

Written Testimony

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Subcommittee on Higher Education and Workforce Training

Hearing on

Modernizing the Workforce Investment Act: Developing an Effective Job Training
System for Workers and Employers

Submitted by

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Good morning Chairwoman Foxx and Ranking Member Hinojsa. Thank you for inviting me to testify at today's hearing. My name is Bruce Herman and for the past four years I was the New York State Deputy Commissioner of Labor for Workforce Development. I recently left state service in order to pursue new opportunities and engage more directly in advocacy initiatives that would better address the persistent jobs crisis that is devastating so many of our communities and America's working families. The National Call to Action (NCTA) is one of those initiatives and I am proud to be part of this effort that brings labor, business, community and government together to advocate for a three pronged pathway to economic revitalization focused on retaining, restoring and creating jobs.

With 25 million Americans unemployed or underemployed, Congress must focus its efforts on policies that help create jobs and put people back to work. As we all know, poverty is increasing in our nation and many, many Americans will not fully recover from the economic losses they have suffered through no fault of their own. Workforce development alone can not adequately address the jobs crisis our nation confronts, but it is dangerously naive to believe that the American people will be successful in the global economy without the ability to access their tax dollars to support their just desires to improve their skills and connect with family sustaining jobs. We as a nation continue to under invest in our people and our global competitive challenges reflect this. The question remains – what can be done and what will be done?

It is in this context, that we are here today to talk about job training and the importance of ensuring our nation has the skilled workforce necessary to sustain job growth, contribute to economic recovery, and lead the world in the 21st century economy.

Why Skills Matter

There is little doubt that education and training are critical to enhancing the competitiveness of U.S. businesses in the global economy, and to ensuring that U.S. workers are able to obtain well-paying jobs and careers. A 2010 report from Georgetown University's Center on Education and the Workforce found that about 63 percent of all job openings between 2008 and 2018—nearly 30 million jobs overall—will require at least some form of postsecondary education and training.¹ And the U.S. Bureau of Labor Statistics estimates that nineteen of the thirty fastest-growing occupations during that same timespan will require at least a postsecondary vocational award.² Meeting the growing labor market demand for higher skills and credentials will be impossible without targeted and timely investments that expand access to education and training for workers at all levels.

In particular, many emerging jobs in critical sectors such as health care, clean energy, and advanced manufacturing will be middle-skill jobs, that is, jobs that require significant education and training beyond the high school level, but not a four-year college degree. In their 2007 report *America's Forgotten Middle-Skill Jobs*, economists Harry Holzer and Robert Lerman found that these occupations make up about half of all jobs in today's labor market, and will continue to be the single largest segment of the labor market well into the future.³ While federal policy can and should support increasing U.S. attainment of baccalaureate and advanced degrees, it must also support strategies that enable workers to earn associate's degrees, occupational certificates, and other industry-recognized credentials that prepare them for well-paying middle-skill jobs.

While the imperative to increase job skills and credential attainment impacts all workers and businesses, the recent economic crisis has demonstrated that lower-skilled workers face greater obstacles entering and remaining in the labor market than average workers. For example, in December 2010 workers with less than a high school diploma experienced a national unemployment rate of 15.3 percent, more than triple the rate for individuals with a bachelor's degree or higher (4.8 percent), and nearly double the rate for workers with at least some postsecondary education, including those with associate's degrees (8.1 percent).⁴ Younger workers entering the labor market—who often have relatively little formal education beyond the secondary level—also faced significant challenges during the economic downturn. Nearly a quarter of jobseekers between the ages of 16-19 were out of work in December 2010.⁵

Even workers with substantial work experience can be impacted by skills deficits. Two-thirds of workers participating in the federally-funded Trade Adjustment Assistance (TAA) program—which provides training and other benefits to workers dislocated due to foreign trade—lack any postsecondary education credentials, with a quarter lacking even a high school diploma.⁶ A recent report from the Department of Labor indicates that

¹ <http://www9.georgetown.edu/grad/gppi/hpi/cew/pdfs/FullReport.pdf>.

² <http://www.bls.gov/news.release/ecopro.t07.htm>.

³ http://www.nationalskillscoalition.org/assets/reports-/americasforgottenmiddleskilljobs_2007-11.pdf.

⁴ <http://www.bls.gov/web/empsit/cpseea5.pdf>.

⁵ <http://www.bls.gov/web/empsit/cpseea13.pdf>.

⁶ <http://www.doleta.gov/tradeact/docs/AnnualReport10.pdf>.

workers in the top twenty declining occupations often have significant literacy issues, with 54 percent scoring “basic” or “below basic” in prose literacy, and 62 percent scoring basic or below in quantitative literacy.⁷ As more jobs in sectors such as manufacturing and construction experience significant permanent jobs losses (as opposed to temporary layoffs), these workers need access to a range of education and training options, including adult basic and remedial education, in order to transition to jobs and careers in new industries. The rise in long-term unemployment—42.9 percent of all unemployed workers in September 2011 had been out of work for 27 weeks or longer⁸—means that many returning jobseekers will need to upgrade their skills just to keep up with advances in business processes and technology even within their old sectors.

Responding to the Jobs Crisis

The challenges in putting people back to work in the current economy are enormous. Demand for services is skyrocketing—last year more than 9 million individuals received training and other employment services programs funded under Title I of the Workforce Investment Act (WIA), a 248 percent increase in participation in just two years—while federal funding is being slashed. Yet by capitalizing on the flexibility that already exists in the system, some states and local communities have been able to implement strategies that are making a difference.

For example, in New York State, as we were hemorrhaging jobs during the height of the recent recession, we capitalized on the flexibility that currently exists under WIA to focus on layoff aversion strategies, an allowable activity under the WIA Rapid Response program that, where practiced well, has saved good family sustaining jobs at a fraction of the cost of trying to attract new jobs to replace those that are lost. In early 2010 we launched the “Assist, Stabilize, Secure, Empower, Turnaround” (ASSET) program. This pilot effort produced good results, since its inception in early 2010; NY ASSET has assisted more than 82 businesses, benefitting roughly 4,456 employees through our network of partners. The NY ASSET turnaround team has provided assistance to 22 businesses, helping 1,281 employees in those businesses. We have found that the cost per employee to be approximately \$138. Importantly, we learned from what other states had already done—like Pennsylvania’s Strategic Early Warning Network (SEWN), one of the country’s most developed and successful layoff aversion programs—and were able to share our experience with other states, like Texas, so they could adapt our program to meet their needs. This would have been much easier, though, if layoff aversion were made mandatory under WIA and a system of robust technical assistance were created to build and expand best practice.

In New York State we also invested heavily in on-the-job training (OJT), an allowable activity under WIA. OJT services may be funded using local formula dollars under the WIA Adult and Dislocated Worker funding streams, and must be provided through contracts between local workforce investment boards (WIBs) and employers in the

⁷http://wdr.doleta.gov/research/FullText_Documents/Workers_in_Declining_Industries_Literacys_Role_in_Worker_Transitions.pdf.

⁸<http://www.bls.gov/news.release/pdf/empsit.pdf>

public, private non-profit, or private sector. As part of an OJT agreement, employers must agree to hire or employ eligible individuals, provide them with skills training over a specific period of time, and pay wages at the same rate as similarly situated employees of the employer. In exchange, employers are eligible to receive a subsidy of the OJT employee's wages to cover the extraordinary costs of training. OJT activities may not lead to the full or partial displacement (including reduced hours or wages) of a currently employed individual, and cannot be provided if any other individual is on layoff from the same or substantially equivalent job. OJT activities may not impair an existing contract for services or a collective bargaining agreement, and any activities that would be inconsistent with the terms of a collective bargaining agreement must be approved in writing by the employer and the labor organization.

OJT provides significant advantages for both businesses and workers. Employers are able to minimize the upfront costs of training and supervision for new employees, ensure that training is aligned with actual skill requirements of the job, and realize immediate gains in productivity as workers learn on the job. Employees participating in OJT benefit because they are receiving a paycheck while acquiring the skills to perform effectively on the job and advance their careers beyond the lifespan of the training program. And evidence indicates that OJT can have a lasting impact: in PY 2007, more than 86 percent of individuals participating in WIA Adult and Dislocated Worker-funded OJT programs were still on the job twelve months after exiting the program.⁹

Another strategy we adopted in New York State was to develop a robust reemployment program that is focused on improving alignment and connectivity between WIA, the Wagner-Peyser Employment Services, and the Unemployment Insurance (UI) program. Key components of this reemployment effort are:

- Front end skills based assessments
- Not just state inter-agency collaboration but strong Local Workforce Investment Board engagement (bias against UI recipients can be firmly planted in WIA world)
- Rapid Response and Trade Adjustment Assistance are key feeders
- Regional One Stop Business Services Teams to better connect w/employers
- Develop common case management system across all agencies with workforce development and employment programs.

Because New York State requires UI recipients to report to One-Stop career centers, has had a state funded reemployment effort underway since 1998 and has pursued federal support to expand our reemployment program, we served nearly 28 percent of the nation's participants in WIA Title 1B in 2009 (305,924 dislocated workers) and still met our employment goals. I would stress that we were able to do this under current law by capitalizing on existing flexibility in the system. For us, these efforts were always a question of alignment, not consolidation.

⁹ http://www.doleta.gov/performance/results/pdf/PY2007_WIASRD_Data_Book.pdf (see p. 92 for Adult retention rates, p. 176 for DW retention rates)

Another important, proven program that we adopted in New York is Work Share/Shared Work. An alternative to full time layoff and the subsequent economic devastation far too many Americans have experienced, Work Share is a truly win- win-win proposition. Employers value greatly an alternative to fulltime layoff knowing full well that finding new, skilled employees is a very costly undertaking. Workers can manage a partial loss of income much more effectively than the economic train wreck of complete job loss. And results show that UI dollars are saved because of Work Share. NYS's Shared Work program saved tens of thousands of jobs in the teeth of the worst economic crisis in our lifetime. At the peak of the crisis over 50,000 New Yorkers and 3,000 New York businesses accessed Shared Work for needed flexibility in dealing with economic distress. And while Work Share is primarily a UI program, because we align our UI and WIA programs in New York, we assure that workers participating in Work Share who could benefit from training are referred to the appropriate education and training services.

Local communities in New York State have also developed a number of innovative sectoral programs to better engage employers, and ensure that job training is connected to real jobs.

- In 2007, the New York State Department of Labor launched its 13N Transformational Sectors Strategies initiative, a program to help local Workforce Investment Boards (WIBs) create and support regional sectoral initiatives throughout the state. By focusing on the workforce and education needs of industry sectors, these grants are helping to develop pipelines of workers with the middle-skill credentials needed to drive regional growth and competitiveness. For example, the Western New York Regional WIBs are using these grants to expand the growth of high-wage jobs in the advanced manufacturing and life sciences industries in the region, combining education, workforce and economic development strategies to create an educational pipeline to ensure these businesses have the skilled workforce they need to expand and compete. By creating demand-driven training on a regionalized but statewide basis, this innovative model is one example of how New York is taking initial steps toward creating more demand-driven education and training opportunities for its workers.
- The Finger Lakes Advanced Manufacturers' Enterprise, or FAME, is an initiative of the Finger Lakes Workforce Investment Board and a collaborative public/private partnership of regional stakeholders working to attract and grow the workforce talent in advanced manufacturing in the Finger Lakes region. Through the Finger Lakes Community College, this unique, high-tech, hands-on degree program offers students an opportunity to learn the tools and techniques of emerging technologies which are crucial for designing, testing, manufacturing and quality control in industrial, commercial, medical and other settings.¹⁰

¹⁰ For more information about the Finger Lakes Advanced Manufacturer's Enterprise, visit <http://www.nyfame.org/about.asp>.

- For New York City residents interested in health care and seeking career advancement opportunities as a pathway out of poverty, NYC's Workforce1 Healthcare Career Center at La Guardia Community College offers training for individuals in several high-wage, high-growth health care occupations. Providing a full range of training and job placement services to new jobseekers and incumbent workers, the Center is part of a sector-focused approach to career training that leads to higher wages for workers and better outcomes for businesses.
- Serving the Brooklyn community, Opportunities for a Better Tomorrow helps disadvantaged older youth and young adults advance towards self-sufficiency and financial security through job training, academic reinforcement, improved life skills, job placement, and support services. OBT's youth training model is an intensive 20-week program that includes GED classes (if needed), business math, business English, office procedures, computer classes, public speaking and communications, and a world-of-work module. With an overall job placement rate of 85 percent annually, OBT has helped over 5,000 young people and 2,500 adults improve their lives and the lives of their families since its founding in 1983.
- The New York City Department of Small Business Services partnered with the New York City Workforce Funders, a coalition of foundations that invest in local workforce development activities, on the New York City Sector Initiative (NYCSI), a multi-million dollar initiative that supported the development of career-track training and job placements for several hundred New Yorkers in a range of health care and biotechnology job titles. As public funding for job training and employment services continues to fall, new models for investment will be necessary to support services at a level commensurate with demand.

For all of these initiatives we drew on WIA resources and infrastructure, capitalizing on existing flexibility in the system to develop innovative solutions to extremely difficult problems. And while WIA provided an important foundation for this work, too often we ran into obstacles under the law that we had to find ways around. There is no question there is room for improvement in the system, but in many ways we already know what is working on the ground. The challenge now is for federal policy to catch up with best practices in the field.

WIA Reauthorization

I am extremely pleased by the committee's efforts to reauthorize WIA, the core of our nation's federal workforce development system. In 1998, Congress established WIA as a framework for the nation's workforce development system. The law replaced multiple existing training programs with state formula grants, and created a nationwide network of locally administered "one-stop career centers" where both workers and employers could access training, employment, and support programs administered through the U.S. Department of Labor (DOL) and other agencies, such as the U.S. Departments of Education and Health and Human Services. Due to be reauthorized nearly a decade ago,

WIA has failed to keep pace with changing economic conditions. The law's original emphasis on short-term training and rapid re-employment is increasingly inconsistent with growing demands for longer-term training aligned to high-growth and emerging industries.

Failure to reauthorize this program will continue to leave federal job training programs vulnerable to funding cuts. Formula funding for WIA has declined by more than 30 percent since 2001, losing more than \$300 million in formula funding in FY 2011 alone. Such cuts will not only lead to disruptions in services—including the likely closure one-stop centers and training programs in communities across the country— and will impact the ability of our nation's employers to find the skilled workers they need to fill immediate job openings and plan for future growth.

I know that some members of Congress have expressed concern about the effectiveness and efficiency of the current workforce development system, and I feel strongly that the best way to begin addressing these concerns is through the reauthorization process.

An effective workforce development system should do three things: 1) engage employers through sector partnerships to better ensure that training is connected to real jobs and that limited investments are effectively targeted in local and regional economies; 2) create career pathways to ensure training is readily available and easily accessible so that a diversity of workers can enter, persist, and succeed; and 3) hold the system accountable for credential attainment to ensure that limited federal investments result in the attainment of industry-recognized credentials, vocational certificates, or degrees that have value in the labor market.

Toward this end, I would make a number of specific recommendations for WIA reauthorization.

Specific Recommendations

Title I – Workforce Systems for Adults, Dislocated Workers, and Youth

Increase the Number of Individuals Receiving Training

As Congress considers reauthorizing WIA Title I, policymakers should ensure that the program is supporting high quality education, training, and related services that provide a diversity of jobseekers with the necessary skills to obtain, retain, and advance in well-paying occupations and careers.

Significantly strengthen focus on attainment of postsecondary degrees, certificates, and other industry-recognized credentials under WIA Title I. Establishing meaningful goals and performance measures for credential attainment would enable policymakers to determine how successful the public workforce system is in meeting the skill requirements of jobseekers and employers on a national, regional, and local basis, while allowing state and local workforce agencies to emphasize the kinds of longer-term training that leads to well-paying jobs and careers for participants, rather than focusing on

rapid labor market attachment encouraged under current performance measures. Specifically, Congress and DOL should:

- Require that credential attainment be a core performance indicator under Title I;
- Set numeric goals for state and local Workforce Investment Boards (WIBs) to increase training and credential attainment, consistent with DOL's Employment and Training Administration's goal of increasing the number of individuals earning degrees, certificates, and other industry-recognized credentials by 10 percent by 2012;
- Require states to include the list of credentials offered by Eligible Training Providers (ETP) on state ETP lists;
- Incentivize collaboration between WIBs and education and training providers to develop and implement innovative training programs that increase credential attainment for low-skilled adults, including integrated education and training programs that combine adult education and occupational skills instruction; and
- Recognize and promote local or regional credentials developed through sector partnerships or other employer consortia within a specific industry or geographic area, and delivered by a qualified training provider.

Support career pathways under WIA Title I. A number of states have begun to implement career pathways strategies which align adult education, job training, and higher education programs to allow participants to obtain progressive educational or occupational credentials even as they continue to work,¹¹ but their efforts could be strengthened by:

- Requiring states and local areas to set and meet goals for co-enrollment of participants in WIA Title I and Title II programs, and require that co-enrollment percentages increase over time;
- Establishing performance measures for Title I that reward states and local areas for interim outcomes along career pathways, such as GED attainment or completion of postsecondary courses leading to an industry-recognized degree, certificate, or other credentials;
- Clarifying how WIA Title I funds may be used in conjunction with Pell Grants, and ensure that local workforce staff are trained to assist participants in accessing the full range of student assistance they need to succeed in training; and
- Providing states and local areas with flexibility to merge Title I and Title II funds as necessary to support integrated education and training programs and other innovative strategies that provide services through multiple education and training programs.

¹¹ See, for example, the Joyce Foundation's Shifting Gears Initiative, which was launched in six Midwestern states in 2006. <http://www.shifting-gears.org/>.

Congress should also eliminate the current sequence of service requirements; increase overall formula funding for WIA programs to at least the level of combined spending under the American Recovery and Reinvestment Act and regular Fiscal Year (FY) 2009 appropriations bills to ensure that local WIBs and one-stops have the necessary resources to respond to heightened demand for services; create and fully fund a separate line item under DOL's budget to support one-stop administrative and infrastructure costs while requiring that a minimum percentage of WIA formula funds be used to directly support job training; and retain the Recovery Act provision that allows local WIBs to contract for training services for multiple participants where such practices do not limit consumer choice.

Invest in Sector Partnerships to Effectively Target Scarce Training Resources

Sector partnerships are industry-led collaboratives between key stakeholders connected to a local or regional industry that optimize investments by carefully targeting training to local and regional employer skill needs. Recent research demonstrates that well-designed sector programs can have significant positive outcomes for low-income workers, including earnings gains, steadier employment, and increased access to health care and other benefits.¹² In 2010, the House of Representatives passed legislation—the SECTORS Act (HR 1855)—that would have established designated capacity and funding to support sector partnerships under WIA;¹³ Congress should incorporate the language from this bill as part of a broader WIA reauthorization effort.

Maintain and Improve the Public Workforce Infrastructure

The public workforce system coordinates a range of federally-funded training programs and services that address the distinct and specific needs of different worker populations and industries. The state-administered Employment Service¹⁴ provides critical job search, labor-market information, and other core services, while locally-administered WIA Title I programs provide assessment, training and supportive services, and employment services to both jobseekers and employers. Prior reauthorization efforts have been stalled, in part, by attempts to merge WIA and the Employment Service, or to eliminate the Employment Service altogether. The resulting confusion, rather than achieving new efficiencies, would likely lead to further friction in the distribution of training funds, unemployment insurance, or sound labor market information to workers in need. Congress should reject any such efforts in the future and focus its efforts on increasing effective coordination between the two systems while also ensuring adequate funding for each program.

Title II – Adult Education and Family Literacy Act

Increase Investments in Adult Basic Education

Adult education programs are severely underfunded and are simply unable to provide the services and supports low-skilled individuals need. The Adult Education and Family

¹² http://www.ppv.org/ppv/publications/assets/325_publication.pdf.

¹³ HR 1855; see <http://www.nationalskillscoalition.org/federal-policies/sector-partnerships/> for additional information about the SECTORS Act and sector partnerships.

¹⁴ Authorized under the Wagner-Peyser Act (WIA Title III).

Literacy Act (AEFLA) state grants have declined by more than 17 percent in inflation-adjusted terms between FY 2002-2009.¹⁵ Fewer than 3 million low-skilled individuals are served by federally-funded adult basic education programs each year,¹⁶ and those who do manage to get served see an average investment of just \$645 per student annually.¹⁷ Congress should significantly increase funding for state adult basic education formula grants; maintain current state maintenance of effort (MOE) requirements; and consider additional funding for competitive grants to states and localities to support innovative service delivery strategies and systems alignment.

Focus on Career and Postsecondary Success

Under current law, federal adult education funds can be used to support a wide range of activities, such as family literacy programs, that are not directly related to enhancing participants' employment or educational prospects. Congress should set increasing career and postsecondary success for low-skilled individuals as the primary purpose of AEFLA, and limited federal resources should be devoted exclusively to helping those individuals who are pursuing adult education and literacy services as a means to succeed in the workplace or in postsecondary education and job training. State, local, or other funding sources should continue to be available to meet other literacy and adult education needs. Congress should modify the current performance accountability system to require that workforce outcomes be reported for all Title II participants, which would reduce current incentives for Title II providers to avoid discussing employment goals with participants at intake to reduce post-completion data collection. Congress should include measures of postsecondary success beyond enrollment—including attainment of industry-recognized credentials or completion of college-level coursework—to ensure that adult education programs are adequately preparing individuals to succeed in postsecondary training and education programs.

Prepare More Workers for the 21st-Century Economy

Between Program Year (PY) 2004 - 2007, the percentage of adults who exited WIA Title I who were also co-enrolled in adult basic education programs declined from about 0.7 percent to 0.2 percent.¹⁸ This suggests that many individuals seeking adult education services to enhance their career prospects are not taking advantage of the range of employment and supportive services—including child care and transportation assistance—that are available under Title I, and are enrolling in programs that may not be adequately aligned with entrance requirements for occupational training and postsecondary educational programs. Congress should explicitly permit activities offered under Title II to be provided before, or in combination with, work or postsecondary education and training activities. In particular, Congress should consider removing current restrictions on the use of Title II dollars to support occupational training if offered as part of an integrated education and training program or similar service delivery model.

¹⁵ Calculations by National Skills Coalition based on Department of Education data.

¹⁶ <http://www.nationalcommissiononadultliteracy.org/ReachHigherAmerica/ReachHigher.pdf>, pg. v.

¹⁷ <http://www.nationalcommissiononadultliteracy.org/content/strawnbriefrev101807.pdf.pdf>, pg. ii.

¹⁸ http://www.doleta.gov/performance/results/pdf/PY_2008_WIASRD_Data_Book_FINAL_1192010.pdf.

Congress should address “creaming” issues related to conflicting performance requirements by allowing programs offering services to dual-enrolled individuals to track a single set of performance outcomes for such participants, and should require states and local areas to set and meet annual co-enrollment goals between Title I and Title II.

Congress should also consider providing grants to states to support program alignment efforts across state and local agencies, and authorizing state and local grants to support the development of innovative service delivery strategies leading to industry-recognized credentials along well-defined career pathways within key industries. Congress should consider separate performance measures for these programs, rather than holding them accountable for the current adult education performance measures, and conduct an evaluation of the impact of integrated programs on the rate at which students attain career and postsecondary success.

WIA reauthorization is long overdue; it is an important tool to help address the economic challenges that surround us. Our nation is tethered to the global economy, which we have embraced, but not adequately understood or addressed in terms of its impact on America’s working families. We must recognize that globalization impacts us all and impacts a large number of Americans in very negative ways. The time is long overdue to recognize this reality and move toward a system of Globalization Adjustment Assistance for All. It is the right thing to do with a piece of our tax dollars.