



Statement of the U.S. Chamber of Commerce

ON: REAUTHORIZATION OF THE WORKFORCE
INVESTMENT ACT (WIA)

TO: HOUSE COMMITTEE ON EDUCATION AND LABOR
SUBCOMMITTEE ON HIGHER EDUCATION, LIFELONG
LEARNING AND COMPETITIVENESS

BY: WES JUREY

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The Chamber's mission is to advance human progress through an economic,
political and social system based on individual freedom,
incentive, initiative, opportunity and responsibility.

The U.S. Chamber of Commerce is the world's largest business federation, representing more than three million businesses and organizations of every size, sector, and region.

More than 96 percent of the Chamber's members are small businesses with 100 or fewer employees, 70 percent of which have 10 or fewer employees. Yet, virtually all of the nation's largest companies are also active members. We are particularly cognizant of the problems of smaller businesses, as well as issues facing the business community at large.

Besides representing a cross-section of the American business community in terms of number of employees, the Chamber represents a wide management spectrum by type of business and location. Each major classification of American business -- manufacturing, retailing, services, construction, wholesaling, and finance -- is represented. Also, the Chamber has substantial membership in all 50 states.

The Chamber's international reach is substantial as well. It believes that global interdependence provides an opportunity, not a threat. In addition to the U.S. Chamber of Commerce's 105 American Chambers of Commerce abroad, an increasing number of members are engaged in the export and import of both goods and services and have ongoing investment activities. The Chamber favors strengthened international competitiveness and opposes artificial U.S. and foreign barriers to international business.

Positions on national issues are developed by a cross-section of Chamber members serving on committees, subcommittees, and task forces. More than 1,000 business people participate in this process.

Testimony of

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On behalf of the

U.S. Chamber of Commerce

Before the

House Committee on Education and Labor

Higher Education, Lifelong Learning
and Competitiveness Subcommittee

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*“Workforce Investment Act: Recommendations
to Improve the Effectiveness of Job Training”*

Mr. Chairman and members of the Subcommittee, good afternoon. Thank you for the opportunity to testify today on recommendations to improve the effectiveness of training under the Workforce Investment Act (WIA). I am Wes Jurey, President and CEO of the Arlington, Texas, Chamber of Commerce.

I am here today to testify on behalf of the U.S. Chamber of Commerce, the world's largest business federation representing more than three million businesses and organizations of every size, sector and region.

I currently serve as Chairman of the Board of the Institute for a Competitive Workforce, a 501(c)(3) affiliate of the U.S. Chamber of Commerce. I am also chair of Workforce Development for the U.S. Chamber's Chamber of Commerce Committee of 100 and serve on the U.S. Chamber's Education, Employment and Training Policy Committee.

The U.S. Chamber of Commerce has a long history of support for our nation's job training system and for working with other stakeholders on ways in which to improve this system.

Indeed, the Chamber was active in helping to bring about many of the reforms passed as part of WIA back in 1998 to replace what was then the Job Training Partnership Act. These reforms included reducing the overall number

of funding streams; creating a more efficient system of delivery through local one-stop centers; refocusing the role of local workforce boards to ensure training was relevant to the needs of the local economy; and empowering individuals in seeking appropriate skills training to meet those demands.

As Congress moves forward with efforts to reauthorize WIA, a central question is, “to what extent has WIA lived up to these reforms?” From the business perspective, WIA has proven to be marginally successful in several of these areas. However, the reality is that the needs of our business owners as well as those of our nation’s job seekers are still not being met under the current system. Despite what is viewed as progress under WIA, our nation’s job training system is still in need of reform.

In preparing for this testimony, I reached out to several experts with whom I have had the opportunity to work with over the years and who represent all facets of the job training system at the Federal, state and local levels. I will note that, although they differed somewhat on their specific recommendations, the one consistency in these conversations was agreement that the status quo is not acceptable.

The reauthorization of WIA provides Congress the opportunity to make significant changes to this law. On behalf of the U.S. Chamber of Commerce, I strongly urge the Members of this Subcommittee to seize this opportunity.

Why is it so important to have a strong, vibrant and effective job training

system in this country? It is because one of the biggest challenges facing businesses at the local level like in my hometown of Arlington, Texas, is finding and retaining a qualified workforce. This is illustrated by the fact that nationwide, over 1 million students drop out of school before graduation. In my home state of Texas, the drop out rate for African Americans is 33% and for Hispanics it is 41%. For the students who do graduate, the news isn't much better. The college readiness rate is only 32% and only slightly more than half of graduates go directly on to college and among those who do, only about half graduate within 6 years.

What happens to all of these students who fall through the cracks? Many end up in interviews with the businesses I represent. Businesses are eager to find employees, but while often willing to provide some level of training, the employers are unable to take on the task of teaching prospective employees how to read their training manuals. Helping to ensure these individuals become employable with relevant skills is the role that the federal job training system must take on and at a far greater scale than it does today. The implications of not serving this function and addressing these needs are significant, not only for individuals who are striving to lead a productive life but also for the vitality of businesses, local economies, and for the overall competitiveness of our nation.

This need to provide adequate technical skills and training to many more

individuals is amplified by the fact that demands for skilled workers will only intensify; for example, 42% of U.S. jobs in 2012 will require technical or academic degrees, up from 29% in 2000.

Fundamental changes in both the U.S. and global economy are ongoing and continue to drive these changes. As an example, manufacturing represented 49% of the U.S. GDP after WWII; today it is 6-8% and declining. If we are to effectively serve the workforce needs of our nation, the nation's job training system must be capable of responding to a global competitive environment.

There are places around the country where the local workforce system has, in fact, been successful in taking on this challenge. However, in my experience, this success has generally resulted only due to strategic partnerships that engaged employers in a significant manner. Allow me to explain.

My introduction to the Department of Labor was in the mid 90's. I was confronted with both the loss of 29,000 jobs in the garment industry in El Paso, Texas, representing 11% of all jobs in that county, as well as angry middle-aged Spanish speaking women picketing the El Paso Chamber, who lacked the skills to find other employment in the community.

I met at the time with then Deputy Secretary Kitty Higgins. The outcome being a \$45 million discretionary grant with the goal of employment for these displaced individuals following their retraining. Just prior to the end

of a three-year grant term, the local workforce investment board had secured less than 100 jobs for more than 4,000 successful trainees. These displaced individuals turned to the El Paso Chamber and in just thirty days we secured over 8,000 job openings to be made available to the program graduates.

The difference, from my perspective, was that the local Chamber had become a strategic partner to the process at the outset, with the role of engaging the employers it represented. Our success came from a true integration of effort between the local workforce investment board, focused on providing skills needed by our workforce for the market, and the local chamber of commerce effectively representing its employer member constituency.

These success stories are too few and far between and often occur despite what unintentional barriers are put in place by WIA. It's obviously not possible to legislate perfection, but I would like to offer some specific suggestions promoted by the U.S. Chamber of Commerce as ways in which Congress could improve WIA.

ONE STOP SYSTEM/REGIONAL ECONOMIC DEVELOPMENT

One of the main objectives of WIA was to integrate and provide access to a wide variety of existing federally-funded programs at the local level through the system of One Stop Career Centers. While these centers have been effective in bringing programs under one roof, too often the concept of co-location is the extent of which there is actually coordination. And co-location

seldom involves other partners from public and higher education or the business community. From a business perspective, one of the exciting aspects of the one stop system was that it would allow for a single point of contact through which local employers could seek employees.

The reality is that most one stops are not well known to the business community - they don't use a single brand name identity that becomes known to employers, and they generally don't engage employer organizations or associations in their marketing efforts.

In addition, funding is not readily available for these purposes, In Arlington, similar to El Paso, we created the Center for Continuing Education and Workforce Development with funding other than from WIA. Built, owned and operated by UT Arlington on campus, with ten percent of the funding provided by the city through community development block grant funds, the facility is sixty percent leased by our local workforce investment board. The Center is co-housing virtually every major stakeholder in Tarrant County, including the Chamber's workforce development staff. In this manner, it engages all the stakeholders in marketing, while providing for ease of collaboration when everyone is under one roof.

The U.S. Chamber recommends that the reauthorization of WIA promote this type of collaboration. Specifically, local boards should be given greater flexibility to use funds in ways that do away with some of the more

complicated procurement processes that are often attached to establishing and maintaining these types of strategic partnerships.

Additionally, the U.S. Chamber of Commerce recommends that the reauthorization of WIA provide for greater flexibility in allowing local workforce investment boards to develop partnerships involving economic development organizations that primarily represent employers, industry leaders, public and higher education, community-based organizations, non-profit organizations that have, as one of their primary purposes, the economic growth and development of the community and / or region they serve. These partnerships should provide solutions to the workforce challenges of the 21st century and maximum access to the American worker to gain the education and new skills needed to be engaged in today's workforce.

SIMPLIFY FUNDING STREAMS AND PROVIDE FLEXIBILITY

When WIA was first enacted, the business community was enthusiastic about the potential of allowing local workforce boards to utilize funds in ways that would be responsive to local and regionally identified needs. However, to a large degree, this flexibility has not materialized.

As you are aware, not every community or region is confronted by the same set of challenges or opportunities. Border communities have different needs than regions in the heartland; large sprawling metropolitan regions have different needs than rural America. What they do have in common is the need

to respond to the skill demands of employers seeking to fill jobs in the market area served.

In terms of funding, the Chamber believes there is still a need to either consolidate funds or allow greater ability to transfer funds among programs and to allow for greater flexibility in how these funds are used in order to respond to local and regional labor market demands.

Recently, I had the opportunity to work with our local General Motors (GM) plant in defining what was needed to maintain jobs in the highly competitive automotive industry. The GM Plant in Arlington employs approximately 2,400 union workers, utilizing a highly automated robotics assembly process. To remain competitive, GM upgrades its assembly line approximately every six months, utilizing UT Arlington's Advanced Automation and Robotics Institute for assistance.

In order to keep these jobs in our community and remain competitive, GM identified a need to develop radio frequency identification device (RFID) technology to further enhance and improve on their logistics capability. This then required the development of curriculum and a training program for both incumbent and entry level workers.

As a result of Arlington Texas Chamber's partnership with the Texas Workforce Commission and Tarrant County Workforce investment board, we approached both for funding necessary to carry out this training for GM. Both

were supportive and willing based upon their participation in initial meetings with GM and our local Chamber. In reality however, the funding, once appropriated by the Texas Workforce Commission was subsequently awarded to the local workforce investment board, in turn these funds were awarded to the Chamber's Foundation who, in turn, awarded the funding to UT Arlington in order to develop the curriculum and training needed to retain and train workers for these jobs. The reason for the funding passing through so many hands is that current funding and procurement policies were too restrictive in nature to allow these funds to be awarded directly to the University and Tarrant County College.

Under a more streamlined and flexible system which the U.S. Chamber is proposing, the board could have awarded the funds directly to UT Arlington to meet these needs.

This is just one example, but there are many, to demonstrate how a more streamlined and flexible system would enable localities to react to changing employment needs in a more timely and effective manner.

RELEVANT TRAINING AND EMPLOYMENT SERVICES

If the programs under WIA are to be credible and if businesses are going to invest their time and energy, they must reflect the true needs of the business community. Although WIA does provide for employer input, it often takes the form of local or regional market analysis or at best a group of employers,

hastily assembled, who may not be engaged with the system and who are utilized to provide input at meetings a few times a year. Compare and contrast this to local workforce boards strategically partnered with employer-based organizations and associations who provide continual and routine involvement of their informed membership to provide direct input to local workforce boards.

I would point out that in today's innovation economy, it is critical to talk about the types of skills employers need rather than the specific jobs for which people are being trained. Using GM once again as an example, the days of the "shade tree mechanic" have given way to the computer engineer, even though the job is still putting an engine or a dash board assembly into the vehicle frame.

In previous years, workers were manually installing the engines; today, they are operating robotic assembly units, utilizing complex computers to place computer driven parts and components in the auto-body - hardly the same set of skills required, yet still doing the same job.

By 2010, every job seeker, displaced or under-skilled worker in the U.S. workforce who wants to possess at least a basic level of technology and computing skills should have access to the education and training opportunities they need to be more employable in our knowledge-intensive economy and to drive the productivity improvements and economic growth that will keep the

U.S. competitive in the global economy. Both basic (digital literacy) and advanced (digital fluency) skill sets will be required for individuals to succeed in the knowledge economy. These skills can be obtained by training through Internet access.

At the national level, the WIA system needs to address the broad-based skill sets applicable in today's marketplace, while preserving the local board's ability to address local market demands. The U.S. Chamber recommends that WIA promote these broad skill sets, such as digital literacy and training in career and technical education and provide local boards the flexibility to meet these needs.

LOCAL BOARDS AND GOVERNANCE

One of the goals of the Workforce Investment Act of 1998 was to recognize business as a customer of the system. In October 2001, the U.S. General Accounting Office (GAO) issued a report to Congress regarding the progress state and localities had made in the implementation of Workforce Investment Act (WIA) requirements. The report, *Workforce Investment Act: Better Guidance Needed to Address Concerns over New Requirements*, found that representatives of the private sector may be discouraged from participating on workforce investment boards (WIBS) as a result of how states and localities are operating their boards and associated entities.

The GAO report concluded that unless action was taken to ensure that states and localities understand and can implement ways to achieve effective workforce investment board operations consistent with private sector needs, WIA's requirements of private sector leadership for this system may be at risk.

The perception, if not fact, remains little changed six years later. The business community is still not engaged in WIA to the extent or degree envisioned in the law. Many reasons have been offered to explain this disconnect, including:

- Perception on the part of the business community that nothing has changed;
- Many one-stops do not provide employer services;
- Compliance is the driving force rather than creation of a system that serves employers and job seekers; and,
- Board and staff focus only on WIA, and not the whole system of workforce development resources.

First, there is often confusion about who actually recommends and ultimately appoints the employer representatives. As an example, an employer-based organization focused on economic development may be asked to submit a nominee to serve on the board. It selects an outstanding business leader, perhaps one who both uses and understands the system, and the name is placed before the county judges and/or mayors who comprise the membership

of the elected board that has oversight over the local workforce investment board. If the individual business member is not in favor with the local county judge or mayor, his/her appointment may be rejected.

In short, the board selection and approval processes should be streamlined to provide a clearer, more direct way for employers to be nominated and approved to serve as members of local boards and to ensure that representatives from businesses in all sectors, especially those in high growth areas, are able to participate.

Since 1990 I have literally recruited dozens of business leaders to serve on local workforce investment boards. In talking with both my peers and other business leaders about their experience, they concur that the role of the board should be focused on strategic decision making needed to address regional need; unfortunately, it is now focused on additional administrative/bureaucratic issues and cost allocation reconciliation.

In terms of specific recommendations, the U.S. Chamber believes we should incentivize WIBS to focus on strategic decision making, in order to engage organizations that represent employers. If we're truly going to become demand driven, then we must fully engage local business representatives and capitalize on their leadership and expertise.

For example: to engage businesses to use Work in Texas.com, a new tool of the Tarrant County Workforce Investment Board, an introductory letter

signed by myself and the president of the Fort Worth Chamber of Commerce was sent to over 3500 employer members, asking them to participate in the pilot program. The result - we more than doubled the number of employers using the program within the twelve months of the pilot program period.

As a further example, in Arlington, healthcare was an immediate and pressing need. Thus, it became the first area of focus in our industry cluster approach with our local workforce investment board, with a range of solutions identified by employers that are currently being implemented. Importantly, it has also provided a replicable model for additional industry clusters formed around advanced manufacturing, hospitality & tourism, and logistics & distribution.

In summation, organizations that represent employers should be viewed as effective intermediaries, since their focus is on brokering the services and resources provided by the public workforce system. The Chamber, with its existing business relationships and access to information, is in an excellent overall position to broker the services and resources on behalf of the public workforce development system. Employer members have already developed a level of trust with the chamber and are therefore more likely to get involved with a system the Chamber recommends.

ACCOUNTABILITY SYSTEM

When WIA was enacted, a new accountability system was ushered in to help demonstrate the impact of programs and ensure that participants were benefiting. In moving forward, we recommend that Congress reassess the measures by which local workforce investment boards are evaluated. These generally don't include things that employers value, such as employee retention and wage gain. At a minimum, local measures should focus on meaningful outcomes rather than process and procedure. I know of one local board that actually faced sanctions due to procedural goals not being met, even though it was highly successful in placing welfare recipients in jobs.

I would suggest that Congress provide the means for industry to work directly with the system to define and redefine the system of measures in place from an employer point of view, recognizing that they would be value to both the system and employers in the process.

CONCLUSION

The good news is that since the enactment of WIA, there have been improvements in the delivery of services and the quality of training provided as part of the nation's workforce development system. However, the fact remains that the current system is offering too little for what is needed to truly address the critical needs of today's workforce and the business community.

While these needs will never be met solely on the back of our nation's federal job training system, this system must play a far more important role. There is a large contingency of my colleagues within local Chambers of Commerce from across the country who are committed to making this a reality. I urge Members of this Subcommittee to help set the process in place by adopting the types of changes I have outlined above as part of the next reauthorization of WIA.

As you move forward in consideration of WIA reauthorization, I would like to take this opportunity to offer you the assistance of the U.S. Chamber of Commerce and that of the Arlington Texas Chamber of Commerce.

In summary, I encourage you to consider:

1. Consolidating and simplifying funding, providing for greater state and local flexibility to respond to labor market demands.
2. Allowing more dollars to be spent for training for the 21st century workforce.
3. Incentivizing the system to be innovative and employer responsive.
4. Redefining performance measures; focusing more on outcomes that matter rather than on administrative procedures.

I am also attaching the U.S. Chamber's Statement on Workforce Investment Act Reauthorization Principles and Key Policy Issues which provide additional insight and clarification on U.S. Chamber policy recommendations where WIA can be strengthened to increase employers' use of the workforce development system and its relevance to the 21st century global economy.

Thank you again for allowing me to testify. I look forward to answering any questions that you might have.