Center on Education and the Economy  
Marlene Seltzer, Jobs for the Future  
Pamela Tate, Council for Adult and Experiential Learning  
and Rebecca Klein-Collins, Council for Adult and Experiential Learning

Revised June 30, 2003

**Table Of Contents**

EXECUTIVE SUMMARY ..... 1

INTRODUCTION AND BACKGROUND – THE VALUE OF A SKILLED WORKFORCE IN THE NEW  
MILLENNIUM ..... 1

*The Value of Education and Training: The Employer’s Perspective* ..... 1

*The Value of Education and Training: The Worker’s Perspective* ..... 3

BUILDING A BETTER WORKFORCE EDUCATION AND TRAINING SYSTEM ..... 4

*A Vision for a National Workforce Education and Training System* ..... 6

*Existing Assets for Workforce Education and Training* ..... 6

RECOMMENDATIONS ..... 9

    1. *Invest in training on a scale that supports the well-being of the nation’s economy and so that it is not just a privilege for the lucky few* ..... 10

    2. *Expand the scope of federal training and education programs to reach incumbent workers, particularly those with low skill and income levels, and to help them advance to jobs that pay family-sustaining wages* ..... 10

    3. *Use federal resources to leverage state, local and private investment in education and training* ..... 15

    4. *Create stronger linkages with higher education programs and help to improve access, retention and success for working adults pursuing skills and credentials* ..... 16

    5. *Strengthen connections between workforce training and employers, as well as with economic and community development initiatives/strategies, and fund interventions that engage the private sector* ..... 19

CONCLUSION ..... 21

ABOUT THE AUTHORS ..... 22

ACKNOWLEDGEMENTS ..... 24

REFERENCE ..... 24

APPENDIX ..... 26

ANNOTATED SUMMARY OF ALL TRAINING POLICY RECOMMENDATIONS ..... 27

## **Toward a National Workforce Education and Training Policy**

By Ray Uhalde, National Center for Education and the Economy  
 Marlene Seltzer, Jobs for the Future  
 Pamela Tate, Council for Adult and Experiential Learning  
 and Rebecca Klein-Collins, Council for Adult and Experiential Learning

Revised June 30, 2003

### **Executive Summary**

This is a critical time in our economic history. Demographers are projecting severe shortages in skilled workers in the next ten years. While the skills gap will be a crisis in 2010, the lack of basic skills, technical skills and competencies is an issue for industry right now. To meet this challenge, we need to invest in worker education and training.

In the next two years, the federal government will be reauthorizing a number of programs that affect workforce education and training: the Workforce Investment Act, the Higher Education Act, Temporary Assistance for Needy Families, the Vocational Rehabilitation Act, the Adult Education and Family Literacy Act, and the Carl D. Perkins Vocational and Technical Education Act. Incremental changes in current programs and services are needed but are not enough. Now is the time to take a more strategic approach to workforce education and training and create a seamless, dynamic, and sufficiently-funded system for advancing the skills and credentials and productivity of our entire workforce. In order to meet the current and future demand for skilled workers, a strong, national system for workforce education and training requires us to:

1. Invest in training on a scale that supports the well-being of the nation's economy and so that it is not just a privilege for the lucky few
2. Expand the scope of all federal training and education programs to reach incumbent workers, particularly those with low skill and income levels, and to help them advance to jobs that pay family-sustaining wages
3. Use federal resources to leverage state, local and private investment in education and training
4. Create stronger linkages with higher education programs and help to improve access, retention and success for working adults pursuing skills and credentials
5. Strengthen connections between workforce training and employers, as well as with economic and community development initiatives/strategies, and fund interventions that engage the private sector

To do this, we can build on a number of assets already in place, such as:

- A strong community college system
- A One-Stop Career Center infrastructure
- A burgeoning distance learning field
- Existing employer-provided training programs and those offered through labor-management partnerships
- Training provisions of Temporary Assistance for Needy Families (TANF)
- A strong network of private, non-profit, community-based education and training providers
- Innovative models for serving employers, including strategies that focus on identifying or building career ladders within sectors or industries and modular training that provides flexibility in scheduling and a focus on outcomes rather than seat time.
- Workforce intermediaries who bring together key partners and functions to advance careers for all workers, increase business productivity, and improve regional competitiveness
- Federal income tax incentives such as Section 127, the Hope Scholarship Credit and the Lifetime Learning Tax Credit
- Federal student financial aid
- State level support for incumbent worker training

The assets listed above are all key elements of a strong and productive workforce education and training system, but by themselves they are not enough. Changes are needed to bring them together and build a system that works – for employers, for incumbent workers, for the unemployed, and for the future workforce.

In this paper we are putting forth a series of recommendations to help move the various building blocks toward the creation of a national system for workforce education and training. In addition to recommendations for incremental change, we are also including several innovative reforms that we call “**system renovations**” – ideas for new and dramatic ways of configuring programs and services that would result in a system that is more streamlined, easier to navigate, and more focused on providing training opportunities for higher skills and credentials.

**1. Invest in education and training on a scale that supports the well-being of the nation’s economy and so that it is not just a privilege for the lucky few**

*and*

**2. Expand the scope of federal training and education programs to reach incumbent workers, particularly those with low skill and income levels, and to help them advance to jobs that pay family-sustaining wages**

The following recommendations are designed to increase the amount of education and training that is offered through WIA, Temporary Assistance for Needy Families, the Higher Education Act, and the Adult Education and Family Literacy Act and to increase training that is offered to low income workers.

- Increase Funding Allocation for Individual Training Accounts (WIA)
- Increase Education and Training Opportunities Under TANF (TANF)

- Amend Pell Grants to Better Serve Low Income Students Who Work (Higher Education Act)
  - Increase Funding and Build Capacity for ABE Programs (Adult Education and Family Literacy)
  - Relax the Sequence of Services That Lead to Training (WIA)
  - Simplify Performance Measures While Encouraging Training (WIA)
  - Eliminate the “Student Aid Disregard” and clarify the sequence of Pell Grants vs. ITAs (WIA, HEA)
  - Provide Separate Funding Stream for One-stop Career Center Infrastructure and Wagner-Peyser (WIA)
  - Build Capacity of One-Stop Career Centers to Serve Incumbent Workers (WIA)
  - System Renovation: Reinvent the ITA Program According to Pell Grant Model
- 3. Use federal resources to leverage state, local and private investment in education and training**

Besides the federal government, other beneficiaries – states, employers, and individual workers – also have stakes in the health of the labor market and can be expected to shoulder some of the cost. The following recommendations are designed to leverage investments from some of these other stakeholders.

- Support the Expanded Financing of ITAs Combining Federal Funds with Other Sources (WIA)
  - Provide Incentives for States to Use TANF for Low Income Workers (TANF)
  - Support State Funding of Private Sector Training Programs
  - System Renovation: Lifelong Learning Accounts (LiLAs)
- 4. Create stronger linkages with higher education programs and help to improve access, retention and success for working adults pursuing skills and credentials**

In addition to the financial barrier, access to training for workers dependent on WIA has been limited in terms of provider choice because the burdensome eligibility requirements have driven many providers away. In addition, access for adult workers can be highly dependent on the ability of educational institutions to meet this population’s needs in terms of skill level, scheduling, and flexibility in program offerings. We offer the following recommendations to help expand access and otherwise support the success of working adults pursuing new skills and credentials:

- Amend the Hope Scholarship Credit for Low Income Workers (Taxpayer Relief Act of 1997)
- Amend the Lifetime Learning Tax Credit for Low Income Workers (Taxpayer Relief Act of 1997)
- Provide Information and Referral on Tax Credits Through One-Stop Career Centers (WIA)
- Institute Employment-Based Accountability Standards for Higher Education (HEA)

- Amend Section 127 to target low income workers more specifically
- System Renovation: Tax Credit Consolidation
- Provide Greater Flexibility in the Requirements for Eligible Training Providers (WIA)
- System Renovation: Targeted Programs within the Higher Education Act for Adult Learners (HEA)

**5. *Strengthen connections between workforce training and employers, as well as with economic and community development initiatives/strategies, and fund interventions that engage the private sector***

The role of workforce intermediaries is distinct from but complimentary to that of the publicly funded workforce education and training system. Intermediaries fill some of the gaps in service and also link many of the elements of the system together to serve better the needs of employers and individual workers. Essentially, workforce intermediaries function as the “mortar” for the system’s building blocks. The following recommendations are designed to provide more regular funding for workforce intermediaries that will encourage their growth and development and further their work in linking the various building blocks into a dynamic and responsive workforce education and training system.

- Expand and Regularize Existing Federal Demonstration Programs for Workforce Intermediaries
- Establish a State-Run Workforce Intermediary Investment Fund
- Fund Grants to Encourage Linkages Between Welfare-to-Work Programs and Employers

Given the changes in skill demands and the dramatic demographic shifts in the next decade, the need to increase the skills and credentials of the nation’s workforce has never been as urgent as it is today. Although the programs, services and resources that currently exist for workforce education and training are a good start, they do not yet make a fully functioning and dynamic system. We urge lawmakers to think broadly about the various components of the workforce education and training system and about how all of these different programs, services and incentives work together – or fail to work together – in the common goal of helping the nation meet skill and labor needs of today and the future.

## **Toward a National Workforce Education and Training Policy**

By Ray Ubalde, National Center on Education and the Economy  
 Marlene Seltzer, Jobs for the Future  
 Pamela Tate, Council for Adult and Experiential Learning  
 and Rebecca Klein-Collins, Council for Adult and Experiential Learning

June 17, 2003

### **Introduction and Background – The Value of a Skilled Workforce in the New Millennium**

This is a critical time in our economic history. Corporations are starting, growing and folding at faster rates than ever before. According to the New Economy Index, almost one third of all jobs are now in flux; they are either being born or dying, added or subtracted every year (Weinstein 2003). At this moment, we are experiencing a relatively high unemployment rate that is due in part to this churning. But an even bigger challenge is on the horizon. Demographers are projecting severe shortages in workers, particularly those with higher skill levels, in the next ten years.

To meet this challenge, we need to invest in worker education and training. In 2000, Federal Reserve Board Chairman Alan Greenspan told the National Skills Summit that:

“The rapidity of innovation and the unpredictability of the directions it may take *imply a need for considerable investment in human capital.* [...] Workers must be equipped not simply with technical know-how but also with the ability to create, analyze, and transform information and to interact effectively with others. Moreover, that learning will increasingly be a lifelong activity” [Italics added] (Greenspan 2000).

In the next two years, the federal government will be reauthorizing a number of programs that affect workforce education and training. Attention to these programs comes, therefore, at an important time. Never before has “investment in human capital” been as critical to employers, to workers, and to the economy as a whole as it is right now.

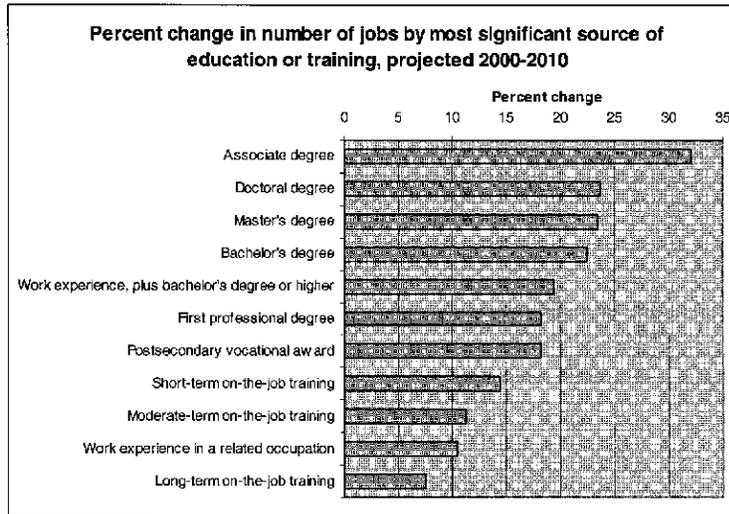
#### ***The Value of Education and Training: The Employer's Perspective***

In recent years, there has been growing evidence that education and training has an impact on worker productivity. One study showed that increases in educational attainment were responsible for an estimated 11 to 20 percent of growth in worker productivity in the US in

recent decades (Decker et al 1997). Because of this link with productivity, education and training has been promoted in the private sector as a way to get the most out of workers at all levels of the workforce.

However, as we learn more about the demographic changes that are looming, it is clear that new investment in workforce education and training will have a more important function: to meet the demand for higher skilled positions. For the past 20 years, we have experienced extraordinary productivity in the private sector, and the increases in productivity have been supported both by technology improvements and a better educated workforce.

The demand for higher skills is still growing. The Bureau of Labor Statistics reports that employment in all seven employment categories that generally require a college degree or other post secondary award is projected to grow faster than the average across all occupations (see chart below). While these categories accounted for 29 percent of all jobs in 2000, they will account for 42 percent of projected new job growth, 2000-2010 (Bureau of Labor Statistics, Occupational Outlook Handbook, 2002-2003 Edition).



Yet while our need for skilled labor continues to grow, the gains in education are beginning to slow down. We are about to experience a very serious **skills gap**. The Aspen Institute reports that the fraction of the labor force with a college degree will rise much less in the coming decades than in the past. Some 21.6% of the labor force had a college degree in 1980; by 2000 the figure had risen to more than 30.2% – an increase of almost nine percentage points. But over the next twenty years, by 2020, it is expected to rise a mere three percent to 33.6% (Aspen

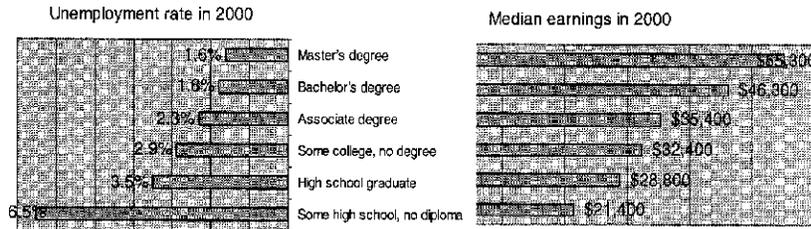
Institute 2002). This growth in educational achievement is not enough to match the pace of the demand.

The future slowdown in attainment of degrees and other credentials is certainly problematic, but the lack of basic skills, technical skills and competencies is an issue for industry right now. In a survey of employers, the National Association of Manufacturers found that 80 percent of respondents believed a severe shortage of qualified job candidates exists now, despite the economic downturn. Most companies (60 percent) responded that the lack of available skilled workers is directly affecting the ability to produce goods and services necessary to meet market demand (Employment Policy Foundation 2001). In another survey of 1,500 employers in 2000, 73% reported "very severe" or "somewhat severe" conditions when they tried to hire qualified workers; 24% indicated they could not get enough applicants to meet their needs (Workforce Academy Model Project 2001.)

Unfortunately, we cannot rely on new labor market entrants from the K-12 system to solve the skill gap problem. Data from the Bureau of Labor Statistics shows that there will also be a **worker gap**. At least 58 million job openings will be available by 2010. This job growth, the result of both new job creation and the retirement of workers, cannot be matched by the number of those who will be entering the labor market during that period. In fact, the labor force may fall more than 4.8 million workers short of meeting demand in this short a time (Employment Policy Foundation 2001). In the long term, the situation could potentially be much worse: over the next 30 years, 76 million baby boomers will be retiring, with only 46 million "Gen Xers" entering the labor force (Eisenberg 2002). What this means is that corporate America is facing a very large shortage of talent, which will be most severely felt in the need for higher skilled workers. We will need to find ways not only to help workers gain new skills, credentials and degrees, but also get more yield out of the skilled workers we have in order to meet future labor demands.

#### ***The Value of Education and Training: The Worker's Perspective***

While workforce education and training is becoming increasingly important to business and industry, it is equally valuable to individual workers. The more education and training a person has, the higher the salary and the greater the employability. To illustrate, a Census Bureau survey released in July 2002 shows that in 1997-1999, workers with bachelor's degrees earned an average of \$52,000 annually, compared to \$30,400 for high school graduates and \$23,400 for those with less than a high school diploma (U.S. Census 2002). Similar data from the Bureau of Labor statistics, detailed in the chart below, shows that workers with higher levels of education benefited from both larger annual salaries and lower unemployment rates in 2000.



And while education that leads to degrees and credentials is valuable, other skill training investments are as well, both to employers and to workers. The American Society of Training and Development and Saba Software have found that training investments can yield “favorable financial returns for firms and their investors.” Specifically, they found that “an increase of \$680 in a firm’s training expenditures per employee generates, on average, a six percentage point improvement in total shareholder return in the following year. Firms in the top quarter of the study in terms of training investment had higher profit margins and higher income per employee than those in the bottom quarter (Bassi et al 2000).

In addition to improving income and employability, studies also show that higher education levels are positively correlated with healthier lifestyles, as well as behaviors that help prevent adverse health conditions. For example, individuals with higher educational levels are more likely to live longer, regularly exercise, visit the dentist, and be aware of what kinds of foods are associated with higher rates of cancer and hypertension. Higher educated individuals are less likely to smoke cigarettes and less likely to be more than 20% overweight. Higher educated women are more likely to have professional breast exams, pap smears, and mammograms. They experience a lower infant mortality rate, they are less likely to smoke cigarettes during pregnancy or have low birth-weight babies, and they are more likely to breast-feed their babies (“Why College?” 1999).

In addition, higher levels of parent educational attainment have a strong positive impact on educational and other benefits to children – the future workforce – such as school readiness and educational achievement, health and health-related behaviors including smoking and binge drinking, and pro-social activities such as volunteering (see Parental Education, [www.childtrendsdatabank.org](http://www.childtrendsdatabank.org)).

### Building a Better Workforce Education and Training System

At the same time that businesses need skilled workers more than ever and that the benefits of educational attainment to individuals and their families are becoming better understood, the

government is facing a perfect opportunity to build a national workforce education and training system that provides the skills that are needed for today's – and tomorrow's – workplace. In the next two years, the Congress will be reauthorizing a number of programs relevant to workforce education: the Workforce Investment Act, the Higher Education Act, Temporary Assistance for Needy Families, the Vocational Rehabilitation Act, the Adult Education and Family Literacy Act, and the Carl D. Perkins Vocational and Technical Education Act.

The first of these programs up for reauthorization is the Workforce Investment Act (WIA). The Bush Administration has proposed a series of reforms to WIA, and the U.S. House of Representatives has passed its own set of recommendations as H.R. 1261. As Secretary Elaine Chao testified before both the U.S. House of Representatives and the U.S. Senate, the proposed reforms were designed to “improve accountability; eliminate duplication through program consolidation; enhance the role of employers in the national workforce system; and increase state flexibility” (Chao 2003). The goals of these proposals are essentially to tweak, or incrementally improve, the publicly-funded workforce education and training infrastructure.

The tweaking of WIA is needed, and incremental changes are a step in the right direction. But given what we now know about the importance of our workforce's contribution to economic growth and its projected challenge in meeting future employment demands, it is critical that we also begin to think more broadly about the larger system of training and education for the workforce. As Chairman Greenspan said to the National Skill Summit:

“It is not enough to create a job market that has enabled those with few skills to finally be able to grasp the first rung of the ladder of achievement. More generally, we must ensure that our whole population receives an education that will allow full and continuing participation in this dynamic period of American economic history” (Greenspan 2000).

While making needed modifications to existing programs like WIA, the Higher Education Act and others, we need also to think about what happens to workers who are not currently a priority of federal workforce and education programs, for example, low income incumbent workers. We also need to recognize that there is currently not enough funding in workforce education and training programs both to build the infrastructure and to provide the amount of training necessary to meet the growing needs of the business community. Furthermore, funding is not equitably distributed. For some incumbent workers, there are ample training opportunities provided by employers or by labor-management partnerships. For others, there is little or nothing. Some employers are located in states that support incumbent worker training to help meet skill needs. Many employers are not. Another failing is that with all the many funding streams that go to workforce education and training programs, very little of it leverages private sector investment in education and training, and there is virtually no connection between publicly-funded training and privately-funded training.

In short, as we think about needed changes to specific workforce education and training programs, we need to consider the context of the broader system of education and training for the entire workforce. We need to think about how the current programs, as they exist right now and as they might be reformed, should ideally interact with other workforce education and training

and adult education resources to create a dynamic system that is responsive to employer needs, seamless to individuals in need of skills and credentials for employment, ripe with high quality and flexible learning opportunities, and affordable to both employers and workers.

#### ***A Vision for a National Workforce Education and Training System***

We believe that making incremental changes in current programs and services is needed but is not enough. Now is the time to take a more strategic approach to workforce education and training and create a seamless, dynamic, and sufficiently-funded system for advancing the skills and credentials and productivity of our entire workforce.

In order to meet the current and future demand for skilled workers, a strong, national system for workforce education and training requires us to:

1. Invest in training on a scale that supports the well-being of the nation's economy and so that it is not just a privilege for the lucky few
2. Expand the scope of all federal training and education programs to reach incumbent workers, particularly those with low skill and income levels, and to help them advance to jobs that pay family-sustaining wages
3. Use federal resources to leverage state, local and private investment in education and training
4. Create stronger linkages with higher education programs and help to improve access, retention and success for working adults pursuing skills and credentials
5. Strengthen connections between workforce training and employers, as well as with economic and community development initiatives/strategies, and fund interventions that engage the private sector

#### ***Existing Assets for Workforce Education and Training***

We do not need to start from scratch in building a workforce education and training system. Right now, there are many resources already in place that can be seen as assets, or building blocks, to the creation of a new system that meets our nation's needs. These assets are in various stages of development. Some of these assets, such as student financial aid, are well established programs. Others, such as sectoral strategies for workforce education and training, are still works in progress but are promising in their innovation and contribution to the field.

The assets include:

- **A strong community college system** – In most states, there is high quality, inexpensive training to be found in the community college system. Many community colleges cater to the needs of working adults by providing evening and weekend courses, self-paced degree completion, and strong ties to local employers. Changes to the Higher Education Act can help to promote more progress, particularly in serving the needs of incumbent workers. The infrastructure that already exists provides a strong foundation on which to build new models for workforce education and training.

- **A One-Stop Career Center infrastructure** – While there are many critics of the One-Stop Career Center system, it must be acknowledged that the last seven years of building the One-Stop Career Centers across the country have resulted in an infrastructure that has a great deal of potential. The career centers are designed to engage employer and community involvement through a new system of local workforce boards, and they are poised to serve as the locus for information and referral – yet another building block for a truly dynamic and seamless workforce education and training system. To meet the needs of a national workforce education and training system, they will require additional funding, particularly a dedicated funding stream to support the infrastructure (beyond program dollars) and an infusion of new funding to build internal capacity to serve incumbent workers. There are also improvements that need to be made to make it more seamless in the eyes of those who seek assistance.
- **A burgeoning distance learning field** – Not too long ago, distance learning received little respect from the postsecondary education establishment. Today, distance learning has become almost a required element of degree programs at all institutions, from universities to community colleges, from technical schools to industry-sponsored certificate programs. The field has grown in sophistication and in stature, providing many options for skill development and education of adult workers. Many of these programs, however, are not eligible for some public training dollars and many skeptics still distrust programs that do not mandate a minimum amount of classroom “seat time.” For example, students attending schools that deliver all their programs through distance learning do not qualify for federal financial aid.
- **Existing employer-provided training** – Most employers today acknowledge how important skill development is, and a great many are investing heavily in workforce education and training. In industries with significant union representation, labor-management partnerships frequently take the lead in the design and delivery of workforce training. Total in-house training provided by employers has been estimated at more than \$56 billion in 2002 (Galvin 2002), and in 1994, employers spent more than \$690 million in educational assistance (tuition reimbursement) to employees (U.S. General Accounting Office 1996). An increasing network of employers are willing to invest in education and training because many are having difficulty finding new hires with the requisite skills, and they wonder how they will fill skilled positions being vacated by retirees. But although many are willing to step up and support education and training to some degree, they are not able to do it alone and would welcome a viable system in which to participate and invest. Further, most of their resources are being spent on their managers, technical professionals, and executives and do not currently reach many of those who could fill the entry level skilled jobs that are in such high demand.
- **Temporary Assistance for Needy Families** – The TANF program, which provides services and training to families moving off of welfare and into the workplace, is an often overlooked asset for education and training of low income workers. Its regulations offer great flexibility, which some states, such as Oregon and Washington, have been used to allow employed workers with household incomes of up to 200 percent of the poverty rate

to participate in TANF-funded services. However, there are no incentives in place for other states to take advantage of this flexibility in the same way.

- **A strong network of private, non-profit, community-based education and training providers** – Assisting federal and state agencies in the delivery of adult education and literacy, job training, and employment services is a strong network of small, private non-profit organizations. This group of providers is an important infrastructure component upon which to build. This is especially true in the area of Adult Basic Education, whose participants often have multiple challenges and succeed best in environments that are community-based and which are less intimidating than more formal educational institutions or government agencies. Adult Basic Education, however, is in need of revitalization and additional funding to address the critical basic skills needs of the workforce.
- **Innovative models for serving employers** – In recent years, there have been many new approaches to workforce education and training in the private sector, including strategies that focus on identifying or building career ladders within sectors or industries and modular training that provides flexibility in scheduling and a focus on outcomes rather than seat time. These approaches are helping to enhance the quality of service delivery in education and training and to connect workforce education and training with community and economic development efforts. These programs, being relatively new, are primarily demonstrations funded through foundations and other sources of “soft” money. The next step is to find a way to build these approaches into the infrastructure of the workforce education and training system.
- **Workforce intermediaries** – The 102<sup>nd</sup> American Assembly, held February 6-9, 2003, produced a paper promoting “Workforce Intermediaries,” which were defined as organizations that “bring together key partners and functions to advance careers for all workers – recognizing the special needs of low-skilled, low-wage workers – increase business productivity, and improve regional competitiveness” (American Assembly 2003). There are many organizations already acting as intermediaries, including non-profit organizations, employer associations, labor-management partnerships and community colleges. These organizations help the various stakeholders make the connections, navigate the educational and public sector systems, and identify the best educational solutions to meet business and worker needs. It is important to note that these workforce intermediaries, rather than competing with One-Stop Career Centers, offer unique and complementary services. While they are often very locally focused and funded through private or soft money, they fill an important role in helping labor markets function and thrive. A national workforce education and training system needs to find ways to expand the reach of workforce intermediaries, integrate them more formally within the system, and provide them with regular sources of funding.
- **Federal income tax incentives** – Currently there are a variety of tax incentive programs for low income individuals and employers that encourage postsecondary education and training, including Section 127 (which makes employer-provided educational benefits tax exempt), the Hope Scholarship Credit (a tax credit for the first two years of

postsecondary education), and the Lifetime Learning Tax Credit (a tax credit for learning beyond the first two years of postsecondary education). Unfortunately, these are largely hidden assets because they are not well known to those who could most benefit from them and to those in the One-Stop Career Center system who could advise workers about them. Further, eligibility requirements for these programs generally eliminate those who could most benefit: low income workers who do not earn enough to pay taxes.

- **Federal student financial aid** – Pell Grants are a resource for low income individuals who pursue postsecondary education opportunities – and a valuable building block for a national workforce education and training system. As currently designed, however, Pell Grant formulas eliminate many low income students who are studying less than half time – the working poor who could most benefit from assistance. And, even when less-than-half-time students would qualify, student financial aid officers do not publicize the program or make it available to them. Finally, many educational programs specifically designed for working adults – which include shorter credential programs, modularized courses, and open entry/open exit programs – are rarely eligible for the Pell Grant program because of outdated requirements.
- **State level support** – When it comes to the training of incumbent workers, the states have taken the lead in recent years. Much of their focus in the past has been on providing training that helps attract and retain employers in their state. However, many states have gone beyond that to providing incentives and matching dollars for training that helps employers reach specific business goals such as adapting to changes in technology or cultivating internal talent for promotion. These kinds of programs can serve as models for replication and as yet another foundation on which to build something new. With budget crises in many states, however, these programs are quietly being sacrificed in order to balance budgets. This is of great concern, considering that these state programs are often the only financial support available for incumbent worker training.

The assets listed above are all key elements of a strong and productive workforce education and training system, but by themselves they are not enough. At this time, each of these separate infrastructure elements have been built, but they have not been organized into a system. There are few connections between each of the elements, making it difficult for any one individual or employer to navigate through the various options and know exactly what resources are available. They are building blocks that lack the mortar. Changes are needed to bring them together and build a system that works – for employers, for incumbent workers, for the unemployed, and for the future workforce.

### **Recommendations**

In this paper we are putting forth a series of recommendations to help move the various workforce education and training building blocks toward the creation of a working system for workforce education and training – one that is seamless for the user and that makes efficient and effective use of all available resources, including the leveraging of new sources of public and private support wherever possible. Most of the recommendations are incremental in nature –

building on the various existing training policies to ensure better access to training for the unemployed and low income workers. While these modifications are needed, we do not believe that it will be possible to meet our goals for the system simply through incremental changes.

To achieve significant improvements in outcomes that help meet the skill and credential needs of employers, workforce education and training programs will need an infusion of new funding as well as dramatically different ways of delivering training programs and services to the unemployed and to incumbent workers alike. In addition to recommendations for incremental change, therefore, we are also including several innovative reforms that we call “**system renovations**” – ideas for new and dramatic ways of configuring programs and services that would result in a system that is more streamlined, easier to navigate, and more focused on providing training opportunities for higher skills and credentials. Because they are a significant departure from the status quo, these system renovations may require additional time to build political will to make them permanent elements of the national workforce system.

With these recommendations, we hope to illuminate the many different ways in which the various programs can and should interact with each other as well as the different ways that individual programs can be improved or restructured to serve the nation’s workforce education and training needs better. These recommendations are not presented in order of priority. Rather, they are organized around the overall goals for a national workforce education and training system to help policy-makers begin to think about current programs in a larger context. A summary matrix of all the recommendations, organized by federal legislation or program, is offered in the appendix.

**1. Invest in training on a scale that supports the well-being of the nation’s economy and so that it is not just a privilege for the lucky few**

*and*

**2. Expand the scope of federal training and education programs to reach incumbent workers, particularly those with low skill and income levels, and to help them advance to jobs that pay family-sustaining wages**

Three of the key federal programs for workforce education and training are the Workforce Investment Act, Pell Grants, and Adult Basic Education (ABE). At this time, all of these programs are inadequately funded to meet the needs of employers and workers. In particular, given the significant basic skill needs of many working adults, the funding of ABE programs (which includes literacy, English as a Second Language and adult basic education) is abysmally low and its services are only weakly connected to higher education or workforce education and training programs (Liebowitz et al 2003).

WIA and Pell Grants need to undergo changes in order to be more effective in serving the needs of larger numbers of incumbent workers. Of great concern, at this time of skill shortages, is that WIA has not produced large numbers of trained workers. A recent study published by the Center for Law and Social Policy found that in the first years of WIA implementation, the number of individuals receiving training through WIA was only one-third of the number that had been trained under the previous system, JTPA (Frank et al

2003). While this trend does little to alleviate skill shortages for employers, it also fails to alleviate the problem of the growing numbers of people now called the “working poor” – people who could potentially move into jobs that pay family-sustaining wages if they could access education and training opportunities.

There are a number of reasons that WIA has not trained many workers in recent years. First, there were new directives that emphasized “work first.” Second, in the tight labor market of the late 1990s, employers’ demand for job candidates outweighed the need for training first. Finally, WIA has always been underfunded, given its scope. Because the creation of one-stop career centers was part of WIA, a large portion of program delivery dollars had to be diverted in order to support the development of the one-stop career center infrastructure. More recent cuts in WIA funding have exacerbated the problem of inadequate funds for training.

A fourth program, Temporary Assistance for Needy Families (TANF), plays an important role in providing education and training to low income workers. However, access to education and training has been limited by Congress in order to make quick entry into employment the highest priority. As a result, TANF often does not provide education and training at the level that is appropriate for individual circumstances. Many of the current restrictions on TANF dollars need to be loosened in order to meet individual needs for training.

The following recommendations are designed to increase the amount of education and training that is offered through WIA, TANF, the Higher Education Act, and the Adult Education and Family Literacy Act and to increase training that is offered to low income workers. Some of the recommendations help to clarify existing regulations that are currently unclear and open to wide interpretation – and, to some extent, confusion – at the state and local levels.

- **Increase Funding Allocation for Individual Training Accounts (WIA)**  
Since 2002, the budget for WIA has been cut by \$678 million (The Workforce Alliance 2003). This is at a time when business and industry are sorely needing skilled workers. We propose that Congress not only restore funding to WIA, but also consider raising the allocation of funding that is earmarked specifically for training activities, including training that can be offered to low income workers as well as to unemployed jobseekers.
- **Encourage Education and Training Opportunities Under TANF (TANF)**  
Currently, the restrictions on TANF participants are so strict that participation in education and training activities is very limited, even when skill development can lead to jobs with family-sustaining wages. As a result, a number of welfare-to-work participants land in dead-end jobs with no hope of additional skill development or advancement opportunities. The TANF program needs to be amended in order to offer more opportunities for skill development and earning of credentials. One proposal to consider is to change the 12-month limit on vocational educational training to 24 months (also proposed by Senate Bill 327). Another is to give states the authority to establish undergraduate postsecondary or vocational educational programs under TANF that are an

alternative to immediate employment for participants who could benefit. Participation in these programs would count toward TANF participation rates, and the time spent in the programs would not count against TANF time limits (See Senate Bill 603) (Patel et al 2003). In addition, participation in adult basic education, English as a Second Language, or postsecondary education should be considered acceptable work activities under TANF.

- **Amend Pell Grants (Higher Education Act)**

Pell Grants provide up to \$4,050 per school year for support of postsecondary students who show “exceptional need.” These grants are ideal for helping low income students pursue postsecondary learning opportunities. However, to qualify for the grants, students must have an estimated “cost of attendance” of at least \$800 per year. Research shows that working adult parents enrolled less-than-half time may only show a “cost of attendance” of \$500 because individual institutions can choose not to include certain living expenses in calculating that total – yet \$500 may be more than some low income workers can afford to pay on their own (Bosworth and Choitz 2002).

We recommend that the eligibility barriers for less-than-half-time working adult students with dependents be modified to include more living expenses in their cost of attendance calculations. This will then require a higher funding allocation to the Pell Grant program because of higher volume of eligible participants. Further, we support modifying some of the eligibility requirements with regard to the kind of educational program the individual is pursuing with the support of a Pell Grant so that they may be allowed to pursue shorter credential programs, modularized courses, open entry/open exit programs and distance learning.

- **Increase Funding for Adult Basic Education and Build Capacity for ABE Programs to Link More Effectively With Other Education and Training Programs (Adult Education and Family Literacy)**

The results of the National Adult Literacy Survey showed that more than 40 percent of the labor force posted literacy scores within the lowest two levels (out of five), and that less than 5 percent of the labor force had received any recent training in literacy-related skills (Sum 1999). These statistics bode poorly for meeting higher skill needs of American employers. We recommend that funding for Adult Basic Education be increased to more adequately address the scale of the need for basic skills training and literacy programs for adults. In addition, funding must begin to address the great and growing demand for English as a Second Language programs. In 1980, for example, ESL participants made up 17 percent of all adult education enrollees; this percentage grew to 48 percent in 1998 (Fix and Zimmerman 2000).

We also recommend targeted funding to increase the capacity of adult basic education programs to create better links with labor exchange programs, with higher education and with education and training programs. This capacity would help move workers from basic skills, literacy and English language programs upward into learning programs that lead to degrees, certificates and higher paying jobs in demand.

- **Relax the Sequence of Services That Lead to Training (WIA)**

The U.S. Department of Labor has acknowledged that many local areas have misinterpreted the language of WIA, specifically the “sequence of service” strategy, how a participant moves from core to intensive to training services. Many local areas interpret it as requiring individuals to spend a specific amount of time in one tier of service before moving onto the next. The DOL has recommended that WIA provide greater flexibility in the delivery of services, saying that “Individuals should have the opportunity to receive the services that are most appropriate for their unique needs.” (U.S. Department of Labor 2003). New legislation should ensure that the sequence in services stipulation is eliminated, along with any required periods between services (Van Kleunen and Spence 2003).

The language in H.R. 1261 does not adequately correct the problem. H.R. 1261 would authorize governors to deny training to workers if they can obtain “suitable employment.” But “suitable employment” is a term of art used for unemployment insurance and Trade Act purposes usually to mean work of a substantially equal or higher skill level than the worker’s previous employment, and wages for such work at not less than 80 percent of the worker’s average weekly wage. If we are to promote movement up career ladders and meet the skill demands of employers, WIA cannot limit training for low wage workers based on this type of restrictive definition.

- **Simplify Performance Measures While Encouraging Training (WIA)**

A concern for many WIA operators has been the laundry list of performance measures that were imposed through WIA legislation. Seventeen performance measures were seen as overly burdensome. The Administration and H.R. 1261 both propose a new set of four performance measures for the adult programs under WIA: 1. Entry into unsubsidized employment, 2. Retention after six months, 3. Earnings after six months, 4. Efficiency. We support the effort to simplify and establish common performance measures and reporting requirements. However, the current list does little to encourage training activities and may, in fact, discourage them. The efficiency measure is particularly problematic because it would discourage spending on more expensive training programs, even when those programs are the best approach for meeting the needs of local employers or regional economic development goals (in addition, it has the strong potential of encouraging “creaming” – providing services only to those with the best chance of success.) We recommend that efficiency be dropped as a performance indicator and instead be made a required reporting element to be used in managing system costs. Or, alternatively, limit the use of the efficiency measure as a performance indicator to only core and intensive services.

In addition, the current list of four measures omits the skill attainment performance standard. We recommend keeping this measure in the legislation so that WIA encourages employment through skill acquisition. An alternative might be to substitute a new performance indicator on obtaining employment through skills acquisition that places a high value on a degree, certificate, license or other documentation that has value for local employers.

- **Eliminate the “Student Aid Disregard” (WIA, HEA)**  
 Currently, Section 479B of the Higher Education Act stipulates that Pell Grants may not be taken into account in determining eligibility for assistance, or the amount of assistance, under other federal programs – in other words, Pell Grants should not be the first source of education and training dollars. To maximize the impact of WIA training dollars, a technical amendment to WIA should be added to clarify that the HEA limitation does not apply to the WIA provision. Pell Grants can thus be used in partnership with WIA funds, creating a stronger link between HEA and WIA in that Pell Grants can be legitimately used for employment training purposes even if the individual also is eligible for WIA.
- **Provide Separate Funding Streams for One-stop Career Center Infrastructure and Wagner-Peyser (WIA)**  
 As we acknowledged earlier, the One-Stop Career Centers are an important element of a workforce education and training infrastructure. However, the costs of developing them and maintaining them have, in the past, limited the resources available for program delivery and training. Currently, under WIA, One-Stop Career Centers are funded through cost-sharing agreements by partners. H.R. 1261 proposes that One-Stop Career Center infrastructure funds be drawn from each of the participating mandated partner agencies. A more effective solution, however, would be to create a separate funding stream specifically for One-Stop Career Center infrastructure, that would ensure that the maximum possible training dollars stay with the WIA program to help build the skills of the unemployed and low income workers (Van Kleunen and Spence 2003). Similarly, we acknowledge that core services need to be fully funded in order to support a high quality labor exchange function. For that reason, we strongly recommend that funding for the Wagner-Peyser Program be kept distinct from WIA.
- **Build Capacity for Serving Incumbent Workers and Employers (WIA)**  
 One-Stop Career Center staff is trained to serve primarily unemployed jobseekers. In order to expand the scope of services to reach low-income workers as well, it will be necessary to ensure that One-Stop Career Centers have the capacity to serve them as well as employers. We propose that One-Stop Career Centers be provided with funding to build capacity to have a better understanding of the education and training marketplace (who the various providers are, what programs they offer, and what their requirements and schedules are), to understand the needs and skill requirements of employers and targeted industry sectors, to provide career counseling and referral, and to allow different populations (e.g. low income workers) access to ITAs.
- **System Renovation: Reinvent the ITA Program**  
 Incremental changes to the ITA program and the way they are administered through the One-Stop Career Center system are needed, but a better solution may be to reinvent them. One plan to consider, proposed by the Progressive Policy Institute, is to structure ITAs similar to Pell grants. Workers seeking retraining would apply for this aid directly from certified training providers rather than government agencies. This would reduce red tape

and help to “mainstream” WIA participants in that they access funding just as other students do (Weinstein 2002).

**3. Use federal resources to leverage state, local and private investment in education and training**

The above recommendations require significant new investment of federal resources, but it is an investment that we cannot afford not to make. At the same time, we recognize that there are budget considerations. While workforce education and training must be a national priority, it should not be an investment that comes solely from the federal government. All other beneficiaries – states, employers, and individual workers – also have stakes in the health of the labor market and can be expected to shoulder some of the cost. The following recommendations are designed to leverage investments from some of these other stakeholders.

- **Support the Expanded Financing of ITAs (WIA)**  
Existing language in WIA provides for other sources of funding to be combined in Individual Training Accounts (ITAs). While the combining of different funding sources within ITAs is explicitly permitted, there is no common practice of doing so. The Bush Administration has attempted to call attention to this feature of ITAs by renaming them “Career Scholarships.” We recommend that there also be funding to build the capacity of One-Stop Career Centers to combine resources from other funding streams (e.g., TANF or state grant programs) and work among and between multiple workforce and education programs. In addition, we would recommend providing financial incentives (for example, matching dollars) for states to contribute to ITAs beyond the current funding available through WIA. These two changes would serve to leverage state contributions to worker training and help build the capacity for local staff to know how to manage funding streams from different sources for the ITA program.
- **Provide Incentives for States to Use TANF for Low Income Workers (TANF)**  
TANF is a potential resource for education and training of low wage workers. Because of its flexibility, some states have been able to use TANF funds to provide training to workers whose household incomes are as high as 200% of the poverty level. When TANF is reauthorized, we recommend that there be federal provisions that explicitly encourage other states to do the same: to broaden eligibility for TANF-funded training to develop the skills of low-wage workers in order for them to move into jobs that pay family-sustaining wages. There should also be new incentives to encourage states to integrate TANF funds into a more seamless workforce development system, not only with the Workforce Investment Boards, but also with incumbent worker training programs. For example, states could use TANF dollars as matching funds for their incumbent and customized worker training funds (Workforce Innovation Networks 2002).
- **Support State Funding of Private Sector Training Programs**  
In the past decade, states have been increasing their financial support for incumbent worker training. By 1998, over 47 states had invested over \$575 million, using funding

from Unemployment Insurance diversion or a general state appropriation (Rubin et al 2003). As states have faced worsening budget crises over the past two years, we have noticed that many of the incumbent worker training funds are being sacrificed to help balance the budget. For example, the Texas Smart Jobs Initiative and Connecticut's customized training fund have both been discontinued and the California Employment Training Panel has placed a moratorium on certain parts of its funding program. This is of great concern because states currently provide the primary third-party support for incumbent workers training in the nation. To stop this trend, we recommend that the federal government provide matching dollars to states that continue to invest in incumbent worker training programs. This will not only help to maintain current state investments in the short run, but it may also leverage new state resources.

- **System Renovation: Lifelong Learning Accounts (LiLAs)**  
One way to reduce the cost of training to any one stakeholder is to structure a training program so that costs are shared across many different stakeholders. A new proposal currently being piloted by the Council for Adult and Experiential Learning (CAEL) is to establish Lifelong Learning Accounts (LiLAs). LiLAs are portable, tax-favored savings accounts for worker education and training so that workers can upgrade their skills to achieve their career potential. The vision is for any individual worker to be able to contribute to a LiLA account and be matched by his/her employer and, in some cases, third parties — and for both the individual's and the employer's contribution to receive tax credits or other forms of tax benefits. The combined contributions could then be used for education and training and related activities for these incumbent workers. Although LiLAs would be accessible to all employees, they are designed to provide an incentive to lower and middle-income employees to save and spend for education and training to improve their career related skills and knowledge. We recommend that the federal government fund a national tax demonstration of LiLAs to test the model on a large scale (200,000 participants in ten states) as a way to leverage private investment in training.

**4. Create stronger linkages with higher education programs and help to improve access, retention and success for working adults pursuing skills and credentials**

Lack of funds is a major barrier to learning. In a 1998 review of research about barriers to education for adults, cost was consistently cited as a key barrier (U.S. Department of Education 1998). Increasing access to education is especially important for lower-income workers who are concerned about earning enough money just to support their families (John J. Heldrich Center 1999).

While federal financial aid is a key building block for a national workforce education and training system, it currently offers little help to working adults. In 1999-2000, about 280,000 working adult parents who earned less than 200% of the federal poverty level for a family of four (about \$35,000) were enrolled less-than-half-time. Only 7.7% of them received any federal, state or institutional aid (Bosworth and Choitz 2002).

Eliminating the financial barrier to postsecondary education could result in a large increase in skilled workers: A report on the 1995 National Household Education Survey adult education

component indicated that there could be as many as 37 million adults who are interested in work-related adult education but are unable to participate, many because of financial barriers (Bosworth and Choitz 2002).

In addition to the financial barrier, access for workers dependent on WIA for training has been limited in terms of provider choice because the burdensome eligibility requirements have driven many providers away. In addition, access for adult workers can be highly dependent on the ability of educational institutions to meet this population's needs in terms of skill level, scheduling, and flexibility in program offerings.

We offer the following recommendations to help expand access and otherwise support the success of working adults pursuing new skills and credentials:

- **Amend the Hope Scholarship Credit (Taxpayer Relief Act of 1997)**  
 The Hope Scholarship Credit provides a tax credit of up to \$1,500 for the first two years of post-secondary education. Working adults who take courses on a less-than-half-time basis are currently not eligible for this credit, and individuals with low incomes may not qualify for the credit since they may not pay enough taxes (Bosworth and Choitz 2002). We recommend that this credit be extended to any less-than-half-time students and that it become "refundable" so that it is a real incentive for working adults to engage in postsecondary learning that leads to new degrees and credentials. We also recommend that this credit be marketed better so that more adult learners are aware of this source of financial assistance.
- **Amend the Lifetime Learning Tax Credit (Taxpayer Relief Act of 1997)**  
 As a counterpart to the Hope Scholarship, the Lifetime Learning Tax Credit allows students beyond the first two years of undergraduate education, or those taking courses on a less-than-half-time basis, to claim a credit of up to \$1,000 by claiming 20% of the first \$5,000 of qualified educational expenses. The benefits of this tax credit currently are tilted in favor of middle income families with dependents in school full time. Low income adults taking courses less than full time receive less of a benefit (if they receive any at all) since they generally take less expensive courses and since their income may be too low to pay enough taxes to earn a credit (Bosworth and Choitz 2002). The tax credit should be restructured to provide incentives for low income workers in school part time by 1) increasing the percentage of qualified expenses to 50%, and 2) making it "refundable." As with the Hope Scholarship, we recommend that this credit be marketed better so that more adult learners are aware of this source of financial assistance.
- **Provide Information and Referral on Tax Credits (WIA)**  
 Data shows that although approximately 18 million adults were pursuing credentialled skill development in 1999, only 3 or 4 million applied for the Lifetime Learning Tax Credit that year, suggesting that this financial resource is underutilized (Bosworth and Choitz 2002). While we have recommended better marketing of the targeted tax credits, we also recommend that the One-Stop Career Center system play a role in making these financial resources better known to adult learners by providing information on and referral to these programs in group and individual counseling sessions.

- **Institute Employment-Based Accountability Standards for Higher Education (HEA)**  
 Part of a well-functioning workforce education and training system is the availability of information on training options that allows individuals to make good decisions about their learning and skill development plans and to choose programs that will develop skills and credentials demanded by employers. To facilitate this, states should require that vocational programs of study at the certificate and associate degree levels meet minimum performance standards for employment, retention and earnings outcomes for their graduates. Programs of study that do not meet such standards for two or three years should not be eligible for students to use federal financial aid under Title IV. As with WIA, states should use state unemployment insurance wage records to collect the outcome information for participating institutions.
- **Amend Section 127**  
 Some workers may have access to financial assistance for postsecondary learning from their employers. A special section of the tax code, Section 127, stipulates that up to \$5,150 of such assistance from the employer for undergraduate and graduate courses is considered tax exempt income for the individual. We support additional language that would allow employers to use tuition benefit programs to pay for literacy, ESL or other pre-undergraduate education that helps provide a bridge for low skilled workers to develop the required skills for more advanced learning opportunities.
- **System Renovation: Tax Reform to Finance Universal College Access**  
 With so many different kinds of tax credits, having different purposes and target populations, the system is currently complex and difficult to understand and navigate. Ideally, we envision a system that would be comprehensive without being piecemeal. We recommend considering an idea proposed by the Progressive Policy Institute which would reform the tax system to ensure universal access to college. This plan would consolidate six different tax programs into two new incentives – one to help families save and the other to help students pay the cost of higher education and/or training. The basic elements would be:

  1. A single, refundable Education Tax Credit worth \$1,500 per year to help students pay for college, graduate school, and training (to replace the Hope Scholarship, the Lifetime Learning Tax Credit, and the higher education deduction)
  2. A College Savings Account in which all families can save for their children's college education (to replace three different college savings tax incentives)
  3. \$1,000 for every newborn to start saving for college tuition
  4. Minimum service requirements (e.g., volunteering for social service agencies) for those who utilize the Education Tax Credit (Weinstein 2003).
- **Provide Greater Flexibility in the Requirements for Eligible Training Providers (WIA)**  
 Currently, WIA requirements for eligible training providers are so burdensome that they are discouraging many educational providers from participating in the system, effectively reducing educational choices for individual trainee participants. H.R. 1261 proposes to

give governors the authority to determine eligibility requirements, which is designed to help alleviate the problem and bring more higher education programs back into partnership with WIA on skill development for the unemployed and low income workers.

- **System Renovation: Targeted Programs within the Higher Education Act for Adult Learners (HEA)**

Our proposed changes to some of the financial assistance programs will likely create a booming market for education and training programs for working adults. The problem, however, is that many postsecondary education and training providers still cater to the needs and schedules of “traditional” students – young adults between 18 and 24 who are unmarried, have no dependents, and whose full time “occupation” is student. Furthermore, most higher education programming is focused on two- and four-year credentials, rather than on the development of more innovative, short-term, modularized programming that would be most accessible to working adults (Bosworth and Choitz 2003). Pockets of innovation do exist at many colleges, universities and other training providers who recognize the growing market in serving adult workers. However, widespread reform in postsecondary education will be slow in coming without a powerful driver.

FutureWorks is proposing a plan to create a new title of the Higher Education Act. The new Title X of HEA would provide formula-driven grants to states to help develop and implement a plan to change entire systems – governance, formula financing, student aid, curricula and program development, accreditation, credentialing, and faculty development – in ways that would improve access and services to working adult students. With this new Title, states can essentially explore how to reinvent their higher education system to meet the skill development and credential needs of working adults and employers.

**5. *Strengthen connections between workforce training and employers, as well as with economic and community development initiatives/strategies, and fund interventions that engage the private sector***

We noted earlier that workforce intermediaries are a key building block for a new workforce education and training system. In particular, they have helped to foster connections between the workforce education and training system and employers – and between workforce education and training and regional economic development efforts. The role of workforce intermediaries is distinct from but complimentary to that of the publicly funded workforce education and training system. Intermediaries fill some of the gaps in service and also link many of the elements of the system together to better serve the needs of employers and individual workers. Essentially, workforce intermediaries function as the “mortar” for the system’s building blocks.

One key function of a workforce intermediary is to aggregate the interests and demand of employers, job and skill seekers, and providers to ensure better labor market outcomes. Another function is to establish links among a variety of public and private resources, bringing them all together for single initiatives. In doing this, they can frequently design and

deliver programs and services that are flexible, intensive and targeted to specific goals (such as the advancement of low wage workers) (Rubin et al 2003). They take advantage of all the different elements of the workforce education and training system and help them to work together to reach common goals.

Although the role of workforce intermediaries is important, they are at a relatively early stage of development and are therefore largely an unrecognized asset in the publicly funded workforce education and training system. Federal funds to support workforce intermediaries exist, but only through vehicles such as demonstration programs or Governor's discretionary grants. The following recommendations are designed to provide more regular funding for workforce intermediaries that will encourage their growth and development and further their work in linking the various building blocks into a dynamic and responsive workforce education and training system. In addition, we offer a recommendation that helps to link welfare to work programs with the business community in a stronger way.

- **Expand and Regularize Existing Federal Demonstration Programs**  
 One of the problems with current funding for workforce intermediaries is that it is not consistent from year to year. In order to ensure more predictable and stable funding for building the capacity of intermediaries, we recommend a plan proposed by Jobs for the Future to create a longer-term or permanent annual competitive program to support intermediaries undertaking sectorally focused activities (Rubin et al 2003). These programs would be administered through state and local workforce investment boards in order to ensure their integration with WIA activities. This program should also include language that targets resources and activities to the career and skill advancement of low-wage workers.
- **Establish a State-Run Workforce Intermediary Investment Fund**  
 As mentioned earlier, states have become a key funder of incumbent worker training. However, programs currently funded by states generally do not have a way to organize employer demand within a region, and they are not structured to support intermediary capacity. We recommend a plan proposed by Jobs for the Future for the federal government to provide an incentive for states to direct their resources toward building the capacity of local workforce intermediaries through a Workforce Intermediary Investment Fund (Rubin et al 2003). The federal government, through the state and local workforce investment boards, could provide an incentive to states (for example, a dollar-for-dollar match) to create a fund that would make available, on a competitive basis, operating support for effective workforce intermediaries. This fund would thus leverage state workforce education and training resources for incumbent worker training activities and support "mortar" for the workforce education and training system: workforce intermediaries.
- **Fund Grants to Encourage Linkages Between Welfare-to-Work Programs and Employers**  
 Often, welfare-to-work results in low income individuals taking on low-paying, low-skilled jobs with little hope of advancement. These dead-end jobs satisfy the requirements of Temporary Assistance for Needy Families, but not the spirit of the law,

which is to help the poor become self-sufficient. One strategy to solve the problem of dead-end jobs is to leverage the involvement of employers in programs that provide “transitional jobs” to welfare recipients. These transitional jobs include skill development and other supports, and legislation such as Senate Bill 786, the Business Links Act of 2003, would allow participation in such programs to count toward the first 20 hours of work activities required under TANF.

### **Conclusion**

Given the changes in skill demands and the dramatic demographic shifts affecting the nation’s workforce in the next decade, the need to increase the skills and credentials of the nation’s workforce has never been as urgent as it is today. Although the programs, services and resources that currently exist for workforce education and training are a good start, they do not yet make a fully functioning and dynamic system. Much progress can be made by making some key incremental changes – for example, making WIA language clearer, funding training activities at a higher level, and changing tax incentives to benefit low income workers. More dramatic improvements in the current landscape can be made by reorganizing how ITAs are administered or by reforming the entire tax system to avoid confusion and duplication and to better assist low income workers. Above all, however, we urge lawmakers to think broadly about the various components of the workforce education and training system and about how all of these different programs, services and incentives work together – or fail to work together – in the common goal of helping the nation meet skill and labor needs of today and the future.

### About the Authors

*Ray Uhalde, Marlene Seltzer, Pamela Tate, and Rebecca Klein-Collins together have a wide range of experience working in and studying the various systemic components of workforce education and training in the United States.*

- **Ray Uhalde** is Co-Director of the Workforce Development Program at the National Center on Education and the Economy. He leads a small staff in strategic planning and policy development for several states, cities, and non-profit organizations. Ray served for over twenty-five years with the U.S. Department of Labor, the last fifteen in senior executive positions including eight years as Deputy Assistant Secretary of Labor. During that tenure he served as acting head of the Employment and Training Administration, as a principal advisor to the Secretary of Labor and chief public spokesperson on all employment and training matters, and as the leader of the department's efforts to enact the Welfare to Work Act of 1997 and the Workforce Investment Act of 1998.
- **Marlene B. Seltzer** is the President of Jobs for the Future. She is responsible for the overall direction and management of JFF's education and workforce research, policy development, and consulting services for the organization. Ms. Seltzer is nationally recognized for her work in the workforce development field and has more than twenty years of practical experience in workforce development policy and program delivery at the national, state and local levels. She is the senior advisor for JFF's body of work that focuses on increasing economic opportunity for low-income workers and has provided system design support to a number of workforce development organizations at the state and local levels. Prior to joining Jobs for the Future, Ms. Seltzer held a number of prominent positions in the field of workforce development, including Commissioner of the Massachusetts Department of Employment and Training. As President of Seltzer Associates, a for-profit consulting firm, she provided policy development assistance to the US Department of Labor on workforce development initiatives. She also served as co-founder and President of Employment Resources, Inc., a non-profit, community-based, workforce development organization.
- **Pamela Tate** is the President and CEO of the Council for Adult and Experiential Learning. Ms. Tate has become nationally and internationally recognized for her work in facilitating workforce education and training programs among educational institutions, business, labor and government. She was a key advisor to the State of Indiana on the creation of its Department of Workforce Development, to the U.S. Department of Labor in the creation of the One-Stop Career Center system, to the State of Massachusetts in the design and implementation of its One-Stop Career Center system, and to the Chicago Mayor's Office of Workforce Development on its One-Stop Career Center system. Currently, she is leading CAEL's efforts to create Lifelong Learning Accounts as a new financing mechanism for adult workers and employers. In all of these efforts, Ms. Tate's focus has been on improving access to learning opportunities for both individual workers and employers.
- **Rebecca Klein-Collins** has worked as an employee of the Council for Adult and Experiential Learning and is currently an independent consultant under contract with CAEL. In her work for CAEL's corporate clients, she has managed employer-funded workforce education and

*training programs and worked to integrate public and private unemployment benefits in multiples states. She has designed and carried out research on the impact of training on key employer and worker outcomes, conducted studies of best practice by providers of workforce education and training programs, and assisted in the design and promotion of Lifelong Learning Accounts.*

### Acknowledgements

*Valuable input to this paper was contributed by Mary Gardner Clagett of NCEE and Richard Kazis of JFF.*

*We would like to thank the Annie E. Casey Foundation for their support for organizations working to build a new workforce education and training system and for the development of this paper.*

### Reference

- American Assembly. 2003. Keeping America in business: advancing workers, businesses, and economic growth.
- Aspen Institute. 2002. Grow faster together. Or grow slowly apart. How will America work in the 21<sup>st</sup> century? Domestic Strategy Group.
- Bassi, Laurie J., Jens Ludwig, Danial P. McMurrer, and Mark Van Buren. 2000. Profiting from learning: do firms' investments in education and training pay off? ASTD and Saba Software. [www.astd.org](http://www.astd.org).
- Bosworth, Brian and Victoria Choitz. 2003. Investing in working adults and economic prosperity: A new Federal-State partnership in higher education to meet the skills challenge of the 21<sup>st</sup> century knowledge economy. Working draft. <http://www.futureworks-web.com/images/TitleX.pdf>
- Bosworth, Brian and Victoria Choitz. 2002. Held back: how student aid programs fail working adults. FutureWorks.
- Bureau of Labor Statistics. Occupational Outlook Handbook. 2002-2003 Edition.
- Chao, Elaine L. 2003. Secretary of Labor, Testimony Before the Subcommittee on Labor, Health and Human Services, and Education, Committee on Appropriations, U.S. House of Representatives, Washington, D.C. April 10.
- Chao, Elaine L. 2003. Secretary of Labor, Testimony Before the Subcommittee on Labor, Health and Human Services, and Education, Committee on Appropriations, U.S. Senate, Washington, D.C. April 9.
- Decker, Paul T, Jennifer King Rice, Mary T. Moore, and Mary R. Rollefson. 1997. Education and the economy: an indicators report. NCES 97-269. U.S. Department of Education. National Center for Education Statistics. Washington, DC. 1997.
- Eisenberg, Daniel. 2002. The coming job boom. Time Business web site. <http://www.time.com/time/classroom/etefall2002/pg30.html>
- Employment Policy Foundation News Release. December 5, 2001.
- Fix, Michael and Wendy Zimmermann. 2000. "The integration of immigrant families." Paper prepared for the Grantmakers Concerned with Immigrants and Refugees conference, Strengthening Immigrant Families and American Communities: Strategies for the New Century, June 8-10, Miami, Florida.
- Frank, Abbey, Hedieh Rahmanou, and Steve Savner. 2003. The Workforce Investment Act: a first look at participation, demographics, and services. Center for Law and Social Policy Update (CLASP) Program Update. March. Update No. 1.
- Galvin, Tammy. 2002. 2002 industry report. Training Magazine. October.

- Greenspan, Alan. 2000. "The evolving demand for skills." Remarks before Department of Labor National Skills Summit. April 11.
- John J. Heldrich Center at Rutgers University and Center for Survey Research and Analysis at the University of Connecticut. 1999. Work Trends Survey.
- Libowitz, Marty, Amy Robbins and Jerry Rubin. 2003. Rising to the literacy challenge: building adult education systems in New England. Jobs for the Future/Nellie Mac Education Foundation.
- Parental Education. [www.childtrendsdatbank.org](http://www.childtrendsdatbank.org)
- Patel, Nisha, Mark Greenberg, and Steve Savener. 2003. Side-by-side comparison of work provisions in recent TANF reauthorization proposals. Center for Law and Social Policy. Updated April 8.
- Rubin, Jerry, Marlene B. Seltzer, and Jack Mills. 2003. Financing workforce intermediaries. Jobs for the Future.
- Sum, Andrew. 1999. Literacy in the labor force: results from the National Adult Literacy Survey. NCES 1999-470. National Center for Education Statistics. September.
- The Workforce Alliance press release. 2003. New report: Feds training fewer U.S. workers for skilled jobs. April 1.
- U.S. Census. 2002. The big payoff: educational attainment and synthetic estimates of work-life earnings. July.
- U.S. Department of Education. 1998. Adult education participation decisions and barriers: review of conceptual frameworks and empirical studies. August.
- U.S. Department of Labor Employment and Training Administration. 2003. WIA reauthorization: the Bush Administration's proposal. Spring.
- U.S. General Accounting Office. 1996. Tax expenditures – information on employer-provided educational assistance." GAO/GGE-97-28. Report to the Chairman, Committee on Ways and Means, US House of Representatives. December.
- Van Kleunen, Andy and Robin Spence. 2003. Analysis of Bush Administration's reauthorization proposal for the Workforce Investment Act (WIA). The Workforce Alliance. March 20.
- Weinstein, Paul, Jr. 2002. New Economy Work (NEW) Scholarships: universal access to training for dislocated workers. Progressive Policy Institute Policy Report. June.
- Weinstein, Paul, Jr. 2003. Universal access to college through tax reform. Progressive Policy Institute Policy Report. May.
- Why College? Private correlates of educational attainment. 1999. Postsecondary Education OPPORTUNITY. Number 81. March.
- Workforce Academy Model Project. 2001. Keeping competitive. Hiring, training and retraining qualified workers in 2002. Washington, DC. U.S. Chamber of Commerce.
- Workforce Innovation Networks. 2002. Building a nation that works: designing TANF for the workplace. June.

**Appendix****Toward a National Workforce Education and Training Policy**

By Ray Uhalde, National Center on Education and the Economy  
 Marlene Seltzer, Jobs for the Future  
 Pamela Tatc, Council for Adult and Experiential Learning  
 and Rebecca Klein-Collins, Council for Adult and Experiential Learning

Revised June 30, 2003

The appendix provides a chart of all the recommendations presented that support the development of a national system for worker education and training. The chart organizes the recommendations by category, in the following order:

- Recommendations related to the Workforce Investment Act
- Recommendations related to the Higher Education Act
- Recommendations for Tax Credits
- Recommendations for Adult Basic Education and Temporary Assistance for Needy Families
- Recommendations for Stronger Linkages with the Private Sector

For each recommendation, we provide a brief description of the current program elements, our recommendations for change, and the benefits to making that change. In addition, we provide an analysis of how each recommendation fulfills the five goals that we outlined for the new system:

1. Invest in training on a scale that supports the well-being of the nation's economy and so that it is not just a privilege for the lucky few
2. Expand the scope of all federal training and education programs to reach incumbent workers, particularly those with low skill and income levels, and to help them advance to jobs that pay family-sustaining wages
3. Use federal resources to leverage state, local and private investment in education and training
4. Create stronger linkages with higher education programs and help to improve access, retention and success for working adults pursuing skills and credentials
5. Strengthen connections between workforce training and employers, as well as with economic and community development initiatives/strategies and fund interventions that engage the private sector

Annotated Summary of All Training Policy Recommendations

Category	Program	Brief description	Recommendation	Benefits	1. Fund Training	2. Inclusion of Incumbent Workers	3. Leverage New Funding	4. Access and Success	5. Link to Employers
W/A	ITA funding	Currently limited. Number of individuals trained under W/A much lower than under JTPA	Increase funding for ITAs in combination with other reforms (see below)	Ensures that funding for incumbent worker training do not take away services and training opportunities for the unemployed. Those opportunities need to increase.	X	X	X	X	X
W/A	Sequence of Services	Language suggests a strict sequence of services: core, intensive, then training, depending on availability of "suitable employment"	Relax the sequence of services - should be determined by individual circumstances.	Allows more individuals to qualify for training, based on individual circumstances, not on bureaucratic process.	X	X		X	
W/A	Performance Measures	Existing 17 performance measures are too burdensome. H.R. 1251 proposes four measure for adult programs: 1. Entry into unsubsidized employment 2. Retention after 6 mos 3. Earnings after 6 mos 4. Efficiency	Drop the efficiency measure. Keep in the skill enhancement performance measure.	The skill enhancement measure was all that existed that encourages training. "Efficiency" does not recognize that different job seekers need different levels of services.	X		X	X	
W/A	Conflicting language on Pell Grants and ITAs	WIA and the HIEA have conflicting language on whether Pell Grants or ITAs should be used first.	Pass a technical amendment to give clearer direction and eliminate the "student aid disregard."	Clarify, (either than confusion, for those who administer Pell Grants and ITAs.	X			X	

Category	Program	Brief description	Recommendation	Benefits	1. Fund Training	2. Inclusion of Incumbent Workers	3. Leverage New Funding	4. Access and Success	5. Link to Employers
WIA	One-Stop Infrastructure Funding	Currently, one-stops are funded through cost-sharing agreements by partners.	Provide direct federal funding and separate funding streams. Ensure that Wagner-Peyser is reserved for core services.	Reduce bureaucracy, allow for greater integration of services, potentially frees up dollars for ITAs	X			X	
WIA	One-Stop Career Center System	The one-stop system is a perfect building block for a comprehensive national workforce education and training system. However, one-stop staff do not have the skills and training to serve incumbent workers and employers.	Provide funding to build the capacity of one-stop career centers to serve incumbent workers and employers.	Builds the capacity of the one-stop system to help establish a new system for workforce education and training.	X	X			X
WIA	ITAs System Renovation	Individual Training Accounts are vouchers issued by Workforce Investment Boards for job training.	A system renovation would reduce red tape by allowing workers seeking retraining to apply for aid directly from certified training providers rather than government agencies (like Pell Grants)	Makes access to training for dislocated workers as universally available as access to college. Minimizes bureaucracy and administrative costs of ITAs. Places ITAs in a mainstream institution which reduces stigma on the individual.	X			X	
WIA	ITA—Expanded Financing of ITAs	WIA currently permits ITAs to combine WIA training dollars with other resources to purchase training, however, doing so is not a common practice.	Provide funding for building the capacity of one-stop career centers to manage multiple funding streams within ITAs. Provide incentives to states to commit their own resources to ITAs.	Potential to leverage training funds from other sources.	X		X		

Category	Program	Brief description	Recommendation	Benefits	1. Fund Training	2. Inclusion of Incumbent Workers	3. Leverage New Funding	4. Access and Success	5. Link to Employers
W/A	Information Brokering	Provide more information to ITA participants and other one-stop career center users about tax code provisions that help to finance education and training.	Charge the one-stop system with a larger information brokering role to give information about Hope Scholarship Credits and Lifelong Learning Tax Credits.	Expands options for financing skill enhancement; gives one-stop greater role in link to training (not just job placement).				X	
W/A	Eligible Training Providers	Currently, burdensome reporting requirements for training providers.	Support H.R. 1261 which allows governors to determine eligibility requirements for training providers.	State flexibility in determining which providers are deemed eligible. More providers included in the system, giving ITA participants more learning choices.				X	

Category	Program	Brief description	Recommendation	Benefits	1. Fund Training	2. Inclusion of Incumbent Workers	3. Leverage New Funding	4. Access to Higher Ed	5. Link to Employers
HEA	Pell Grants	Grants of up to \$3,125 per school year; students must show "exceptional need"; less-than-half-time students must have an estimated "cost of attendance" of at least \$800 per academic year.	Modify eligibility barriers for less-than-half time working adult students with dependents: <ul style="list-style-type: none"> <li>include more living expenses in their cost of attendance budgets used to calculate Pell Grants</li> <li>Allow and support shorter credential programs, modularization of courses, open entry-open exit programming and distance learning</li> </ul>	Benefits part-time students – adults – and the kinds of learning programs that they need to improve their skills while continuing to work full time.	X	X		X	
HEA	Pell Grants	See above. Currently, vocational education programs are not required to meet minimum performance standards with respect to outcomes for their students.	Establish minimum performance standards for vocational education programs in order to be eligible for federal student financial aid.	Ensures the highest quality vocational education programs that meet the needs of employers.				X	X
HEA	Targeted Learning Programs for Working Adults -- System Renovation	A new title within HEA that addresses the needs of working adult students whose circumstances and course-taking patterns differ dramatically from those of the more "traditional" students for which Pell was designed.	Create a new title that is geared to working adults who need and pursue: <ul style="list-style-type: none"> <li>flexible schedules</li> <li>self-paced programs</li> <li>modularized courses</li> <li>distance learning</li> </ul> Provide planning grants to states to design programs based on state-determined needs.	Benefits adult workers needing financial assistance to pursue post-secondary learning opportunities. Must be given separate funding stream.		X		X	

Category	Program	Brief description	Recommendation	Benefits	1. Fund Training	2. Inclusion of Incumbent Workers	3. Leverage New Funding	4. Access to Higher Ed	5. Link to Employers
Adult Education and Family Literacy	Adult Basic Education	Currently ABE programs are seriously underfunded and do not have a clearly defined role and linkages to workforce education and training programs.	Increase funding for ABE and fund capacity building to create stronger links to higher education and workforce education.	Build the basic skills and literacy levels of adults, especially those in the workforce who would benefit from additional skills and credential programs.	X			X	
TANF	Education and training for welfare-to-work.	Currently, TANF participants have insufficient access to education and training that will help them obtain jobs with family-sustaining wages.	Change the 12-month limit on vocational education to 24 months; establish postsecondary or vocational education programs under TANF; allow adult basic education, English as a Second Language, and postsecondary education to be considered acceptable work activities.	Build the skills and credentials of the poor so that they can find jobs will enable them to earn a family-sustaining income	X			X	
TANF	Education and training for welfare-to-work.	Currently many TANF participants end up in dead-end jobs with no post-placement opportunities for skill development.	Fund Business Links program (S. 788) that helps create "transitional jobs"	Provide post-placement opportunity for learning that enables TANF participants to meet work requirements while receiving skill and credential development to help them advance.	X	X		X	X
TANF	Education and training for welfare-to-work.	TANF funds are underutilized way to provide education and training for low income workers.	Provide incentives for states to use TANF funds for the training of low income workers and to use TANF as matching funds for incumbent workers programs.	Expands sources of potential funding for incumbent workers.	X	X	X	X	X

Category	Program	Brief description	Recommendation	Benefits	1. Fund Training	2. Inclusion of Incumbent Workers	3. Leverage New Funding	4. Access to Higher Ed	5. Link to Employers
Tax	Hope Scholarship Tax Credit	Tax credit of up to \$1,500 for the first two years of post-secondary education, 100% of the first \$1,000 and 50% of the second \$1,000.	<ul style="list-style-type: none"> <li>Eliminate the half-time enrollment requirement</li> <li>Make refundable</li> <li>Market it better</li> </ul>	<ul style="list-style-type: none"> <li>Benefits part-time students – adults</li> <li>Benefits low income who may not have tax obligations sufficient to benefit from tax credit</li> <li>More adults will be aware of available financial benefit to learning</li> </ul>	X	X		X	
Tax	Lifetime Learning Tax Credit	Allows students beyond the first two years of undergraduate (or those taking courses on a less-than-half-time basis) to claim a credit of up to \$1,000 by claiming 20% of the first \$5,000 of qualified educational expenses. (Max increased to \$10,000 in 2003)	<ul style="list-style-type: none"> <li>Increase the percentage of qualified educational expenses (while reducing the maximum)</li> <li>Make refundable</li> <li>Market it better</li> </ul>	<ul style="list-style-type: none"> <li>Provides a larger benefit for those taking classes on a limited part-time basis</li> <li>Benefits low income who may not have tax obligations sufficient to benefit from tax credit</li> <li>More adults will be aware of available financial benefit to learning</li> </ul>	X	X		X	
Tax	Section 127	Section 127 of the tax code treats up to \$5,250 of employer assistance for undergraduate and graduate education as tax-free income for the individual.	Change language of 127 to award tax exempt the dollars spent by employers on basic skills training, literacy, ESL and other postsecondary education and training.	<ul style="list-style-type: none"> <li>More low income/low skill workers will have access to tuition benefits.</li> </ul>	X	X	X	X	X
Tax	Tax Credit	Currently, there are multiple tax	Combine six different tax credit	<ul style="list-style-type: none"> <li>Reduces confusion of</li> </ul>	X	X		X	



Category	Program	Brief description	Recommendation	Benefits	1. Fund Training	2. Inclusion of Incumbent Workers	3. Leverage New Funding	4. Access to Higher Ed	5. Link to Employers
Private Sector	Support State Funding of Private Sector Training Programs	States are a large supporter of private sector training through tax credits, UI penalty and interest funds, etc. Those funds are drying up because of budget crises at state level.	Provide federal incentives in the form of matches of state dollars for these kinds of programs that help train the incumbent workforce.	Leverages state dollars, which in turn leverage private sector investment in incumbent worker education, infrastructure for incumbent worker training at the state level.	X	X	X	X	X
Private Sector	Plastics Learning Accounts System Renovation	LILAs are portable tax-favored savings accounts for worker education and training. Contributions from individual are matched by employer – both contributions serve as tax credits.	Fund a national demonstration of LILAs for up to 200,000 participants in 10 states.	Leverages individual and corporate investment in education, reduces the burden for both. Portable, universal, individual choice.	X	X	X	X	X
Private Sector	Cluster-based and skills gap demonstration programs	Currently, there are sector-based intermediary and skills gap intermediary demonstration programs with short time lines.	Expand these demonstration programs – longer time line, more projects.	Leverage employer investment. More efficient use of training dollars.	X	X	X	X	X
Private Sector	Workforce intermediaries	Currently, there is little operating support for workforce intermediaries	Provide incentives to states to establish a Workforce Intermediary Investment Fund that would make operating and program support available to workforce intermediaries on a competitive basis.	A way to support the needs of businesses who want to invest in worker skill development; helps to tie workforce development to economic development.	X	X	X	X	X

34

Toward a National Workforce Education and Training Policy

NORTH CAROLINA PLASTICS INCUMBENT WORKER DEMONSTRATION PROJECT

**About The Consortium**

The North Carolina Plastics Incumbent Worker Demonstration Project, a partnership among United Southern Industries, Inc. (USI), Isothermal Planning and Development Commission and the Region C Workforce Development Board, the North Carolina Department of Commerce Commission on Workforce Development, and SPI, served as one of the models for the State's Incumbent Workforce Development Program (IWP) implemented statewide in March 2003. The project was unique because it utilized WIA dollars to fund the industry-specific training and certification testing.

**The Service Providers**

SPI's Plastics Learning Network® (PLN) and the National Certification in Plastics™ (NCP) program provided both the training and certification services. PLN is

a consortium comprised of SPI, the Polymers Center of Excellence (PCE) and South Carolina Educational Television (SCETV) that broadcasts PLN's training courses nationwide. The NCP was developed by the plastics industry in collaboration with the Educational Testing Service's Chauncey Group to provide a portable national credential. Net Certification, Inc. manages the NCP exam via the Internet.

#### **Background and Goals**

North Carolina is the ninth largest State in the nation in terms of plastics employment and shipments. In 2001, it provided 57,200 jobs and generated \$11.4 billion in shipments. With the decline of textile and furniture manufacturing in the State, thousands of manufacturing jobs have been lost to foreign competition. In the spring of 2002, continuing education and customized training staff of North Carolina's Community College System met with SPI to discuss the implementation of a pilot training project to evaluate the viability of distance training via PLN with Internet-based certification testing. Blue Ridge and Isothermal Community Colleges provided technology and staff support services for the project that served six injection molding companies and one blow molding company from Western North Carolina.

The project was a success, with 20 of 23 students earning their NCP. The continuing education departments of both colleges subsidized the course tuition, provided distance-learning classrooms and served as testing centers delivering training in injection molding live via satellite February–April 2002.

United Southern Industries, Inc. (USI) participated in the pilot project, training and certifying 16 production workers. Todd Bennett, USI vice president, saw the positive impact that the IWT program had on his company, and wrote a letter in response to Roger Shackelford, Executive Director of NC's Commission on Workforce Development, asking the State to consider implementing a State-wide incumbent worker training program.

With an IWP not yet finalized and available, the Region C Planning Commission approached USI about participating in an incumbent worker demonstration project. For this project, USI submitted a proposal to Region C to train and certify production workers at a cost of \$800 per worker via SPI's Plastics Learning Network®.

The goal of the demonstration project was to train 60 USI production workers and certify ninety percent, or 54 of the 60 workers. USI selected material handlers, quality inspectors, machine operators and technicians to participate. The goal of the State was to provide financial assistance for upgrading the skills of USI's workers and to evaluate the benefits of incumbent worker training.

#### **The North Carolina Plastics Incumbent Worker Training Demonstration Project**

Joe Bennett—President & CEO United Southern Industries, Inc. said of the project:

*The Incumbent Worker Training pilot program has helped USI meet many of our goals in employee growth and development. SPI's National Certification in Plastics program has offered our company a standardized method of training production workers. Consequently, we've seen reductions in employee turnover, improved product quality to our customers, decreases in employee accidents and increases in production.*

*Our employees realize personal, professional, and financial rewards and recognition for completion of the training and certification programs that USI and the State workforce system make available to them. Value from training extends beyond our employees and their families to our community and to our State by maintaining healthy businesses and keeping manufacturing jobs on U.S. soil.*

#### **Program Delivery**

PLN® used two instructors from the Polymers Center of Excellence in Charlotte, NC, and broadcast from SCETV's studio in Rock Hill, SC. SPI contracted with Isothermal Community College in Spindale, NC, to provide the downlink and distance learning classroom. USI chose to train some employees in the fall of 2002 and others in the spring of 2003. USI employees attended "Preparation for National Certification in Injection Molding" classes at the college on Monday and Wednesday evenings for seven weeks. Twenty-nine of 32 workers passed the NCP exam. In June 2003, USI begins training 27 more workers via in-house instruction by a PLN instructor, followed by certification testing.

#### **Outcomes**

Through this collaborative partnership, USI has trained and certified 29 of 32 employees, or 90.6 percent of participants. The certified workers received a nationally recognized, portable credential as an injection molding operator and a 50 cents per

hour wage increase. It is noteworthy that three of the certified workers spoke English as a second language and received additional tutoring in math and reading, provided by USI employees.

USI realized an immediate reduction in turnover after it began training and certifying employees via PLN® courses and the NCP™ exam in 2000. The company also has documented savings from scrap reduction, improved quality, and reductions in cycle time, machine downtime, absenteeism, returns, rejects, and workers compensation claims.

In 2001, USI implemented an ROTC (Recruitment, Orientation, Training, and Certification) program aimed to recruit, orient, train, and certify new production workers in a systematic manner. Since implementation, USI has drastically reduced employee turnover which has resulted in a cost savings for the company. Prior to implementation, USI's turnover rate was 471 employees in 2000. In contrast, the company only lost 24 employees in the first 7 months of USI's fiscal year 2003. At an estimated \$5,000 per employee turnover, that is a reduction from \$2.3 million to \$120,000, or a savings of \$2.24 million. Additionally, in keeping with a commitment made in the grant proposal, USI has hired six employees through the local JobLink Career Center, North Carolina's One-Stop System.

### **Conclusion**

North Carolina's Plastics Incumbent Worker Training Demonstration Project is an excellent example of how incumbent worker training can be industry-driven at the local level and can create win-win partnerships with local workforce boards and educational institutions. This project has already provided direction and incentives for other incumbent worker training partnerships in North Carolina. According to Todd Bennett—Vice President & General Manager for United Southern Industries, Inc.:

*In my assessment, the only way to implement continuous change and remain competitive in the global economy is to provide all the players on the team with an abundance of training. I am certain that exercising repetition dramatically increases the execution rate. Training is simply exposure to new and or proven techniques, theories, practices or concepts. In order to see these benefits you must practice new ways of doing things and that involves continuous training.*

SPI appreciates the opportunity to present its view on the Workforce Investment Act reauthorization, and we would be happy to further discuss any issues contained in this statement, or any related issues.

(For Further Information Contact: Maureen A. Healey, Vice President of Government Affairs, The Society of the Plastics Industry, Inc., 801 K St., NW, Suite 600K, Washington, DC 20006, Phone: 202-974-5219, E-mail: mhealey@socplas.org.)

### PREPARED STATEMENT OF WIDER OPPORTUNITIES FOR WOMEN

#### REGARDING "SELF-SUFFICIENCY" VERSUS "SUITABLE" EMPLOYMENT AS CRITERIA FOR INTENSIVE AND TRAINING SERVICES

Wider Opportunities for Women (WOW) works nationally and in its home community of Washington, D.C. to achieve economic independence and equality of opportunity for women and girls. For more than 38 years, WOW has helped women learn to earn, with programs emphasizing literacy, technical and nontraditional skills, the welfare-to-work transition, and career development. Since 1964, WOW has trained more than 10,000 women for well-paid work. WOW is recognized nationally for its skills training models, technical assistance, advocacy for women workers, and nationwide work in developing and implementing the Self-Sufficiency Standard.

We represent a national network of women's employment organizations and 35 State-level coalitions working to provide greater economic opportunity to low-income families across the country. Through WOW's Family Economic Self-Sufficiency project, our State-level coalitions have been working over the past 7 years to put tools and resources in the hands of State-level policymakers, advocates and direct service providers to improve programs and policies that effect low-income families.

On behalf of these organizations and our own, we thank you for the opportunity to submit comments on the changes the Senate should make to the Workforce Investment Act (WIA), focusing specifically on the importance of retaining "self-sufficiency" as a goal in WIA and as the criteria for eligibility for services.

#### **What Does Current Law Say About Eligibility for Intensive and Training Services?**

One of the criteria for individuals to have access to intensive services—which, under current law, is the gateway to training services—is being employed, but in need of intensive services to obtain or retain employment that allows for self-sufficiency. The Federal regulations clarify that State or Local Boards must set the cri-

teria for determining whether employment leads to self-sufficiency. At a minimum, such criteria must provide that self-sufficiency means employment that pays at least the lower living standard income level, as defined in WIA section 101(24). Self-sufficiency for a dislocated worker may be defined in relation to a percentage of the lay-off wage. Implicitly, if an employed worker (who qualifies for and uses any Intensive Service) needs additional training in order to improve their earnings towards “self-sufficiency,” then they are eligible for Training Services.

#### **Why Is Defining Eligibility for Services in Relation to “Self-Sufficiency” Important?**

Title I of WIA establishes the following principles of purpose: “increase the employment, retention, and earnings of participants, and increase occupational skill attainment by participants, and, as a result, improve the quality of the workforce, reduce welfare dependency, and enhance the productivity and competitiveness of the Nation.” Simply put, the Workforce Investment Act invests, and should continue to invest, in people and their skills. Without self-sufficiency language, WIA will become little more than a job placement entity.

The current language gives low-income workers, who do not earn enough to support their families, access much needed services. These services—including ESL training, career planning and job training—give workers the tools to build the skills necessary to find work that will allow them to provide for themselves and their families. In the current system, an industrious worker who is employed but still unable to cover basic costs can meet with an employment specialist in a One-Stop to develop a career plan that would help them move their family toward self-sufficiency. If that worker needs particular training or other services to achieve that goal, the current system can invest in that worker to help them achieve it. These are also the services that can keep individuals in the workforce and reduce the likelihood they will need to rely on welfare in the future. The House bill, H.R. 1261, would block that worker from having access to those services through the One-Stop.

#### **“Suitable Employment” Suits Neither the Worker nor the Economy**

In the House bill, the term “suitable employment” would replace “employment that allows for self-sufficiency.” Although the governors would be given the power to define the term “suitable employment,” it already has currency in the unemployment system.

The term generally refers to moving an unemployed worker back into the workforce at a level that is comparable to his or her previous wage in work that is suitable for their current skill set—regardless of whether that work would provide enough income for the worker to become self-reliant. In contrast to a standard based on real costs of living and working in a given community, “suitable employment” is often based on what an individual is already earning, and the skills the individual already possesses or does not possess, regardless of need.

This philosophy suggests that an individual’s current skill set is appropriate, both for the worker and the economy—which is often not the case. Census data and reports from the Chamber of Commerce make clear that the jobs of yesterday are not the ones that employers are trying to fill today and certainly not tomorrow. Indeed the Chamber projects that 70 percent of employers in the next 10 years will require more highly skilled workers. In using a definition like suitable employment, the One-Stops are fated to lead workers to those jobs in which they will stagnate rather than in which they can grow and respond to the changing demands of the labor market.

#### **What Should the Senate Do Instead?**

- **Reject the provision to change the focus of WIA from “self-sufficiency” to “suitable” jobs in H.R. 1261.** The definition of “suitable employment” is completely contrary to the current intent of WIA, which is to help workers advance. Instead, the House proposal would stop workers dead in their tracks.

- **Retain self-sufficiency as a mission of WIA and as a criteria for receiving services.** Removing the implicit and explicit goal of self-sufficiency, will deter low-wage workers from upgrading their skills and moving towards employment that would make them less dependent on the public system for support. H.R. 1261 does take the positive step of aligning eligibility criteria for unemployed and employed workers; however, that eligibility criteria must be self-sufficiency for both groups.

- **Strengthen the law by moving definition of self-sufficiency from the regulations into legislation.** In 1998, Congress articulated a vision that workers be served if they were not on a path to self-sufficiency. Congress left it to the Administration to articulate how “self-sufficiency” was defined. A 2003 survey of local workforce investment boards by the National Association for Workforce Boards and Wider Opportunities for Women showed that almost half of responding local boards

defined self-sufficiency higher than the Federal regulatory requirements, and that more than a third of those used the Self-Sufficiency Standard as the definition. The Senate should codify the definition of self-sufficiency in the reauthorization of WIA.

#### **Background on the Self-Sufficiency Standard**

The Self-Sufficiency Standard is a measure of how much income families need to cover their basic costs, depending on where they live and who is in their family. It is useful for workforce policymakers at the local, State and Federal levels because it is both geographically-specific down to the county level—making it useful for local workforce boards—and is calculated using a consistent methodology—allowing for State and Federal policymakers to make comparisons outcomes across the State or across the country. The Standard has been calculated for 35 States, and used in a variety of ways in State policy. The Workforce Investment Act currently authorizes demonstration and pilot projects to assist local areas in developing and implementing local self-sufficiency standards to evaluate the degree to which participants are achieving self-sufficiency.

#### **Other Applications of the Self-Sufficiency Standard in WIA**

In addition to maintaining the focus on self-sufficiency through eligibility criteria, the self-sufficiency standard should be adopted in two other areas of WIA.

The Senate must:

- **Insist on accountability by measuring outcomes.** To understand the impact of WIA on different groups of job seekers, Congress must have data on demographics of who is served, the jobs they enter and whether they are nontraditional for women.<sup>1</sup> In addition, Congress must have information about actual wages, set in a context of local cost of living, i.e., the self-sufficiency standard.

- **Make comprehensive information and career planning fully accessible.** One-stops have done a poor job of ensuring that job seekers have full information about the services available; career options; cost of living and skills necessary to compete for jobs. Job seekers need complete information on several fronts:

- all services available through the one-stop system;
- local cost of living and how much income a family needs to be economically self-sufficient;
- high-skill, high-wage, locally-demanded career options, including those that are nontraditional; and
- how a job seeker's skills align with labor market needs.

#### **Additional WIA Recommendations**

Wider Opportunities for Women believes that a workforce development system that responds to and respects the particular needs of a diverse workforce is one that ultimately benefits all workers and employers, and is prepared to address the emerging challenges of the 21st century workforce. To that end, we also urge the Senate to:

- **Reject the block grant consolidation of Adult, Dislocated Worker and Employment Service programs and funds.**
- **Restore workforce funding to adequate levels.**
- **Encourage training for and placement in high-wage, high-demand jobs, with a special emphasis on nontraditional jobs for women.**
- **Target services to the needs of job seekers.**
- **Improve performance measurements instead of simplifying them.**

[Whereupon, at 11:51 a.m., the subcommittee was adjourned.]

○

<sup>1</sup> According to the Department of Labor, nontraditional jobs for women are those in which less than 25 percent of the workers are female. Increasing women's access to these jobs is a compelling strategy for achieving family economic self-sufficiency. These jobs offer good benefits and wages that are between 20 to 30 percent higher than jobs where women are traditionally clustered.