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The Workforce Investment Act: Reauthorization to Address the “Skills Gap”

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The need for skills enhancement among the nation's less-educated workers remains acute and evidence on the cost-effectiveness of publicly funded training is generally positive. Nevertheless, public funding of the nation's workforce development system remains modest, and has markedly declined over time. The reauthorization of the Workforce Investment Act, now before Congress, provides an opportunity to implement a number of proposals—including increased funding, regional coordination, better outreach to immigrants, and improved reporting—that could significantly advance the nation's employment and training options.

I. Introduction

The Workforce Investment Act (or WIA) expires in 2003 and needs to be extended or reauthorized by Congress. The Bush administration has issued a set of proposals for WIA reauthorization—some of which entail major changes in the structure of the workforce system—while many of its other features would remain largely intact. These proposals are currently under consideration by Congress.

This report addresses questions policymakers should answer as they consider reauthorization of WIA. How well has the WIA system performed to date? Do the administration's proposals reflect current knowledge and research outcomes? More broadly, how well does this system, in either its current form or as proposed, meet the nation's workforce needs during the first decade of the 21st century and beyond?

Current funding levels for WIA, and certainly those proposed by the administration, are well below what the nation needs to meet workforce requirements in the next decade and beyond. While some of the president's proposals could lead to system improvements, Congress should modify others to maintain and improve the system's potential for meeting these needs.



II. History

Well before Congress passed the Workforce Investment Act, the federal government started investing in training and education for the unemployed. Congress created the Area Development Act (ADA) in 1958 as a response to recession and fears about displacement as a result of technological innovation. Congress targeted ADA funds by geography, finding that it was a federal priority to invest in depressed places for the purpose of creating jobs and retraining unemployed people who had been dislocated due to automation.² ADA expired in 1965 and Congress incorporated its training provisions into the Manpower Development and Training Act (MDTA). Created in 1962, MDTA emphasized workforce training and assumed that training would lead to employment.³

Over time, the focus of MDTA shifted from retraining to poverty reduction, targeting welfare recipients, and low-income youth.⁴ MDTA was different from previous programs in that the federal government administered the services through contracts with local providers. While this program had some success with targeted local strategies, members of Congress and others grew concerned about the multitude of programs and overlaps within MDTA.⁵ In 1973, Congress sought to simplify the administration of employment and training services by folding MDTA into a new program of employment and training managed by local governments, the Comprehensive Employment and Training Act (CETA). Ultimately, some observers criticized CETA, making allegations of corruption and waste, and Congress amended the program a number of times over nine years.⁶

In 1982, Congress replaced CETA with the Job Training Partnership Act (JTPA). CETA served as a bridge between MDTA (in which the federal government managed the program), to JTPA, in which states and localities took the lead with much less federal oversight. Unlike previous programs, however, JTPA did not offer any public employment funding and introduced a new element: private sector involvement in local administration of funds. The law provided for allocation of most JTPA funds by formula to larger jurisdictions, with the remainder sent to states for smaller jurisdictions and state programs.⁷

In the late 1980s and early 1990s, a number of observers questioned the effectiveness and efficiency of JTPA and a number of other federal job training programs. One GAO report found 163 federal programs in 15 different agencies targeting multiple consumer groups with training services.⁸ In congressional testimony in 1995, GAO officials stated that the employment training system was confusing for potential participants, and “frustrating” for employers and administrators. Furthermore, GAO found that program administrators lacked information necessary to measure success, and even adequately manage the programs.⁹

In 1998, Congress passed the Workforce Investment Act—legislation that fundamentally transformed parts of the nation’s workforce and training system. Folding JTPA funding into the new law, Congress and the administration sought to create something new: a universal system of employment and training services for all youth, unemployed, and incumbent workers. While previous federal programs focused largely on unemployed and disadvantaged workers, federal policymakers sought to create a new focus on services to the entire community, in part by mandating the development of “One Stop” centers in every community. When President Bill Clinton signed the legislation in the White House Rose Garden, his comments reflected the goal of creating a more universal system of education and training when he said: “...Giving all Americans the tools they need to learn for a lifetime is critical to the ability to continue to grow.”¹⁰

WIA, like JTPA, directly funds some employment and training activities. But it was also designed so that other federal sources of funding for these activities—such as Pell grants and student loans (funded by the Higher Education Act)—as well as state and local sources could be weaved together at the local level. Improving the access of individuals to the entire range of available services was thus one of the goals of this legislation.

Title I of WIA established three dedicated funding streams: one for dislocated workers, one for adults, and one for youth. Local Workforce Investment Boards (WIBs) receive these funds under WIA and have broad discretion to spend them as they see fit. Congress intended for WIBs to be “employer-led,” thereby linking the training dollars to the specific needs of local

businesses and the workers whom they hire. Performance accountability, customer choice, flexibility, and responsiveness to local needs were themes Congress stressed in the WIA legislation.

WIA established new eligibility criteria and service components for the three consumer groups. The JTPA “disadvantaged adult” program was transformed into the WIA “adult” program.” Under JTPA, 90 percent of all adults had to meet an income eligibility test. Reflecting the Act’s broader focus, WIA requires that states prioritize services to low-income adults only if it finds that resources are limited. While JTPA’s youth program was available to youth in and out-of-school, local officials must use 30 percent of WIA funding for out-of-school youth. Youth are eligible for WIA funded services only if they are low-income, and face barriers to finishing school or finding a job.

There are three different kinds of services to adults and dislocated workers under WIA: core, intensive, and training services. Core services, available to all adults without regard to income or other eligibility criteria, include initial assessment, job search assistance, information about access to supportive services, and information about the local labor market including job vacancies. Intensive services are available to unemployed individuals who do not find a job after utilizing core services and include assessment that is more comprehensive, work experience activities, development of individual employment plans, counseling and case management. Training services are available to those unable to find work after accessing intensive services, include job readiness training, adult education and literacy training, skills upgrading, and occupational skills training. Employed workers may also access intensive and training services.¹¹

WIA eliminated the separate funding stream for summer jobs for youth that existed under JTPA. WIA does, however, require that programs offer summer employment opportunities, as well as other services like tutoring, mentoring, work experience (paid and unpaid), occupational skills training and other services. Unfortunately, the program requirements have had the effect of reducing funding available for summer jobs for youth.

WIA emphasized the importance of designing and managing training and employment services at the local level, and the funding reflects that choice. The law allocates 85 percent of the state adult and youth funds to local areas, with the remainder managed at the state level. Some funds are available for federally-awarded Youth Opportunity Grants, depending on the level of Congressional appropriations. Further, the law allocates sixty percent of dislocated worker funds to local areas, twenty percent to states, and reserves the remainder for federal awards and technical assistance.

The lawmakers established a new requirement that each local area have a “One-Stop” center to offer all core services and provide access to other services. This decision reflects the goal of creating a system of universal access to training and employment services. Congress indicated that these centers should provide a single point of contact for employers and consumers to access WIA funded services and those of partner federal programs. WIA establishes a list of mandatory and optional “One-Stop” partner programs, including vocational rehab, adult literacy, and Welfare-to-Work services.

In another major policy shift, WIA provides that individuals will access training services by utilizing an “Individual Training Account” (ITA), also referred to as a voucher. ITA holders may only use the voucher at training providers designated as eligible by the local WIB, and providers are required to submit performance reports on trainee outcomes. Under JTPA, local officials purchased services of training providers with grants and contracts. Policymakers adopted the new approach in an attempt to provide more choice to consumers and accountability of providers for performance outcomes.¹²

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III. The State of Workforce Training: Tomorrow's Workforce Requires New Investment

The need for skill enhancement among the nation's less-educated workers remains very strong and evidence on the cost-effectiveness of publicly funded training is generally positive. Yet, public funding of the nation's workforce development system remains very modest, and has markedly declined over time; worse, the number of workers trained under the new system funded by WIA has significantly declined from the levels of earlier years.

1. The Need for Skill Enhancement Among the Nation's Workers Remains Acute

According to most economists, increases in the demand for skills among the nation's employers have outstripped the supply of those skills over the past few decades. As a result, the earnings of less-educated workers—especially those with only a high school diploma or less—have fallen increasingly behind those of more highly-educated workers. In fact, the percent gap in earnings between high school and college graduates has roughly doubled since the late 1970s.¹³ The earnings of less-educated males have been particularly reduced over the past 30 years—not only *relative* to those of the more-educated, but even in *real* terms by some calculations.¹⁴

The numbers of workers potentially affected by this growing “mismatch” between employer skill needs and worker skills is not small. Among adults (aged 25 and above), roughly 50 million workers (or about 40 percent of the workforce) have no more than a high school diploma, of whom about 12.5 million are high school dropouts. Another 16 million dropouts in this age range are not employed (and mostly out of the labor force), of whom most are non-elderly.

The numbers of adults displaced from jobs each year averages about 3 million as well, of whom nearly half have worked with the same employer for three or more years. While most eventually return to work, they usually endure considerable periods without employment and ultimately gain new jobs at substantially lower pay than what they previously earned.¹⁵

Concerns about labor force attachment are probably greatest for the youngest less-educated workers, who potentially face a lifetime of poor earnings prospects. Recent estimates suggest that about three million young men and women, aged 16–24 with a high school diploma or less education, are neither enrolled in school nor working, even when the economy is very strong.¹⁶ Many more who remain in school are at high risk of dropping out or of being “disconnected” from the labor force after graduating. In fact, a fourth of all young men (aged 16–24) who are out of school but have a high school diploma are not working, and among African Americans the fraction is closer to half.

The labor force participation of young black males continued to decline throughout the 1990's despite the economic boom. The rates of criminal conviction and incarceration for this population are astounding—with 12 percent now incarcerated at any time and perhaps twice that many on parole or probation.¹⁷ More broadly, about 7 million men in the noninstitutional population have been incarcerated at some point, and about 650,000 are being newly released from prison each year.¹⁸ Labor force activity among men with criminal records, who have very poor skills and face a variety of other barriers to work, is particularly low. The costs to society of their low employment and high incarceration rates are huge—as much as \$400 billion per year, or 4 percent of gross domestic product.¹⁹

In sum, the numbers of adult, displaced, and/or young workers with serious labor market difficulties and low attachment to work in the U.S. are quite high. The problem of labor force detachment among less-skilled workers is particularly troubling because labor markets will be tight for many years to come. In particular, as “baby boomers” begin retiring during the next decade and beyond, the native-born US workforce in the prime-age working years (ages 25–54) will not grow at all, and the percentage of the workforce with post-high school education will likely be flat as well.

Immigrants, who already represented a fourth of all labor force growth in the period 1980–2000, will probably account for a third of that growth in the next 20 years and perhaps more. Workers with limited English proficiency (LEP) as well as low educational attainment will become larger shares of the workforce, as will minorities (especially Hispanics and Asians)

more generally. At the same time, technological improvements will no doubt lead to continuing increases in employer skill needs over time.

As a major report by the Aspen Institute has recently noted, the combination of these forces will exacerbate an existing “skills gap”, along with a “worker gap” and a “wage gap” (between more- and less-educated workers) over the next 20 years and beyond. Employers will find it increasingly difficult to fill their jobs, especially those requiring education and other skills. The nation’s productivity and economic growth during that time will almost certainly be constrained by the limitations of its workforce.²⁰

2. Workers and Available Jobs Are Also Mismatched Spatially

Another gap exists between less-skilled workers—especially minorities—and the jobs that are potentially available to them—namely, a “spatial mismatch” between workers’ residences and the locations of jobs. For instance, less-skilled and especially minority workers tend to be heavily concentrated in the low-income residential neighborhoods of central-city areas. On the other hand, the areas of greatest job availability for these workers—especially in higher-wage sectors such as construction or manufacturing—are often in the suburbs.²¹

The newer suburbs that are frequently located further away from central-cities are those with the highest rates of job growth. These newer areas are relatively less accessible to workers in poor neighborhoods. First, the lack of reliable transportation prevents workers from accessing these jobs—particularly when the worker does not own a car, or when public transit is not a viable option (because it does not go to the job location or does not run at certain times).²² In addition, many workers face job availability information gaps or lack access to strong informal networks.

WIBs might be able to play an important role in bridging these spatial gaps—except when the WIBs themselves are geographically fragmented within metropolitan areas. Under JTPA, eligible “service delivery areas” were so small that one metropolitan labor market could have at least two, and often more, of these areas. Unfortunately, the result of this political organization was to limit information about jobs in the suburbs, even as areas beyond the central city became the primary location for new opportunities.²³

Despite some efforts to remove this barrier in the WIA legislation, the essential problem remains and was probably exacerbated by new options for smaller jurisdictions to create their own WIBs.²⁴ Alternatively, regional “labor market intermediaries” that provide services to both employers and workers can also play this role, as discussed below.

3. Public Funding of the Nation's Workforce Development System Remains Very Modest

By almost any measure, the current federally-financed investment in worker skills in the U.S. is very modest. It is significantly lower than the amount spent per worker during the 1970s and 1980s, despite the fact that “core services” under WIA must be available to a vastly greater population than was served previously; and it is well below the amount spent per worker in most other industrialized countries.

For instance, total funding for services administered under Title I of WIA in Fiscal Year (FY) 2003 will be approximately \$3.6 billion, with roughly a billion dollars spent on adults and youth respectively and the rest going to displaced workers. When the Job Corps and other training programs administered by the U.S. Department of Labor are included, the total rises to about \$7 billion.

But, the magnitude of these expenditures is insufficient for dealing with the labor market problems of the groups discussed earlier. A few simple calculations are instructive. A conservative estimate of the number of less-educated non-employed adults who could benefit from federally-financed employment services and/or job training (about 20 million) implies that about \$50 is available per year for each adult. Similar estimates for 3 million out-of-school youth suggest that about \$300 per year is available, though that figure becomes substantially lower (by half or more) if at-risk in-school youth are included in the calculation.

Of course, these numbers compare annual flows of training dollars to total stock of people in need; but even allowing for the amount of training that might be provided over periods of many

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years, the amounts available per person over time are very low—especially when compared to the costs of effective programs for participants in these areas (discussed below). In fact, between 1985 and 2003, Department of Labor funding for worker training declined by 29 percent when adjusted for inflation, including a 33 percent cut in WIA/JTPA funding.²⁷

Importantly, these calculations do not include public expenditures on vocational and higher education (currently funded under the Perkins and Higher Education Acts respectively), and they exclude the very substantial sums spent by private employers on training for workers on-the-job.²⁸ But most analyses show that the private-sector provides training heavily skewed toward professional and managerial employees, or those with more than high school education. Thus, per capita expenditures on vocational education and training for the less-educated lag behind those observed in other industrial countries and what the U.S. potentially needs.²⁹

4. Evidence on the Cost-Effectiveness of Publicly Funded Training Is Generally Positive

A number of researchers have authored comprehensive summaries of research on the returns to public training in the U.S.³⁰ These reports generally point to consistently positive returns to training for adult women and somewhat less consistently for adult men. For both groups, earnings gains associated with training in the last national evaluation done of federal training programs—the 1994 study of the Job Training Partnership Act—showed significant returns to training. The dollars spent on training per person under JTPA were very modest—in the range of \$1,000–\$1,300 per person (1993 dollars). Accordingly, the impacts on earnings per person were modest as well—workers averaging about \$850 in additional earnings *per year* by the end of the 30-month follow-up period. Thus, the returns over time *per dollar spent* in the program were actually quite impressive. While the value of training for other groups of disadvantaged adults—especially welfare recipients—has been questioned in recent years, the evaluation evidence still suggests that supplementing strong work requirements with appropriate training generates the most positive employment results for these groups.³²

Finding positive returns to training for disadvantaged youth has generally been more problematic. The JTPA evaluation showed no positive effects for youth; formal evaluations of other youth programs—including the Summer Training and Employment Program (or STEP), Job Start, New Chance, and the Supported Work program for youth—have been disappointing as well.³³

Still, the recent evaluation of the Department of Labor's Job Corps program for disadvantaged youth shows 12 percent increases in earnings for disadvantaged youth, which are sufficiently high to make expenditures in that program (of nearly \$20,000 per participant) socially cost-effective. Evaluation results for this year-long residential program suggest that intensive and sustained efforts on behalf of disadvantaged youth that also address the shortcomings of their neighborhood environments can be successful. The short-term (i.e., 15-month) evaluation of the Youth Corps, where young people engage in community service and receive some training, showed increasing employment rates and decreases in arrest rates of roughly 30 percent each, especially for minority youth.³⁴ For in-school youth, the recent evaluation of Career Academies also provides clear evidence of post-school improvements in employment and earnings (of about 10 percent) for youth.

And, in the years since those evaluations, many other innovative and promising programs have developed. For example, Youth Build (funded mostly by the Department of Housing and Urban Development) combines work experience in residential housing projects with job training and leadership development. While there is no formal evaluation, summaries of post-program employment outcomes for participants suggest the program has been quite successful.³⁵ The Department of Labor's Youth Opportunity Grants program, which targeted poor neighborhoods around the country for intensive investments in youth programming and services, also represent a promising new approach to dealing with the problems of concentrated urban poverty (as noted below). The costs per participant of most of these programs are not as high as for Job Corps, though they are still substantial.

Training alone for welfare recipients has not proven to be terribly successful in raising subsequent employment or earnings; but some carefully-evaluated programs (in Riverside California

and Portland Oregon) have shown that flexible combinations of work requirements and training lead to better outcomes than either approach by itself.³⁶

Programs for dislocated workers have also shown mixed effects over time, though results in a few notable cases have been quite positive. Job-search assistance for this group is very cost-effective. And returns to on-the-job training, for both the worker and the employer, appear impressive as well.³⁷

In all, there are many examples of publicly-funded training in the U.S. that are effective and promising, as well as cost-effective. But the overall impacts on the U.S. workforce will continue to be very modest, as long as federal policymakers continue to limit funding as much as they have in recent years.

5. The Number of Workers Trained to Date Under WIA Has Markedly Declined From the Levels of Earlier Years

A recent analysis by the Center on Law and Social Policy indicates a stunning decline in the number of workers trained under WIA, relative to the numbers trained in the predecessor program. Data for Program Years (PY) 2000 and 2001 show that just 112,000 and 141,000 workers received any training respectively compared with 313,000 in PY 1998. These represent declines of 64 percent and 55 percent respectively from the earlier period.³⁸

There are many possible reasons for the observed declines. These explanations include the very strong labor markets of the recent period, combined with new rules that dictate a “work first” approach for disadvantaged workers. Also, rules implemented under WIA requiring a particular sequencing of services—in other words, “core” services before “intensive” ones, and “intensive” services before training—no doubt limit access to such training as well. Perhaps the startup costs of building the infrastructure of the new “one-stop” system, including initial difficulties that WIBs had finding eligible training providers, also contributed to the decline.

Whatever the reasons, the declines in training—even for adult programs that have shown strong evidence of cost-effectiveness—are troubling. In addition, financial support for incumbent worker training and advancement strategies under WIA appear quite limited as well, despite the evidence cited above of impressive returns to such training.

6. The Effectiveness of the WIA System Could Be Improved

The WIA system has only been operational for a few years, so it is not surprising to find room for improvement along a number of dimensions. For instance, recent data from a survey by the U.S. Chamber of Commerce indicates surprisingly little awareness of local WIBs among most employers, especially smaller ones. Greater employer involvement in and engagement with WIBs is a precondition for increasing the effectiveness of the WIA system.³⁹

Another area that deserves greater attention is data collection, reporting, and analysis under WIA. States are currently not required to collect or report data on the all individuals receiving core services (such as job search assistance and referrals to employers) or on those receiving incumbent worker training.

Researchers and policymakers will have difficulty evaluating the outcomes of WIA investment using current performance measures under the law. Reauthorization provides an opportunity to address questions about analyzing performance levels across states, and the methodologies used to infer cost-effectiveness from these data. In particular, the performance measures mandated by WIA might lead local programs to “cream-skim”—i.e., to deny services to the neediest members of the population, in order to make their performance measures look better. More broadly, inadequate performance measures can generate misleading information about the effectiveness of WIA components or the program overall.⁴⁰

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IV. The Bush Administration Proposals for Reauthorization

The administration's proposal for WIA reauthorization called for no change in funding for FY 2004 over the previous fiscal year, but it would lead to a number of changes in the program's structure and functioning.⁴¹

These proposed changes include:

- Combining three separate funding streams (for adult programs, dislocated worker programs, and the Employment Service) into one block grant
- Granting governors significantly more authority over local WIB boundaries and funding
- Loosening of the current requirements that govern the sequencing of WIA services available to participants as well as training provider eligibility

The proposal also calls for major changes in youth programs, including:

- Eliminating the mandatory establishment of Youth Councils in local areas
- Focusing funding exclusively on out-of-school youth
- Complete elimination of the Youth Opportunity Grants program. (Instead, the proposal includes a new competitive program for youth in disadvantaged areas, carved out of current formula funding for youth programs)

Finally, the administration has proposed an entirely new program—entitled “Personal Reemployment Accounts” (or PRAs)—for the next two years that would cost an additional \$3.6 billion. The proposal would create vouchers (worth up to \$3,000) for a small subset of unemployed workers that could be spent on work supports or training. Unspent funds could be kept as a “reemployment bonus” once workers gain employment—though these bonuses are potentially much larger and more versatile than those contained in some earlier pilot programs.⁴²

These proposals are discussed below.

Funding Levels

While the Bush administration would preserve overall WIA funding in FY 2004 at the same levels as in FY 2003, these are well below those for FY 2002 (even without adjusting for inflation and population growth).⁴³

As noted above, the nation's current and future needs in this area are enormous, and so are the social costs associated with failures. The current level of funding available for training in the WIA system is simply inadequate relative to the nation's workforce needs in this area. When so few dollars are spent on training per person, and when the number of individuals who receive training dwindles to such a low level, the notion that such training will have any serious aggregate impact disappears as well.

In this context, the administration's cuts in WIA expenditures in FY 2003, as well as its proposals for FY 2004, move in the wrong direction. Furthermore, this is an era of large federal budget deficits; these deficits are likely to increase over time as a result of recent tax cuts, impending “baby boomer” retirements, and the needs of defense and homeland security. The budget situation will almost certainly imply a continuing series of costly cutbacks in funding for WIA over the next several years, despite the nation's growing workforce needs. Setting the precedent of maintaining or even expanding funding for training in this fiscal environment is critical.

Combining Funding Streams and Increasing State Authority

The proposal to create one large block grant for adult services, combined with a shift in authority over these funds to the state level, might well result in less funding available for services and

training, especially in local areas with the greatest needs. Historically, block grant funding has not kept pace with inflation, resulting in a loss of purchasing power for services over time. Also, scholars and government analysts studying the impacts of the Reagan block grants found that block grants are more vulnerable to funding cuts than categorical programs, and cities were losers in reallocation of funds by state officials.⁴⁴

Of course, the block granting of welfare funds to states during the 1990s is widely viewed as having been successful; and some arguments can be made about potential gains in efficiency that might result from moving workforce authority to the states as well. Still, there are also a number of important differences between the changes that occurred as part of welfare reform and those proposed here for workforce development.

The block granting of funds for TANF constituted a *devolution* of authority from the federal government to the states, rather than a centralizing of authority away from local areas to the states. Since labor markets for unskilled workers are largely local in nature, this change would remove authority from those who have the greatest familiarity with regional labor market needs and imbalances.

Furthermore, the block granting of welfare funds occurred in a very strong economy where states were running budget surpluses, and when unspent TANF funds were accumulating as well due to unexpectedly large declines in welfare caseloads. Political and partisan differences between elected leaders of state and localities would no doubt affect the geographic distribution of these funds as well. For example, analysis of the federal block grants enacted in 1982 shows that states substituted other criteria for income eligibility, reallocated funds that had been targeted to urban areas, and reduced costs by eliminating service characteristics and standards.⁴⁵

On the other hand, the administration's goal of generating some greater flexibility in the drawing of WIB boundaries could relieve the problem of fragmentation that limits the flow of information and access to jobs. Particularly, reauthorization should include a mechanism that encourages regional cooperation across metropolitan labor markets where there are multiple WIBs.

Training Rules

The administration's proposal to eliminate sequencing rules on services provided to individuals might improve worker access to intensive services and especially to training, thereby countering the disturbing decline in the number of workers trained under WIA and providing greater local flexibility to meet individual worker needs. The administration recommendation to simplify eligibility rules for providers could increase the number of providers. Finally, although the administration did not provide a detailed recommendation, the suggestion that Career Scholarships would be more flexible than Individual Training Accounts could lead to more training options for program participants.

Youth

The administration's proposal includes thoughtful changes, such as the desire to increase resources available to out-of-school youth with the greatest needs.

But some of the proposed changes in the structure and funding of youth programs are troubling. While more funds for services to out-of-school youth are important, a requirement that funding be restricted to those who are already out-of-school seems counterproductive. Such a restriction, of course, makes it impossible to provide services to youth before the age of 16. But preventive programs need to reach young people early, in order to forestall a disengagement from both school and work that occurs for many disadvantaged youth in their early teens. By the time these youth are out of school, many have already "failed"—by dropping out of school, avoiding the workforce, and becoming involved in illegal activities. As noted earlier, developing successful programs for these youth is then more difficult (though certainly not impossible).

Instead, programs for at-risk youth while they are still in school should motivate them and prepare them for the world of work. They should emphasize both academic and job-related skills, and link them to employers who can provide them with early work experience while meeting their own needs for skilled employees.

“Reauthorization should include a mechanism that encourages regional cooperation across metropolitan labor markets...”

The pending elimination of all funding for Youth Opportunity Grants is also a major disappointment. Built on the recognition that poor and socially isolated neighborhoods affect the abilities of young people to succeed there, the Youth Opportunity program was the first major youth training program that Congress targeted for entire poor communities instead of individuals.⁴⁶ It was an innovative effort to rebuild educational and workforce systems in these neighborhoods.

Thirty-six communities received first round grant awards and the annual cost of these grants was initially \$225 million.⁴⁷ The startup costs in this effort were high, and the “learning curve” in many areas was steep. Yet, early indications from pilot sites suggested positive starts in many areas.⁴⁸ To terminate this program after these initial investments were made, but before any definitive evidence of their effectiveness has been provided, and before the lessons learned could be applied to the next round of sites, seems hard to justify. And to replace it with an entirely new competitive grants program carved out of existing formula funding, with no specified purpose or design, is even more perplexing.

While proposed funding for the Job Corps is higher than before, increases would be very modest, and far smaller than the cuts occurring in Youth Opportunity Grants and elsewhere.⁴⁹ While the evidence of cost-effective youth training has been limited to date, the JTPA evaluations and other studies on which current information is based are dated, and ignore numerous program innovations made since that time.

Finally, a few other aspects of the youth proposals seem counterproductive. For instance, given the importance of improving youth skills and labor force attachments, and the need to coordinate resources and services for youth across a range of programs and institutions, Youth Councils should remain mandatory. And, a new proposal for an “efficiency” performance measure for youth, that simply rewards spending fewer dollars per participant, seems ill-advised when the evidence suggests that programs that are more intensive are generally more effective for this population.

Personal Reemployment Accounts

Despite severe budget constraints, the administration’s Personal Reemployment Account proposal is a new and untested program that duplicates some of the functions of the WIA system but would be administered, albeit temporarily, as a separate program. Under the circumstances, it would be far more sensible to use those funds to bolster the existing training system, instead of undercutting that system with a new and competing program.

Most importantly, decisionmakers should not view this program as a substitute for temporary emergency extensions of Unemployment Insurance (UI) by the federal government. Despite the uncertain economic climate, the administration has been extremely reluctant to fund these temporary extensions. As a result, many more workers are exhausting their benefits than was true in earlier downturns, even while many remain unemployed and with no other means of income support.⁵⁰

V. An Agenda for WIA

Reauthorization of WIA provides an opportunity to implement a number of proposals that could improve the nation’s employment and training options. Congress could implement some of these recommendations in the current reauthorization, as the new legislation makes its way through the Senate and in conference; others might be regarded as part of a longer-term agenda for the program.

Greater Overall Funding

Given the strong evidence above on the inadequacy of workforce funding relative to needs, the most important goal is to preserve and then increase current funding levels for WIA. At a minimum, funding for WIA should keep pace with inflation and increases in the population (or the size of the workforce). More appropriately, funding for WIA should gradually but consistently rise over time—by several percentage points a year in real terms—as baby boomers begin to retire.

Congress could enhance the funds available for employment and training by dedicating new funding for the WIA infrastructure, or by authorizing additional funds for particular purposes (e.g., “transitional jobs” for those with serious employment barriers) that have not been heavily funded to date by local WIBs.⁵¹

Youth Programs

A number of changes are desirable in the area of youth programs. Congress should gradually increase the availability of Job Corps slots over time (which currently number about 70,000 per year), as this program has been carefully evaluated and is clearly cost-effective for disadvantaged youth.

Congress should preserve the Youth Opportunity Grants program in its original form, at least until evaluation evidence on its success is available. Replacing it with a brand new competitive grants program seems a bit like “reinventing the wheel”—especially if the new program targets low-income disadvantaged areas, as it should. If Congress chooses to replace the program by a new competitive grants effort, it should appropriate separate funding—rather than setting aside funding from the existing youth formula funds.

Given the importance of reaching young people early in their lives before they have failed in school or the labor market—and given the importance of connecting them to labor market opportunities—federal policy should focus on new efforts to develop programs that combine schooling and work. These could include apprenticeships and internships with employers, as well as enhanced funding for proven models such as Career Academies. Proven training programs for out-of-school youth, like the Youth Corps and Youth Build, should be encouraged as well—perhaps through the dissemination of additional information on “best practices.”⁵²

Of course, nothing prevents local WIBs and Youth Councils from funding these efforts currently. And some might argue that, absent any strong evidence to date on cost-effective youth training under formula funding in JTPA or WIA, some retrenchment here is reasonable. On the other hand, no serious evaluation of the success of youth training under WIA has ever been undertaken; and the evidence from JTPA is dated and not directly applicable to the new system. Given the enormous needs in this area—and the huge cost paid each year (in the form of crime, transfer programs and the like) for not meeting those needs—it makes much more sense to continue and improve funding in this area, while simultaneously encouraging implementation of proven models and seeking new ones through continued experimentation and evaluation.

Improve Access for those with Limited English Proficiency and Other Barriers

Given the growing importance of immigrants in the nation’s workforce, Congress should make a number of changes in the workforce development system to improve access to services for this group. Reauthorization legislation should include a requirement that states develop plans for meeting the needs of LEP persons and strategies to offer combined ESL and job training. Also, the list of allowable local adult education activities should include vocational ESL and adult education, where necessary.

More broadly, the access to the workforce training system for individuals with disabilities, ex-offenders, and the like needs to be enhanced; at a minimum, these groups deserve special consideration in state plans as well.

Improve Reporting on Expenditures, Activities and Performance

In order to be able to assess the success of WIA in meeting workforce needs, it will be critical to have a great deal more information on decisions about allocation of the funds.

In many ways, reporting requirements under WIA fall short of what existed under JTPA. There is limited information about the number or characteristics of individuals who receive “core” services, or what these services are. Even though these services are partially funded under the Wagner-Peyser Act rather than WIA, some greater knowledge of how these funds are being spent seems critical. As noted earlier, there is virtually no information on other key activities, such as on-the-job training. In general, better information on the services provided and kinds of individuals served under each of the service “tiers” in WIA would improve the ability to monitor the program and make necessary adjustments.

“The most important goal is to preserve and then increase current funding levels....”

The weaknesses of the current system of performance measurement and sanctions for poor performance have also been noted. One potential improvement in this area is to return to the use of a statistical model for adjusting required performance measures across states (as existed under JTPA), rather than the current adjustment method based on negotiations that generate levels that are almost completely arbitrary. The statistical model corrects for characteristics of local labor markets and the demographics of those served, which tends to mitigate incentives in local areas to “cream-skim.”

Of course, the imperfections of using any statistical model for such purposes are clear—since it is not possible to be certain whether the variables included in the model are the right ones on which to base such adjustments. While future research could explore this issue, even an imperfect model would be a major improvement over the arbitrary process currently used.

New funding for and rigorous evaluation of pilots and demonstration programs could provide information about successful employment and training models.

For example, workforce intermediaries are serving job seekers and workers by convening the resources of regional partners and utilizing a “dual customer approach” that serves businesses looking for workers and individuals who want to improve their employment outcomes. These intermediaries usually strive to go beyond job training or placement, and provide ongoing support with the goal of reducing turnover and even helping workers build skills to move up the job ladder. Some of the intermediaries focus on particular industries, others on job-seekers who have been unable to find work. These programs are growing in number, but remain relatively small despite initial positive outcomes.⁵³

Congress should support carefully evaluated pilots of promising approaches in several other areas, as well. These include: 1) new models that blend education and employment for in-school youth, including internships and apprenticeships; 2) new models of career advancement for the disadvantaged, some of which involve serious job-placement efforts and mobility across firms and jobs as well as appropriate training within specific jobs; and 3) particular models for the “hard-to-serve”, such as transitional jobs with strong supportive services for ex-offenders and those with various disabilities.⁵⁴

Encourage Regional Approaches

WIB service delivery areas are often smaller than the regional labor market. Consequently, residents of central city delivery areas may be isolated from information about job and training opportunities in the suburban areas where most job growth occurs. In the absence of legislation to require that service delivery areas reflect regional labor markets (a politically unlikely outcome), reauthorization should create incentives for cooperation and information sharing among the multiple WIBs in a region. In addition, new funding for the intermediaries that often fulfill this function could provide a resource for local employers, job seekers, and training recipients.

Sponsor a New National Evaluation of WIA

The last national evaluation of federally funded training was conducted under JTPA, and released about a decade ago.⁵⁵ Unfortunately, there is no evidence on the extent to which WIA is cost-effective. Thus, it is time for a national evaluation of the WIA program. This evaluation should use either random assignment methods, or new administrative databases along with appropriate statistical techniques.

Additional research is also required on a few important questions. For one thing, the extent to which One-Stop offices are effective, or the circumstances and characteristics of relatively more successful offices, needs to be determined through a careful evaluation study. And it is important to understand the relationship between the required short-term performance measures under WIA and longer-term “impacts” on various populations as well.

V. Conclusion

Congress is considering a number of changes in the Workforce Investment Act as part of reauthorization. Some, like the simplifying of rules that would make it easier for workers to have access to training, are quite positive. Others, like the proposed combination of funds for adults, displaced workers, and employment services into one block grant over which states would have much greater authority than before, seem at least potentially more harmful. Focusing youth services only on those who are out of school, and eliminating the Youth Opportunity Grants program, also seem very unwise to us.

The greatest drawback of current plans is the inadequacy of the funding provided for workforce training. The proposed appropriation for WIA in the next fiscal year represents further cuts in real and per capita terms, beyond those already legislated for the current fiscal year. Given the administration's other budget proposals and priorities for the next several years, these cuts are likely a prelude of things to come.

Yet the national workforce system needs significantly *greater* public funding of workforce skill development, not less. These needs will only grow over time, as "baby boomer" retirements generate tighter labor markets, and the gaps between the skills required by employers and those embodied in the workforce continually grow. Even effective programs can generate only very modest effects on individuals and the overall workforce when funding levels are so small per person and in the aggregate.

Ironically, any improvements generated in the WIA system will lead to even more demands for funding. For instance, if local WIBs engage more employers; or if Career Scholarships become an effective and widely used tool to fund on-the-job training and career advancement; then the needs of the WIA system for resources will no doubt grow. Thus, proposals from some policymakers to improve the structure and governance of the system conflict with the constraints on funding that they or others are seeking to impose.

Of course, no one seeks to expand funding in ways that would not be cost-effective. Any increases in funding must be gradual and continuous, based on clear evidence of what works, and accompanied by rigorous and ongoing evaluations of new approaches. Such a program of prudent expansion would be a far cry from the path of modest restructuring and continuous retrenchment the current administration seems to be pursuing.

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