

AGENCIES' RESPONSES TO DRAFT REPORT

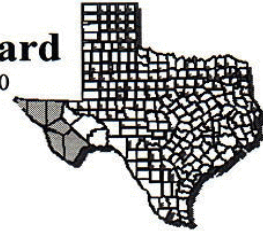
Upper Rio Grande Workforce Development Board's Response

Texas Workforce Commission's Response

Employment and Training Administration's Response

Upper Rio Grande Workforce Development Board

221 N. Kansas, Suite 1000 · El Paso, TX 79901 · (915) 772-2002 · Fax (915) 351-2790
BREWSTER · CULBERSON · EL PASO · HUDSPETH · JEFF DAVIS · PRESIDIO
www.urgwdb.org



September 19, 2001

John F. Riggs
Regional Inspector General for Audit
525 Griffin St., Room 415
Dallas, TX 75202

SUBJECT: Audit of Department of Labor Grants to Assist Trade-Affected
Dislocated Workers in El Paso, Texas
Draft Audit Report No. 06-01-005-03-340

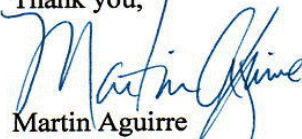
Dear Mr. Riggs:

This serves to provide responses to the draft report submitted by your office for the above-mentioned audit. The scope of the audit encompasses multiple program years beginning as early as March of 1997 to include various funding and administrative entities. The Upper Rio Grande Workforce Development Board became the administrative entity for the PREP grant in March of 1999. The PREP start up grant was awarded in April of 1998 by the State, with the DOL grant taking effect on July 1, 1998. A chart of the program timelines is included in the response.

The report is a comprehensive study of a group of participants served under various federal, state, and local regulations. The PREP grant was administered under the rules and regulations of the Job Training Partnership Act (JTPA). We take exception to your office's interpretation of TEIN 5-93 as it relates to the finding "The WDB's reported entered employment rate for PREP enrollees was significantly overstated." Excerpts of the regulation supporting this statement are included in our reply under Item 1C.

We appreciate the opportunity to comment on the report and describe the actuality of implementing the PREP grant under the local social and economic conditions. If you have questions regarding this issue, please call me at (915) 772-2002 Ext. 264.

Thank you,


Martin Aguirre
Chief Executive Officer

MA/pag

Enclosure

*The Upper Rio Grande Workforce Development Board is an Equal Opportunity Employer/Program
Auxiliary aids available upon request to individuals with disabilities
Relay Texas: Telecommunication Device for the Deaf (TDD) 800/735-2989 * 800/735-2988 (Voice)
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Chapter 1. Program Performance Issues

1. Approximately 106 million in costs were incurred on behalf of 4275 Dislocated Workers in El Paso, TX, without substantial wage gains as a result of this investment.

- The PREP grant in the amount of \$45 million served a total enrollment of 4370, at an average cost per participant of \$10,297.48.
- The sample size selected for this report was 231 or 5.2% of the total served.
- 3,850 have been terminated and of these 3,099 have entered employment at a rate of 80.49%.
- The current average entry level wage is at \$6.86 or 96% of their wage at layoff (\$7.13).
- Without a control group to compare the results of this program, it is difficult to assess the consequences if additional funding had not been provided to assist these dislocated workers.
- Demographics of the population served with the additional funding is not reflected in the report. The majority of the participants were hard-to-serve, hard-to-place participants. On average the population served with PREP dollars were 40-55 year old garment workers with a third grade education level, primarily monolingual, unable to read or write in English and with extremely limited English speaking ability.

A. Enrollees' placement wage rates were not substantial based on the level of expenditures incurred to improve their educational and occupational skills.

- Between 1994 and 1998 El Paso experienced over 72 trade certified closings. This trend has continued throughout 1999 to 2001 and has affected thousands of workers.
- Although most of the country experienced very low unemployment rates, El Paso never dipped below 7.03%. The unemployment rate for the state of Texas is 4.39%.
- These workers had arrived at an average layoff wage of \$7.13 only after several years of working in the same industry. \$7.13 is not an entry level wage average.
- The \$6.77 average placement wage is an entry level wage, which is 94.9% replacement of their layoff wage.
- The average entry level wage for the City of El Paso is \$6.13.
- Considering the participants' ages, educational levels, and local opportunities, a replacement wage of 94.9% at entry is an above average outcome.

B. Average quarterly earnings were \$3,024.

- Vocational training achievements if limited, were due to the characteristics of the individuals being served.
- Participants who entered the program with higher language and basic skills were able to enroll in vocational programs and take advantage of training opportunities that were shorter term.
- As Appendix A, Table 1 (OIG report) demonstrates, participants who remained in training for a longer period of time, entered employment at a lower entry level wage. This is due to an increased need for basic skills.

- Once again the participant characteristics play a major role in this analysis. Of the overall PREP group over 59% (2601) had limited English skills, and 68% did not have a High School Diploma or GED.
- Of the OIG PREP sample group 72% had less than a 12th grade education, and almost half of this group (47%) had a 6th grade education or less.
- The city of El Paso's unemployment rate has been one of the highest in the state and in the nation. For most of the past ten years, the unemployment rate in El Paso has been in double digits. The unemployment rate continues to be one of the highest in the state.

C. The WDB's reported entered employment (placement) rate for PREP enrollees was significantly overstated.

- The Upper Rio Grande Workforce Development Board takes exception to this statement. Of the current 3,859 terminated participants, 3,099 entered employment (80.49%). These placements are verifiable by wage data reported by employers to the State Unemployment Insurance Agency.
- This statement is based on ETA's Training and Employment Information Notice (TEIN) No. 5-93 Change 2. The 90 termination requirement is "after last receiving planned training, employment or services. To keep a participant actively enrolled in the program, the individual should be receiving frequent and substantial services."
- TEIN No. 5-93 Change 2, further states: "Effective Program Year 1996, programs may continue to provide program services to a participant and are not required to terminate the participant as long as these services are substantial and frequent."
- The definition of substantial services is defined in the JTPA section 314(c) and (d), and includes "basic readjustment services, job search, job counseling, labor market information and other activities". Frequent is defined as occurring at least every 90 days.
- Most PREP participants required continued services, upon completion of training. Some required additional basic readjustment skills and/or extended job search. These activities are allowed under the JTPA and TEIN 5-93 Chg 2.

2. Participants Were Enrolled predominantly in English as a Second Language (ESL) and General Equivalency Diploma (GED) Training –Including the Same Training type with multiple training vendors—for long periods of time, some at high costs.

- Displaced workers were affected by the massive layoffs that occurred in El Paso garment industry. As recently as the early 1980's, the garment industry employed an estimated 40,000 workers. Most of the skills required for those jobs did not require English proficiency.
- 39% of the PREP grant was allocated for training.

A. Most of the participants' training was some variation of basic skills—ESL/GED/Adult Basic Education (ABE)/Basic Skills (BS).

- As stated in the original PREP grant summary, "The demographics of the population is largely female between the ages of 35 to 45 with 10 to 15 years in the garment industry and

though some may have their GED or high school diplomas, most have a second to third grade education. Additionally, most have only limited English speaking ability.

- The program was designed to provide training and educational opportunities on a linear basis.
- For the first two years of this program, basic skills and literacy was the primary focus. Therefore, average cost per participant was expected to be higher during the first two years. During year three, the emphasis was on placing participants and finding jobs.

B. PREP enrollees' training, income support, and supportive services costs covered a broad range. Some enrollees had few costs while a few had costs over \$60,000.

- At the start of the program, there were five bilingual instructional courses available in the community. However, the instructional courses associated with the programs such as basic attendant and childcare worker did not provide adequate instruction for students to enter employment upon completion. In response to the need for bilingual instructional programs that integrated English as a Second Language, vocational training, and employability skills to include Spanish literacy, the Board developed a Request for Proposal for the development of Bilingual Training Programs.
- As a result of the above the communities' capacity increased from zero to 25 training providers.
- Any other group of the same size of the population affected in this group would have received that same level of benefits in any other part of the Country. Over \$57 million of the funds spent in this group was based on their eligibility as part of their UI, NAFTA-TRADE benefits.
- Average training costs for over 77% of the participants in this sample were at \$ 8,000 or less. The average training cost for TRADE affected participants is \$ 7,500. Approximately 12% of the sample selected exceeded an average training cost of \$ 10,000.

C. Some of the participant's training was expensive.

- The cost associated with the development of the integrated training programs included start up costs to include recruitment and hiring of instructors, development of curriculum, renting of space, the procurement of instructor and participant manuals, training of instructors, etc.
- The grant requirement to serve such a large group required the utilization of many, many training providers. In order to support the participant's requirements for training, a wide range of vendors was required. The Board could not at that time regulate training costs for providers.

3. Evidence suggests that needs related payments delayed some enrollee's return to work.

Upper Rio Grande Workforce Development Board
Resonse to Draft Audit Report No. 06-01-005-03-340

- This was also recognized by the Board, in early 2000 when a request for a grant modification to cease NRPs was submitted to DOL.
- The request was approved and implemented effective July 1, 2000.
- The impact created a higher entered employment wage, but also a demand for further career enhancement training for those who could not obtain a high wage/high tech job.

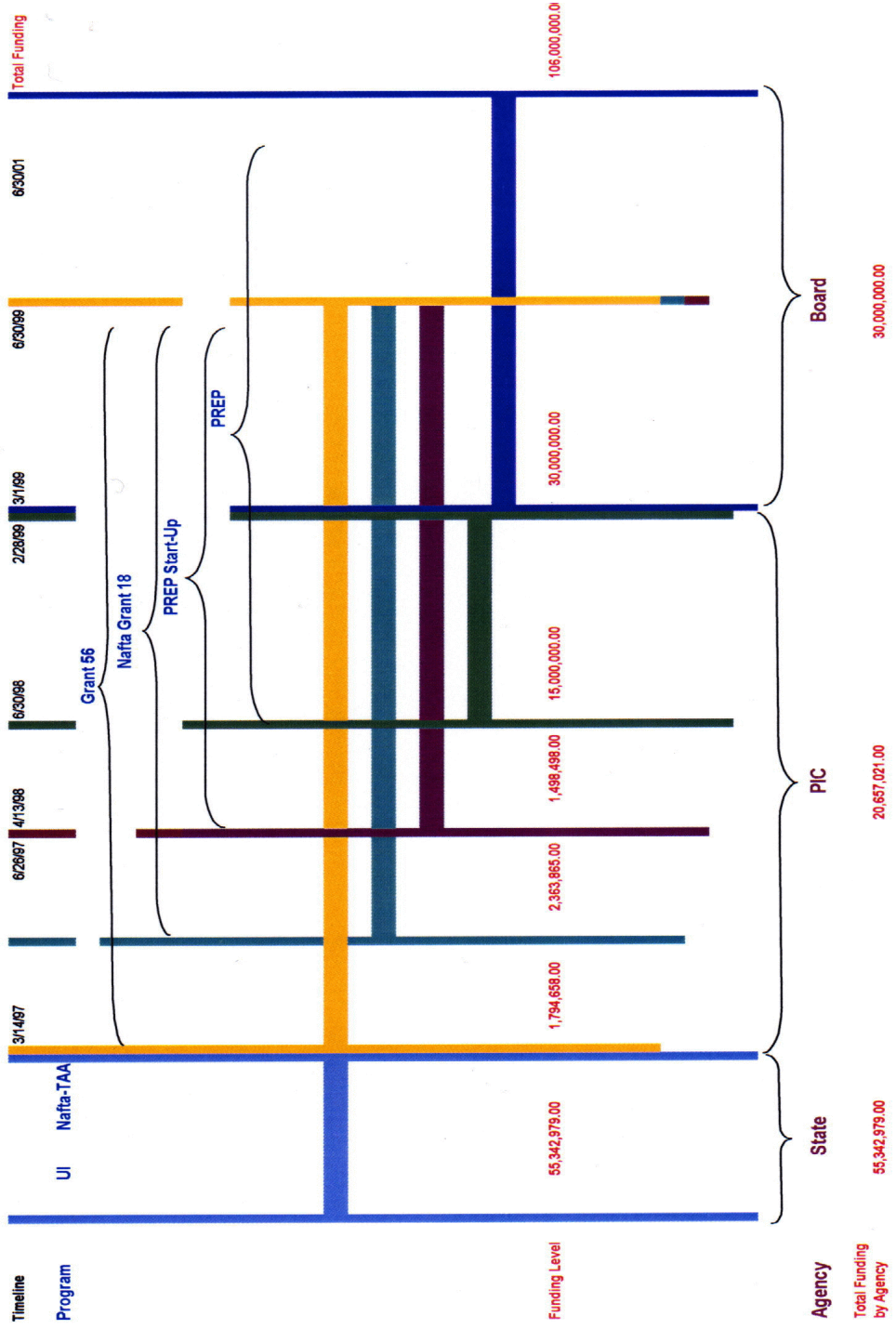
In conclusion, the PREP grant had many opportunities for success and many more barriers leading to failure. Based on the demographics of the population being served, the economic conditions of the community, and the continued drain of jobs in the area, the overall goal of 75% employment entry is remarkable.

When all is said and done, the PREP project will conclude with critical lessons learned, a minimum of 75% entered employment rate, an average entry wage of \$6.86 (which is 96% of the \$7.11 goal established by the DOL) and an average cost per participant of \$10,297.48.

The Board will utilize the report's findings to enhance future programs of this nature.

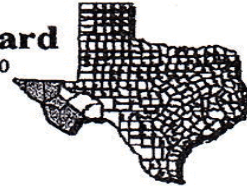
A timeline of the program and success stories are attached.

Upper Rio Grande PREP Project



Upper Rio Grande Workforce Development Board

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September 21, 2001

Mr. John F. Riggs
Regional Inspector General for Audit
525 Griffin St., Room 415
Dallas, TX 75202

SUBJECT: Audit of Department of Labor Grants to Assist Trade-Affected
Dislocated Workers in El Paso, Texas
Draft Audit Report No. 06-01-005-03-340

Dear Mr. Riggs:

With regard to the above-mentioned subject, please find attached the "Success Stories" which were to be included with the original packet I mailed to your attention yesterday.

Upon the filing of my copy of the packet, I noted that the "Success Stories" were not attached to my copy of the packet. Therefore, I am faxing to you a copy of these stories in case they were omitted from your copy as well.

I apologize for any inconvenience I may have caused you.

Respectfully,

Dawn Breazeale
Administrative Assistant
Ext. 274

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SUCCESS STORIES

1

Ms. had been employed at Levi Strauss as a sewing machine operator for over 25 years. Many garment industry workers present different challenges to any career specialist, and there has to be an understanding that many of these people performed the same repetitive job day after day for many years, without advancing or learning other skills within the company. Her files reflect that the layoff affected her tremendously and case managers indicated that she struggled with her self confidence, attitude, and expressed many times her fear of having to enter the job market, especially knowing that she would have to enter a completely new career than the one she had for the past 25 years. Additional burdens were placed on most displaced workers, from having to learn new careers, but more importantly facing the reality that their jobs were no longer in existence and many had limited savings to carry them through for long periods of time. Making basic payments for house and car became insurmountable odds. In many cases the Career Specialist became not just job developers but counselors who encouraged people like Ms. to take one day at a time and continuously provided encouragement.

Although Ms. was literate in English, she possessed other characteristics that presented certain challenges. She, like most former Levi's employees was a single parent, in her mid 40's with limited job skills since she remained at the same job with Levi's and never learned another career field.

With no prior experience in computers, Ms. began her first venture into a new career by attending computer literacy classes at Computer Labs. During this time she kept in constant contact with her Career Specialist who encouraged her to continue her studies knowing that she experienced many days of frustration where she felt she was not learning fast enough and would never be able to successfully complete her courses. She entered the PREP program in July 98 and received Basic Readjustment Services. She was enrolled at International Business College to receive General Clerical Training and completed 645 hours at a cost of \$2,100. In addition she received Occupational Vocational Training at Baker Darling Training Institute from August 99 through October 99 for a total of 112 hours, at a cost of \$700. Her total Needs Related Payments were \$1,460.00

As her knowledge increased, she began to receive help and encouragement from her friends and fellow students. She moved on to a new goal by completing the Computerized Information Specialist training at International Business College. Ms. was able to graduate with a 3.84 Grade Point Average, and applied and was hired at Echostar a local Call Center with an entry wage of \$7.52 per hour.

#2

When Mr. _____ first came into the Texas Workforce Centers of El Paso, he had been laid off from his job as a Maintenance Mechanic at Levi's Strauss. He entered the PREP program in July 98 to receive Basic Readjustment Services. Mr. _____ was discouraged at the average wage of entry for the Maintenance Mechanic and was encouraged by the Career Center Case Manager to enter into another career. He was enrolled at El Paso Community College in May 99 and received classroom training to become a Respiratory Care Technician. The training was approximately nine months long. His total tuition cost at the college was \$1,976. During his classroom training he received Supportive Services totaling \$582 and also received Needs Related Payments of \$280 per week from January 2000 through May 2000.

Mr. _____ was a very dedicated student and completed the program in May 2000 receiving his Associates Degree from El Paso Community College.

He was able to secure employment with a local hospital Sierra Medical Center as a Respiratory Care Therapist at a starting salary of \$15.00 per hour. Mr. _____ was one of the eligible PREP participants and received \$500 in Incentive Payments for remaining employed at Sierra Medical Center. He has changed his life dramatically and is now a productive member of the Upper Rio Grande workforce.

#3

During the holiday month of December 1998, Southwest Fashions garment factory sent out memos informing its employees that it would be shutting down its El Paso plant. Mr. _____ was one of the employees that received that notice, he enrolled in the PREP/Trade program.

Realizing Mr. _____ English speaking abilities were limited and that most employers desired a basic knowledge or higher of English speaking. He attended Basic Skills and General Educational Development (GED) Classes at Computer Labs and obtained his GED certificate. He enrolled at the Center Employment and Training for Truck Driver training and received a Commercial Driver License. He began the training in January 24, 2000 and completed the training on June 29, 2000. His total tuition cost is \$1,976.08. During the training he received Supportive Services of \$582.98 and also received Incentive Payment of \$500.

He was able to secure employment with Gamboa Trucking as a Truck Driver; his starting salary was \$13.00 per hour. Mr. _____ will be eligible for a \$300 to \$500 pay increase upon his completion of certain number of miles.

#4

Ms. _____ an El Paso native, always had a strong interest and aptitude in the Human Resources field. Her ultimate goal was to obtain an undergraduate degree in her field of interest and eventually become a Human Resources Manager. She was a single parent, which created several unique challenges for her in obtaining her goal. She was employed as a Health Safety Coordinator with the Lee Company, however, she needed to care for and be the total "bread winner" for her family. She had to juggle her work schedule to accommodate family and related support activities, while at the same time trying to achieve additional skills through enrollment in college courses. This took a tremendous toll on her life and the life of her family. Many times she wanted to give up her dream because of the difficult time she was having. However, life went on.

After several years of struggling to make ends meet and attend to her families needs, Ms. _____ requested assistance and entered the PREP program with several years of work experience in Human Resources. She also accumulated some college credit hours at a local institution along with her experience while working at the Lee Company.

During July and August 1998, she received Basic Readjustment Services and in September 1998, enrolled in classes at Park College to obtain her Undergraduate Degree. Her training costs at Park College totaled \$7,356.00. During the time she was enrolled in Park College, she was receiving Needs Related Payments of \$266 per week. She also received other support services totaling \$1,110.00.

In May 1999, Ms. _____ graduated from Park College with a Bachelor of Science Degree in Management/Human Resources and acquired employment with Merrill Lynch as a Financial Specialist with a starting wage of \$16.00 per hour. This was a significant pay increase from her previous job. The position also puts her in line to move into a career progression ladder that will eventually lead to a Human Resources Management position, her ultimate goal, with an extremely reputable company.

Texas Workforce Commission

Member of the Texas Workforce Network

Diane D. Rath, Chair
Commissioner Representing
the Public

T. P. O'Mahoney
Commissioner Representing
Labor

Ron Lehman
Commissioner Representing
Employers

Cassie Carlson Reed
Executive Director

September 25, 2001

Mr. John F. Riggs
Regional Inspector General for Audit
U. S. Department of Labor
525 Griffin St., Room 415
Dallas, Texas 75202

Re: Draft Audit Report No. 06-01-005-03-340


Dear Mr. Riggs:

The Texas Workforce Commission (Agency) appreciates the opportunity to comment on the Office of Inspector General's (OIG) draft report entitled *Audit of Department of Labor Grants to Assist Trade-Affected Dislocated Workers in El Paso, Texas* dated August 24, 2001. This audit of Department of Labor grants included participants served by two Agency administered programs, the El Paso Pilot, funded with JTPA Title III Governor's Discretionary funds, and Trade Adjustment Assistance /North American Free Trade Agreement-Transitional Adjustment Assistance (TAA/NAFTA-TAA) funds. The El Paso Proactive Re-Employment Program (PREP), also part of the audit, was a direct grant in the amount of \$45 million to El Paso's workforce board.

In addition to the Draft Audit, the Agency received GAO-01-838, a United States General Accounting Office, Report to the Chairman and Ranking Member, Committee on Finance, U.S. Senate, entitled *Trade Adjustment Assistance: Experiences of Six Trade-Impacted Communities*, released in August of 2001. One of the six trade-impacted communities in the GAO report is El Paso, Texas. Perhaps because the focus of the GAO report was significantly different than that of the OIG, it appears to present a more congruent view of the multi-dimensional impact that 17,000 dislocations can have on the individuals involved, the system that is in place to support them and the community's economy.

Should you need any further information please do not hesitate to contact us. Mimi Purnell, Director of Service Delivery Assistance in the Workforce Development Division can be reached at (512) 305-9621 or via e-mail at mimi.purnell@twc.state.tx.us. Again, we appreciate the opportunity to comment on the draft Audit.

Sincerely,


Cassie Carlson Reed
Executive Director

cc: Diane D. Rath, Chair and Commissioner Representing the Public
T.P. O'Mahoney, Commissioner Representing Labor
Ron Lehman, Commissioner Representing Employers
Mr. Joe Juarez, Regional Director, U.S. Department of Labor
Mr. Hugo Bustamante, Jr., Chair, Upper Rio Grande Workforce Development Board
Mr. Martin Aguirre, Executive Director, Upper Rio Grande
Workforce Development Board

Response from the Texas Workforce Commission to the Office of Inspector General's Report:
Audit of Department of Labor Grants to Assist Trade-Affected Dislocated Workers in El Paso,
Texas

Background:

With the implementation of the North American Free Trade Agreement in 1994, El Paso, Texas began to experience a wave of layoffs in its garment industry. By 1999 17,000 workers had lost what can only be described as extraordinary jobs for the workers who held them. They were considered "low skilled" jobs, but they paid between \$10 and \$13 an hour, an almost unheard of wage for workers along the U.S. Mexico border. By and large, these workers have limited education in their native language and even more limited English-language skills. Though the positions often amounted to part-time work due to the work schedules of the industry, the salaries made the 17,000 workers contributing members of the community.

The loss of these 17,000 jobs can not be compared to other dislocations. The workers losing these jobs had few skills that would transfer into available jobs and very limited literacy skills in either English or Spanish. In 1997, after three years of providing trade services in El Paso and across the state, the Agency was persuaded to design a comprehensive program that would address the employment-readiness needs of these trade impacted workers. El Paso had a large and diverse community of adult education and training providers that appeared to be well positioned to respond to these needs. It quickly became evident that unless local education and training institutions made significant changes in the curriculum and instruction of English as a Second language and vocational skills programs, they would be extremely limited in their ability to effectively respond to the unique workforce-relevant educational needs of area workers.

In response to this challenge, the Agency and later the Workforce Board in El Paso went to extraordinary lengths under extraordinarily difficult circumstances to build an educational component that met the needs of the worker. As workforce development entities, neither the Texas Workforce Commission nor the Upper Rio Grande Workforce Development Board has, as their primary charge, the role of developing and implementing educational programs. Instead, both worked with existing educational institutions in an effort to create appropriate and comprehensive vocational skills training for workers with significant barriers to re-employment.

In order for the Pilot and PREP to truly meet the El Paso community's needs, two critical elements were needed. First, educational institutions had to develop appropriate curriculum to meet local demands as well as train instructors in implementing vocationally specific basic skills training. The second element was the ability of the regional economy to create new jobs, for which workers could be retrained. Without the timely development and implementation of these much needed basic literacy and training models as well as the commitment of local businesses and industry to assess the potential employability of workers based on ability rather than on high school or GED requirements and English fluency, any short term project was going to have very limited success.

CHAPTER 1. PROGRAM PERFORMANCE ISSUES:

1. Approximately \$106 Million in Costs Were Incurred on Behalf of 4,275 Dislocated Workers in El Paso, Texas, Without Substantial Wage Gains As a Result of This Investment.

The Agency does not support the report's premise that \$106 million in costs were incurred without substantial benefit. The Agency believes that including the Unemployment Insurance (UI) and the TAA and NAFTA-TAA benefits, including training in the total amount of direct enrollees' costs, are inappropriate. The use of the \$106 million figure paints an inaccurate picture of the scope of the PILOT and PREP, establishing much greater expectations than any of the partners would have thought reasonable. Of the \$106 million cited by the Office of Inspector General (OIG) only 10% can in any way be deemed discretionary, and the costs would have been incurred in the absence of the Pilot and PREP. UI, TAA/NAFTA-TAA are federal entitlement programs, not discretionary. All American workers may receive UI if they meet certain criteria, just as TAA/NAFTA-TAA workers, for whom no suitable employment is available in a community, are eligible for both the extended income support as well as the training services.

The second concern related to the report's aforementioned premise is that the draft audit report does not recognize that the economy of the El Paso region is the center of the issue on wage attainment. By contrast the GAO report recognized the economic impact, and on page 3, states, "These communities had relied on low-skilled manufacturing jobs, which are disappearing, and now face the difficult task of diversifying their economies while addressing fundamental human capital issues." The report continues on page 11, "In El Paso, the city has been successful in attracting some new manufacturing businesses, but many displaced apparel workers were not qualified for the jobs and either found employment in the service sector or remained unemployed."

In fact the average wage at placement for the 81% of the sample participants placed (according to Workforce Board documents) was 96% of the goal for PREP. Even using the OIG's 36.2 placement rate, which is based on a regulation that requires that participants be placed within 90 days of completing services in order to count as a placement, the wage at placement was still significantly above the national average. The GAO report on page 11 states, "Based on available but incomplete Department of Labor data, nationally only 61.5 percent of dislocated workers who responded and entered new employment reported that their new jobs paid at least 80% of their old jobs wages." On page 12 the GAO report continues, "...apparel manufacturing jobs in El Paso, Texas, have been considered a means of upward mobility for recent immigrants with limited English skills. Workers who had these jobs were paid union-scale wages and received fringe benefits, which provided an opportunity to buy homes and send their children to college." Continuing, the report adds, "However, workers who have lost manufacturing jobs in these communities have limited prospects for obtaining new jobs with similar wages and benefits, since the jobs now available require higher skills or more education, according to community officials."

2.) Participants Were Enrolled Predominantly in English as a Second Language (ESL) and General Equivalency Diploma (GED) Training—Including the Same Training Type with Multiple Training Vendors—Some for Long Periods of Time.

The participants in the El Paso Pilot and PREP as described on page 56 of the GAO report "...were Hispanic, female, single heads of household, over the age of 40, with less than a high school education and limited English proficiency." In fact the Agency would argue that the vast majority of workers were even more seriously disadvantaged. Most had a second or third grade education from Mexico, had not been in a classroom or other educational setting for at least thirty years and had marginal literacy skills in Spanish.

Further, the federal trade program's guidelines originally designed to assist middle-age, middle-class, English-speaking factory workers in the Midwest and northeast, were simply extended to the NAFTA trade affected worker on the Texas-Mexico border with little adjustment to

compensate for the significant differences in the populations of these economically, culturally and geographically divergent areas.

What most educators know is that success in traditional ESL programs is predicated on a person's being literate in their first language. In order to succeed in ESL, these participants must have some Spanish language acquisition built into the ESL program. What the Agency attempted with the Pilot and the Workforce Board with PREP was to identify training institutions, public or private, that would design a vocational skills program that integrated Spanish literacy development with ESL. Employers in El Paso were frequently consulted regarding the skills that were needed to re-employ the dislocated worker. Employers were unbending in requiring a GED and English fluency. In addition, entry-level requirements for vocational skills training in El Paso generally required a GED and some level of English fluency. Therefore, the imperative became the identification and recruitment of vocational skills training institutions to develop and offer an approach to vocational skills training that integrated work-related, on-the-job English with vocational training. The results were dismal. In some cases small training institutions that could serve very small numbers of workers, often fewer than 100, were the only institutions with the flexibility or the desire to meet the need of the workers. Larger institutions continued to deliver traditional English-as-a-Second Language programming that was not tied to vocational outcomes.

It was apparent that without a major paradigm shift, workers were not going to reach a sufficient fluency in English to compete for the higher paying jobs in El Paso, nor could they receive vocational training. Therefore, the Upper Rio Grande Workforce Board, to their credit, shifted the emphasis of El Paso PREP from training to job development and placement.

3.) Evidence Suggests that Needs Related Payments Delayed Some Enrollees' Return to Work.

As stated in the text, this finding is based on opinion rather than evidence. The report assumes that the participants preferred to receive an average weekly Needs Related Payment (NRP) of \$182 for a minimum of 20 hours training rather than the average pretax wage of \$270.80 for 40 hours work. The reality was that few if any workers, as noted in Section 2, could advance quickly through a traditional ESL program, and few workers could have stayed in training without income support.

The report clearly states that it is the auditor's opinion that some participants attended training so they could receive the NRPs. Regardless of the motivation, the end result was having the dislocated workers trained in both educational and vocational skills designed to place them back in the employment stream.

CHAPTER 2: RECOMMENDATIONS

The draft Audit makes five recommendations for future grants that would extend services, beyond those received under UI, TAA and NAFTA-TAA, to trade dislocated workers.

1.) Institute controls to ensure participant's needs for further training are properly assessed and that training can be provided to realistically address such needs.

The Agency concurs.

Any future grants would benefit from a longer implementation period from the receipt of the Notice of Obligation to the start-date—now 6 weeks—during which all assessment, all Individual Training Plans, all referrals, and all training contracts must be completed. The six-

week requirement is a result of an eligibility requirement for Needs Related Payments. However, with an extremely large-scale project like PREP, too much pressure is put on even the best infrastructure, and inferior case management and referrals can happen. The Agency would also recommend that assessment be a greater part of any grant proposal with regular testing to ensure progress and bench mark completion. Contracts with the training institutions should include the assessment process and criteria for benchmarking progress.

2. Periodically evaluate the effectiveness of training providers.

The Agency concurs.

Under the TAA/NAFTA-TAA program all training institutions must be certified by the Proprietary Schools Division of the Agency, or on the Training Provider Certification System (TPCS) list established under the Workforce Investment Act (WIA), or be certified by the Texas Education Agency or the Texas Higher Education Coordinating Board. Under WIA the state requires use of institutions on the TPCS. Institutions under these various certifications and system require performance information, or afford some level of oversight.

3. Routinely assess participants' training progress and modify strategies where participants do not appear to be moving toward the ultimate outcome of achieving employment.

The Agency concurs.

We would point out that while WIA allows that funds be spent for case management and assessment, TAA/NAFTA-TAA does not. In any program where co-enrollment was required this could be a problem.

4.) Structure needs related payments such that there is clear economic incentive for participants to complete training and move on to employment; and

The Agency concurs.

The Agency would support a US DOL workgroup to discuss this issue.

5.) Study the extent to which employers recognize and value GEDs obtained in languages other than English for purposes of adopting a policy on whether supporting the attainment of such GEDs is an appropriate use of program funds.

The Agency believes this is a local issue. Fifty-one percent of the members on the local Workforce Board are employers. The Board adopted just such a policy approving the use of the Spanish GED as part of the recognition that it gave the workers a positive outcome for their efforts and believed that it encouraged them to stay in school and learn additional English.


U.S. Department of Labor

Assistant Secretary for
Employment and Training
Washington, D.C. 20210



October 22, 2001

MEMORANDUM FOR: JOHN J. GETEK
Assistant Inspector General
for Audit

FROM: EMILY STOVER DeROCCO 
Assistant Secretary
for Employment and Training

SUBJECT: Audit of Department of Labor Grants to
Assist Trade-Affected Dislocated Workers
in El Paso, Texas (Draft Audit Report No. 06-01-005-03-340)

On behalf of the Secretary of Labor, thank you for the opportunity to review and comment on your draft audit report, Department of Labor Grants to Assist Trade-Affected Dislocated Workers in El Paso, Texas (Draft Audit Report No. 06-01-005-03-340). I would also like to take this opportunity to thank you and your staff for allowing an extended time for us to respond to the report.

The audit's stated goals were to address-

- what was the total direct enrollees' cost for training and income support from the time of initial trade certified layoffs through September 30, 2000, for enrollees of the El Paso Pilot Re-Employment Program (PREP) grant enrolled as of December 31, 1999;
- what types of training were provided to PREP enrollees and did those interventions result in dislocated workers being prepared to compete for jobs in the El Paso job market; and
- what was the training and employment status of PREP enrollees including earnings after program termination as of April 30, 2001.

Your draft report made five specific recommendations. While we believe that the Workforce Investment Act (WIA), which replaced the Job Training Partnership Act (JTPA), may address some of these recommendations, we provide the following comments on each recommendation.



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Your first recommendation was that ETA institute controls to ensure participants' needs for further training are properly assessed and that training can be provided to address realistically such needs.

We agree that participants' needs should be properly assessed and training or other services provided to address their needs. Project monitoring reports and technical assistance provided to El Paso PREP consistently stressed the importance of quality assessment and maintenance of documentation on strategies and actions to support the participants' re-employment plans. As the OIG should acknowledge, first the state and subsequently the local board and service providers were faced with extraordinary challenges because of the dislocated workers' limited academic and vocational skills and the stated skills needed by the employers in El Paso. The General Accounting Office (GAO) in its recently issued report, "Trade Adjustment Assistance: Experiences of Six Trade-Impacted Communities," highlights El Paso as one of the communities with significant economic development challenges, which are compounded by retraining issues when jobs for which workers might qualify are limited. The lessons learned from El Paso PREP and the GAO report on services to trade-impacted workers and communities will inform ETA's efforts and the efforts of the workforce investment delivery system to respond more effectively when faced with similar events and needs of long-tenured, dedicated workers who face serious re-employment barriers.

Your second recommendation was that ETA periodically evaluate the effectiveness of training providers.

We agree that this is an important function of the state and local boards. The El Paso PREP grant was modified to incorporate the eligible training provider provisions consistent with the WIA requirements. With the advent of the WIA provisions, the training contract of at least one training provider, with whom many participants began training, was terminated. As a result of this action by the grantee, the participants were transferred to another provider where their training programs were completed. Nevertheless, we recognize that not all of the training providers in El Paso were equally effective. As the OIG likely noted, the capacity of training providers in El Paso was overwhelmed by the large numbers of dislocated workers needing employment training. We expect that the re-certification requirement prescribed by WIA will help eliminate those less effective training providers.

Your third recommendation was for the grantee to assess routinely the participants' training progress and modify the strategies where participants do not appear to be moving toward employment.

We agree that each participant's training progress should be assessed and the strategies should be modified, as appropriate. Participants who are not moving toward

employment should be reassessed and either placed into different training, placed with a different training provider, or provided additional assistance, such as a tutor. We will continue to emphasize the need for periodic progress checks to ensure that the intervention strategy employed is appropriate to the need.

The fourth recommendation was to structure needs-related payments (NRPs) so that there is a clear economic incentive for participants to complete training and move on to employment.

Both JTPA and WIA provide eligibility criteria for individuals to qualify for needs-related payments (NRPs). However, neither statute placed maximum time limits on the receipt of these payments. Local workforce boards are responsible for making policy decisions on payment of income support, including any restrictions. Many of the participants in the El Paso PREP project needed either ESL (English-as-a-Second Language) and/or a GED before they could meet the minimum qualifications required by employers. Unfortunately, the literacy levels of many of the El Paso PREP participants were so low that they were unable to achieve a level of proficiency which satisfied the hiring requirements for many employers in the El Paso community. PREP was initiated because it was recognized that many of the unemployed workers in the garment and apparel industries would require continuing extensive assistance in order to return to the workforce. Although the workers had extensive work histories, they possessed few vocational and educational skills to compete in the new El Paso economy. The typical laid-off worker was a 45-year-old-Spanish-speaking female. Many of them were not literate in either English or Spanish.

At the beginning of the PREP project, needs-related payments were considered necessary to ensure the participation of PREP enrollees. This strategy had to be revisited in light of other factors within the community which made the availability of such income support counterproductive in attaining the overall re-employment objective for project participants. With the concurrence of ETA, the local project operator implemented a one-time-only strategy to provide limited incentive payments to those participants who were able to gain and maintain employment. ETA has learned from this experience and will take that experience into account in the future.

Your last recommendation was for ETA to study the extent to which employers recognize and value GEDs obtained in languages other than English for purposes of adopting a policy on whether supporting the attainment of such GEDs is an appropriate use of program funds.

Local boards are responsible for determining which services will meet the needs of their participants and the employer community. Moreover, the authorizing legislation does not preclude attainment of the GED as a training service intervention. In the case of the El Paso grant, a survey of employers by the local project operator indicated that the employers wanted participants who spoke English and had a GED. We may question whether these requirements were absolutely essential for all available jobs, but they were nevertheless expressed as hiring requirements by the employers. The local project operator has informed ETA that it is continuing to work aggressively with the employer community to identify the relevant occupational and language skills required for employment.

One of the clear lessons of the El Paso project is that any effective recovery strategy for pervasive business closures and layoffs will require a concentrated, widespread community response. We believe that the community-wide response efforts led by the federal government as part of the Base Realignment and Closure Commission (BRAC)-related military base closures and realignments some years ago provide a positive experience on which to base such a strategy. This widely accepted and successful model of collaboration demonstrates what is possible when the development needs of both workers and their communities are considered in tandem, and what can be accomplished when all resources — federal, state, and local — are brought together in a meaningful, comprehensive fashion to address those needs. Although there were efforts to bring other federal resources to bear on the El Paso economic recovery efforts, those efforts were sporadic, uncoordinated, or not sustained in a manner to produce desirable outcomes during the initial stages of PREP.

ETA is now funding a number of “contextual learning” demonstration grants which will develop methods for providing basic literacy skills in conjunction with vocational skills for non-English speaking populations.

Finally, ETA has published and distributed a best practices technical assistance guide to the workforce investment system on “Conducting a Community Audit: Assessing the Workforce Development Needs and Resources of Your Community.” A community audit fundamentally is a strategic planning effort to bring together information on economic and labor market trends to support workforce planning strategies and WIA program operations. Although all community audits are built on basic information about the local economy and should be conducted continuously, they can vary widely depending on the precise problem on which the local workforce investment board is focusing, such as that faced by El Paso — identifying job opportunities for a particular population.

The problems faced by El Paso and similar communities throughout the country are difficult and persistent. Job training and the related services provided by WIA are a necessary, but not always sufficient, means to solve these problems. Based on the lessons learned from this experience, we believe that progress can be made by further development of the tools and strategies discussed above.

In addition to the above five recommendations, your audit contained some specific observations and findings which we have addressed in the attachment.

- The auditors estimated that the total funding for the target group (including Unemployment Insurance, Trade Readjustment Allowance, Trade Adjustment Assistance, North American Free Trade Agreement/Trade Adjustment Assistance, and Job Training Partnership Act (JTPA) formula and discretionary funds) was approximately \$106 million. They further calculated that it cost an average of \$25,000 per participant for the 4,275 individuals enrolled in the PREP project.

The report was not clear as to whether the UI and trade investments cited were totals for all the garment and apparel dislocations in El Paso or just for the workers enrolled in the PREP project in relation to most dislocated worker assistance costs. Regardless of the answer, we agree that the average cost per participant was high.

We believe that the inclusion of UI and trade program funds in an analysis of the PREP project was not appropriate. Unemployment compensation benefits and assistance from the TAA and NAFTA-TAA programs are entitlements for those who qualify. The PREP project was designed to assist workers whose needs could not be satisfactorily resolved through those entitlement programs. It would have been more useful for the report to at least note that \$45 million in dislocated worker discretionary funds were used to serve 4,370 workers (based on the project's report dated June 30, 2001). Focusing solely on the \$45 million awarded to PREP, one arrives at a cost per participant of \$10,297.

- The report states that the average wage at placement was \$6.77 per hour as compared with an average layoff wage of \$7.13 per hour.

Using OIG data, the above figures represent an average wage replacement rate of 95 percent (average new wage compared to average layoff wage) which was ETA's GPRA goal for the wage replacement measure. We believe that the project's average wage replacement rate is remarkable considering the dislocated workers' barriers to employment.

- The report also indicates that OIG believes the project had a 36.2 placement rate as of April 30, 2001, compared with project's report of 81 percent.

This conclusion was not based on whether the workers had jobs, but rather whether their jobs should have been excluded from calculation because these jobs were obtained at a later date than the OIG believes they should have been. We disagree with the auditors' conclusion that all of the participants enrolled in

basic readjustment services (BRS) had to be terminated within 90 days of service. Basic readjustment services can occur at any time during one's participation in the program. While we acknowledge that many participants normally are enrolled in BRS provided at the beginning of their participation in the dislocated worker program, JTPA did not restrict the timing of BRS which may even be provided at the conclusion of an individual's participation. Therefore, we believe that the data are inconclusive as to how many participants were not terminated within 90 days of the last receipt of services.

The report indicated that the participants were enrolled in ESL/GED training with multiple training vendors, some for long periods of time and some at high costs.

The report did not describe the circumstances surrounding multiple training vendors; therefore, it is difficult to respond to the observation. ETA is aware that at least one vendor was terminated and some participants were transferred to other vendors. Additionally, the guidance to the project encouraged the establishment of customized training. This type of training is typically more expensive.

The OIG reports that needs-related payments (income support or TRA) provided a disincentive to employment because workers could receive \$9.10 tax free for attending class rather than working for \$6.77 per hour, before taxes. The report also indicated that many participants received a significant increase in weekly support as a result of the grant policy of a minimum needs-related payment of \$150.

We believe that income support can serve as a disincentive to complete education or training if not managed carefully. Based on the insufficient skills of this dislocated worker population, it is difficult to conclude that these workers received more education or training than they needed to compete in the workforce.

Regarding the tax consequences of income support (UI, TRA, NRPs) and the comparison of entry level employment, the information in the report is somewhat misleading. UI and TRA are taxable, and the IRS has found NRPs to be taxable if they are paid as income support. The authorized minimum NRP payment of \$150 per week would equal \$3.75 per hour for a 40-hour week. And, according to those included in OIG's sample, the average weekly payment of \$182 is \$4.55 per hour, based upon a 40 hour work week.

It appears that the auditors calculated their hourly wage based upon some participants' class time. However, they did not include study time. Apparently, they also assumed that all individuals attended 20 hours of training per week. However, some participants attended more than 20 hours per week while some may have attended less.

Regarding the payment of \$150 per week for individuals whose unemployment compensation was below that amount, the JTPA law authorized NRPs at a level not higher than the weekly UI benefit or the family poverty level. The board decided to pay \$150 per week rather than the poverty level; otherwise, the payments would have been even higher.

- The report made several references to participants not being terminated in a timely manner.

We are pleased that the OIG found that individuals were employed after leaving the PREP project. However, as indicated earlier, OIG did not consider the fact that BRS could be provided at the conclusion of one's participation rather than at the beginning. Therefore, we do not believe the data were precise enough to arrive at OIG's overall conclusion.

For the record, end-of-project reporting dated June 30, 2001, shows that the following outcomes have occurred:

- Participants enrolled: 4,370
- 3,746 have completed their planned services
- 2,873 (76.7%) entered employment
- average pre-program hourly wage was \$7.64
- average post-program hourly wage was \$6.86
- average wage replacement: 90%
- 624 participants are completing services under the formula program

The PREP project ended June 30, 2001. The outcomes for the 624 participants who are completing their programs through the formula program will be incorporated into the final project report via a note in the remarks section.