

Sub-Committee on Employment, Safety and Training - Reauthorization of the Workforce Investment Act

Bill Number: Oversight

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Witness:

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Testimony:

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 three 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 four 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: Verizon, 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 eight 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 one 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 five- 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 Nondiscrimination, 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 three 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 five 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.