

Employment Subcommittee WIA Reauthorization  
Bill Number: Employment Subcommittee Hearing  
Hearing Date: March 6, 2003

Witness:

D. Cameron Findlay  
Deputy Secretary of Labor

Testimony:

Good morning. Chairman Enzi and members of the Subcommittee, I thank you for inviting me to testify on the Administration's Workforce Investment Act reauthorization proposal.

WIA Reauthorization

In 1998, under the strong leadership of this Committee, Congress passed by a large bipartisan majority the Workforce Investment Act (WIA). WIA was a groundbreaking piece of legislation that has sparked important improvements in the delivery of employment and training services nationwide. The authorization of appropriations for the Act expires on September 30, 2003. Now our challenge is to build on these reforms in order to make the Act even more effective and responsive to the needs of States and local labor markets.

Over the past year, the Department of Labor has gone to considerable effort to gather input from stakeholders on how the workforce investment system can be strengthened to address the challenges of globalization, technological advances, and the demographic changes that the American workforce is currently facing. The Department gathered public input on WIA reauthorization through a series of public forums. The Department held twelve forums around the country in the spring of 2002. In addition, the Department held a forum focused on services to individuals with disabilities in June of 2002. This latter forum was held in partnership with the Department of Education, the Department of Health and Human Services and the Social Security Administration. In addition, the Department held two forums on Indian and Native American programs in the fall of 2002. In total, over 1,400 people attended the forums, and more than 240 of them presented oral remarks. Moreover, in February of 2002 the Department sought public comment on reauthorization issues in the Federal Register. Over 370 comments were received in response to this announcement. A summary of the oral and written comments is available on the Employment and Training Administration's website.

The input from our stakeholders, our experience at the federal level, recent research findings, and reports issued by the General Accounting Office have informed the Administration's proposal for WIA reauthorization. The Administration's proposal is designed to continue to transform the One-Stop Career Center delivery system into a cohesive workforce investment system that can respond quickly and effectively to the changing needs of employers and workers in the new economy and can address the needs of special populations, including individuals with disabilities. It builds on and improves what works, and fixes what does not work. Finally, the proposal seeks to connect better with the private sector and with post-secondary education and training, social services, and economic development systems to prepare the 21st century workforce for career opportunities and skills in high-growth sectors. Many of these reforms are outlined in the President's Fiscal Year 2004 budget.

The Administration's WIA reauthorization proposal addresses five key areas of reform. Those areas are: (1) creating a more effective governance structure; (2) strengthening the One-Stop Career Center System; (3) delivering comprehensive services for adults; (4) creating a targeted approach to serving youth; and (5) improving performance accountability.

#### Creating a More Effective Governance Structure

The Workforce Investment Act's vision for implementing a comprehensive workforce preparation and employment system depended on the creation of an effective WIA governance structure. Under the Act, State and Local Workforce Investment Boards are responsible for overseeing WIA at the state and local levels, while youth councils coordinate local youth programs and initiatives.

The Administration proposes to strengthen the role of the state and local boards by, among other things, streamlining the membership requirements. Under the Administration's proposal, One-Stop partner programs will have a stronger role on the State Board to ensure their investment in, and commitment to, the integrated service delivery system. The State Board will still be chaired and directed by business and will be charged with setting policies and priorities for the One-Stop Career Center system. Such policies include the development of minimum service delivery standards, comprehensive outreach strategies, and economic development strategies. Providing state-level administrators of One-Stop partner programs with more authority over One-Stop Career Centers will result in increased support for and partner usage of the system. It will also create a more global approach to addressing workforce needs in a community.

As for local boards, membership will be streamlined to provide an increased voice for employer representatives, community groups, and worker advocates. Too often in the past these boards have been unwieldy and mired in administrative detail rather than focused on connecting skilled workers with job opportunities. These changes will make the boards more flexible and responsive to local needs. Local boards will focus on strategic planning and policy development activities.

Numerous stakeholders at the WIA reauthorization forums across the country indicated that Youth Councils have not always added value to local system efforts as envisioned under WIA. Because the contribution of Youth Councils has varied across local areas, the reauthorized legislation will eliminate the statutory mandate for local Youth Councils. Under our reauthorization proposal, Youth Councils will no longer be required, but Governors and chief elected officials will be provided the authority to create or continue Youth Councils if they are valuable in their state or local area.

#### Strengthening the One-Stop Career Center System

The cornerstone of WIA's workforce investment vision was the institution of the "One-Stop" delivery system, designed to integrate workforce programs and services under a single, comprehensive, customer-focused workforce investment system. The Act stipulates that the costs of those centers are to be shared by the One-Stop partners programs that are overseen by various federal agencies. In practice, however, stakeholders overwhelmingly indicate that local One-Stop systems are compromised by the lack of stable funding for local One-Stop Career Centers, turf battles among service providers, and the complexities of local cost allocation methodologies.

We believe that WIA reauthorization should create a new way to fund the cost of the One-Stop system. One-Stop infrastructure funding would alleviate a great deal of the

current local negotiation issues around operations and allow local areas to focus on what is most important—meeting the service needs of businesses and workers. The Department of Labor is analyzing current One-Stop operating costs and considering different methods of funding the WIA infrastructure, in consultation with other involved agencies. Our intention is not to increase administrative overhead, but to clarify funding sources to promote improved services to One-Stop customers. This funding would help cover the cost of non-personnel operational items such as rent, general operating expenses, and information technology.

In addition, we want to ensure that all One-Stop Career Centers make a broad array of employment, training and supportive services available to both job seekers and employers. We particularly want to strengthen connections between the One-Stop delivery system and programs such as Adult Education and Temporary Assistance for Needy Families (TANF).

Often One-Stop Career Centers offer employment and training assistance to a universal worker population, but do not offer a broad range of products and services (such as work supports and other supportive services) to low-wage workers. These services could improve with better coordination among programs, including TANF, that target this population. For instance, focusing on access to financial work supports (such as Food Stamps and Medicaid) and retention and advancement services (such as child care and training during nontraditional hours) in a One-Stop setting will address the needs of both employers and members of the country's low-wage workforce. These supports and services will be funded by a variety of One-Stop partners and made available through the One-Stop system.

#### Delivering Comprehensive Services for Adults

The One-Stop delivery system created by WIA currently provides adults and dislocated workers with an array of workforce services and labor market information. However, the current system faces several barriers to preparing a truly competitive labor force capable of meeting the needs of the nation's employers. Two such barriers are, first, separate funding resources and, second, a limited capacity to respond effectively to individual needs.

The Administration's proposal will address the first issue by combining 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 management across three separate "programs." Our proposal builds upon both current law and our recent budget requests, which allow up to 20 percent and 40 percent, respectively, to be transferred between the Adult and Dislocated Worker funding streams by giving complete flexibility within one new comprehensive program.

With respect to the second barrier, WIA reauthorization also should include more flexibility in the delivery of services. This will allow for greater collaboration and integration of programs in the One-Stop setting. Under current law, many states and local areas have sometimes misinterpreted WIA's "sequence of service" strategy (how a participant moves from core to intensive to training services) to require all individuals to spend a specific amount of time in one tier of service before moving onto the next. In some extreme circumstances, this has resulted in individuals being placed in low-paying

jobs without access to the additional services they need in order to succeed in today's competitive economy.

WIA reauthorization should provide greater flexibility in the delivery of core, intensive and training services. Individuals should have the opportunity to obtain the services that are most appropriate for their unique needs. While WIA must retain a strong emphasis on returning unemployed individuals to work as quickly as possible, it must also provide an individual access to a wide array of services that he or she needs to obtain suitable employment, any of which could be core, intensive or training, if necessary.

As you are well aware, the current eligible training provider requirements have often had the unintended effect of reducing customer choice due to the limited number of eligible training providers in a particular local area. Many of them consider the system created under WIA burdensome and have opted out. The Administration's proposal will provide Governors with greater authority to determine what standards, information and data are required for the eligible training providers in their states. This change will result in an improved eligible training provider system and ensure the continuation of such key principles as customer choice and provider accountability, while also making it easier for training providers to participate in the system.

We also propose to improve upon Individual Training Accounts by making them more flexible and responsive to individual needs. In addition, we want to incorporate the Personal Reemployment Account concept featured in the President's growth package by authorizing the use of such accounts as part of WIA. Later in my testimony, I will discuss these accounts further.

#### Creating A Targeted Approach to Serving Youth

Currently, funds for the WIA youth program are spread too thinly across the country due to the statutory formula and lack of strategic focus. Over the past year, we have held numerous discussions with youth practitioners, academics and other experts on how best to focus the Department of Labor's youth dollars. We also worked closely with the Department of Education to ensure our strategies and priorities do not overlap. As a result, the Administration recommends reforming current WIA youth programs by focusing resources on out-of-school youth through a Targeted State Formula grant program and Challenge Grants to cities and rural areas.

The Targeted State Formula program will be used at the local level to serve out-of-school youth. In addition, the Department will award "Challenge Grants" on a competitive basis to cities and local areas, with funds going to programs proven effective at serving out-of-school youth as well as high-quality programs that provide activities in a non-school setting that lead to high academic achievement.

#### Improving Performance Accountability

Finally, we propose to address the concerns many states and local areas have raised about the performance accountability provisions in WIA. The seventeen statutory performance indicators under WIA title I are perceived to be too numerous and overly burdensome.

Through reauthorization, the number of WIA title I indicators will be reduced from 17 to 8 (4 for youth and 4 for adults). As part of the Administration's new initiative that creates common performance measures for employment and job training programs, these indicators will cut across federal job training programs and will have a common set of definitions and data sets. This will help to integrate service delivery through the One-Stop Career Centers at the local level. In addition, Governors will have the authority to add

measures for use within their states as needed to manage their programs and ensure high performance.

#### Supporting Job Growth through Personal Reemployment Accounts

In January, President Bush announced a comprehensive economic growth and jobs package to help the economy grow and create millions of jobs and deliver critical help to unemployed citizens.

One proposal that would immediately help unemployed men and women get back to work is the proposal to establish Personal Reemployment Accounts. The Administration urges quick action on this proposal. These accounts will be worker-managed, contain up to \$3,000, and will be used for the purchase of a variety of reemployment services or as a bonus for obtaining early reemployment. They will empower individuals by giving them more flexibility, personal choice and control over their job search and career. They will be administered through the One-Stop Career Center system established under WIA. Because experience has shown that unemployed workers have a wide range of needs, the Personal Reemployment Accounts will allow each worker to design a custom reemployment services package in accordance with his or her needs. For example, some individuals may determine they need extensive retraining in order to compete for jobs in a high-growth industry, others may only need to complete a short-term computer course in order to return to work quickly; still others may need to purchase child care in order to search for work.

By enabling unemployed workers to obtain the reemployment services they need most, they will likely return to work sooner and in a job for which they are more prepared and better skilled.

#### Implementation of the Accounts—Individual and State Flexibility

The President's budget included one-time special funding of \$3.6 billion in additional resources to states to fund the Personal Reemployment Accounts in FY 2003. It is anticipated that these funds will allow states to serve a total of at least 1.2 million unemployed workers during FYs 2003 and 2004.

The receipt of account funds will not adversely affect an individual's ability to be eligible for and receive Unemployment Insurance benefits. The accounts are targeted at those newly unemployed workers eligible for at least 20 weeks of Unemployment Insurance who have been determined by the States to be likely to exhaust UI benefits before finding a new job. In addition, States will have the option of making accounts available to certain current UI claimants who were previously found likely to exhaust UI or to certain workers who have already exhausted their UI benefits.

Subject to broad State-established safeguards to prevent abuse, account holders will be able to use the funds to purchase intensive reemployment services (such as counseling and case management), training, and supportive services (such as transportation and child care) available either through the One-Stop Career Center system, from other sources outside the One-Stop system, or in combination. This is a flexible way for unemployed workers to obtain access to services and benefits that they need to return to work faster. Another important aspect of the proposed reemployment account is the "Reemployment Bonus." New UI claimants who become reemployed by the thirteenth week for which UI benefits are paid will receive any cash remaining unspent in their account as a Reemployment Bonus. Similarly, the groups added at State option—certain UI claimants who were previously identified as likely to exhaust UI and certain UI exhaustees—that

become reemployed by the thirteenth week of the effective date of the account can also receive the Reemployment Bonus.

The bonus would be paid to the individual in two installments: 60% at employment and 40% after six months of job retention. Individuals who do not find employment within the thirteenth week rule would not be able to “cash out” their account but would continue to be able to purchase intensive reemployment, training and supportive services for up to one year from the effective date of the account.

#### Learning New Lessons through Innovative Service Strategies

At various times from 1984 to 1989, four states (Illinois, New Jersey, Pennsylvania, and Washington) conducted controlled experiments to determine the effectiveness of providing reemployment bonuses to unemployed workers. In these experiments, a random sample of new UI claimants were told they would receive a cash bonus if they became reemployed quickly.

The Department of Labor’s evaluation of the reemployment bonus experiments conducted in the states of Washington, New Jersey, and Pennsylvania showed that a reemployment bonus of \$300 to \$1,000 motivated the recipients to become reemployed, reduced the duration of UI by almost a week, and resulted in new jobs comparable in earnings to those obtained by workers who were not eligible for the bonus and remained unemployed longer. Similarly, a study of an experiment conducted in Illinois found that a reemployment bonus of \$500 reduced the duration of unemployment by more than a week and did not lead to lower earnings at the worker’s next job.

#### Conclusion

Workforce investment is an integral part of economic development, and a better-trained workforce promotes economic growth. I believe the Administration’s proposals for reforms to the Workforce Investment Act and Personal Reemployment Accounts respond effectively to both current economic conditions and future trends. Secretary Chao and I look forward to working with this committee as we move ahead.

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