Testimony of John Twomey

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Introduction

Chairman Ruben E. Hinojosa, Mr. Keller and the other distinguished members of this Subcommittee, my name is John Twomey, and I am the president of the National Workforce Association (NWA). In my other life, I am the CEO of New York's workforce association, NYATEP.

In my testimony today, I will discuss very briefly, from NWA's perspective, why we believe it is critical to the country's competitiveness that the Workforce Investment Act be reauthorized this year. I will then discuss NWA's reauthorization positions related to four key areas. We hope that this information will be helpful to the Subcommittee as you develop your Reauthorization bill.

Before I begin my formal testimony, I would like to take this opportunity to applaud this Committee and the Congress for your effort in authoring the Workforce Investment Act (WIA). It was a significant step to move from 40 years of supply-side federal workforce policy focused only on the jobseeker, to adding a demand-driven employer customer to a locally designed and delivered workforce investment system.

As you hopefully prepare for reauthorization, I strongly urge that you build upon the locally-driven, private sector-led vision that you established in the Workforce Investment Act, taking care to make only those changes to current law that strengthen the capacity of local areas to build comprehensive and relevant workforce investment systems.

In this increasingly global and changing economy, preparing a highly skilled workforce is the only way the United States can successfully compete in the future. The National Workforce Association believes that the establishment of a comprehensive workforce investment system, overseen by strong local workforce boards with services provided through a one-stop delivery infrastructure, was and continues to be a visionary way to address the economic challenges we face as we move further into the 21st Century.

NWA believes that we are at a pivotal time in the history of the United States. On the one hand the challenges tearing at our labor market have never been more severe, nor more dangerous to our standard of living; yet, while our global competitors consciously and vigorously invest in the skills of their workforces, the U. S. federal investment in worker training continues to dangerously erode.

The Problem - Factors greatly affecting the U. S. labor market over the coming years require urgent responses:

1. The impending baby boomer retirements
2. Huge shifts in the country's demographic composition
3. The greatly increased payoff on post-secondary education
4. What our global competitors are doing, that we are not doing
5. The effects of immigration, and immigration policy, on our workforce
6. The direct relationship of technological advances to the loss of low skilled jobs

The impending baby boomer retirements: The oldest baby boomer turned 61 years old this year. According to the Bureau of Labor Statistics (BLS) <u>in 2000</u>, 13% of all U.S. workers were from the generation before baby boomers, while a full 48% of the country's workers were baby boomers. In other words, 61% of our workers were boomers or the previous generation. BLS further predicts that <u>in 2010</u>, these numbers will drastically drop to 3% pre-boomers and 37% boomers. If BLS is correct, then over a 10 year period - but particularly beginning in 2008, the United States will be looking to replace 21% of its workforce from a decade earlier; a cadre that is generally well skilled and has a good work ethic.

Some say this won't happen. "Boomers love to work," or "The boomers haven't saved enough to retire". Yet, entire physically demanding industries are deeply dependent on baby boomers - nurses, or electrical utility repairman, for example. Even those baby boomers that continue to work may not be able to continue in the physically demanding jobs they hold today. If this were a stand alone challenge, it would be difficult to overcome but we could do it.

The magnitude of the demographic shift now underway: According to the Census Bureau, in 2003, 73% of all U.S. workers were white non-Hispanic. By 2050 the numbers change dramatically. In fact, by 2010, just as the baby boomers start retiring, the shift is already well underway.

USA	**2003**	**2010**	**2050**
White (non- Hispanic)	73%	65%	53%
Hispanic/ Latino	11%	16%	24%
Black	12%	13%	14%
Asian	5%	7%	11%

As the large cohort of baby boomers leaves the workforce, we will have to adjust to large cultural and demographic shifts also, in addition to finding a way to better educate populations who currently have a significant high school non-completion rate. While the African American population numbers are relatively steady, and even though the Asian numbers double, the real growth in the U. S. labor market is the Hispanic/ Latino cohort. In 2003, approximately 10% of the total workforce, seven short years later Hispanics soar to one out of 6; and by 2050, they will be one out of four workers.

In many states, this shift is similar but it is already greatly accelerated. According to a recently released report by The National Center for Public Policy and Higher Education entitled *Measuring Up 2006,* this dramatic demographic shift in my state, New York is happening faster than nationally. This report says that for New York, here are the actual demographic breakouts in 1980 and 2000, and the projected numbers for 2020.

New York State	**1980**	**2000**	**2020**
White (non- Hispanic)	76%	64%	56%
All Minorities	24%	36%	44%
African Americans	12%	15%	15%
Hispanics/ Latinos	9%	15%	20%
Asian Americans	0.2%	5%	10%

The increased payoff on educational attainment: This third factor reflects a massive change that has taken place over the past 15 years. By itself, it presents great challenges to how we provide every American the skills they need to compete and thrive in this global economy.

Coupled with the boomer retirements and the demographic shifts, this is where the enormity of what we must do to keep the country competitive starts to become clear.

According to the Bureau of Labor Statistics, Employment Policy Foundation tabulation, at the conclusion of the recent "boom" years, from 1992 to 2002, we ended up nationally with 400,000 fewer jobs that high school dropouts could do. Shockingly, at the end of this 10-year period, while there were 2.6 million new jobs created nationally for those individuals with some post-secondary education, there were only 100,000 more jobs available to workers who had only a high school degree or less.
At the end of this ten year period, there were 2.2 million new jobs for those who completed a two-year community college education, or twenty two times more than high school education only! Another 2.4 million new jobs were available to two-year technical college graduates. And 6.4 million new jobs for four-year college completers and those who attained graduate degrees.

In a nutshell, since 1992 we've seen the decline of jobs that someone with only a high school degree or less could do. Jobs that probably had a pension of some sort, and most likely provided the worker's family with health insurance.

What our global competitors are doing that we are not doing: In 1999, the United States graduated 1.3 million four-year college graduates. In 2005, we graduated slightly fewer than 1.3 million. China in 1999, graduated 950,000 four-year college graduates. But by 2005, China's college graduation rose to 2.5 million. This didn't happen without significant new investment. While I recognize that you are an Authorizing subcommittee, not the Appropriations subcommittee, I think as you work to improve the workforce system, that investments our competitors have been making underscore the urgency to reauthorize WIA this year.

In 1970, the U.S. had the highest 4-year college completion rate in the world; by the year 2000 we ranked # 7. In 1970, Ireland's college graduation rate was 20%; today it is 48%, while ours is 39%. In Ireland, this is part of their national effort to increase all employees' competency levels called *One Step Up*. In Ireland higher education is viewed as an investment not an expense, and the government pays the tuition. In the U.S. one of our main financial aid programs for poor students is Pell Grants, which have not been fully funded since their inception in 1980. Before the FY 07 joint funding resolution, the maximum Pell Grant had only been increased by $50 over seven years. As education matters more and more, our competitors have been increasing their investments, while we instead address other difficult but competing priorities.

Immigration: According to the Center for Labor Market Studies at Northeastern University, 43% of all labor market growth in the United States over the past 5 years is due to immigration. In 1980, 7.9% of our labor force was foreign born; by 2000 that number had jumped to 15.8%.

Our threat here is that many of our working immigrants lack the literacy and educational levels to handle the large shift to new *Knowledge Worker* jobs. This challenge, coupled with the others noted above, leads us to believe that in fact the sum of this collective threat to our competitiveness is greater than the individual parts.

Technological change: While much of the media attention focuses on off shoring as cause of the turbulence in the U.S. labor market, in fact off shoring has only caused 10% of job loss. 90% of job loss is due to replacement of workers by technology. While technology boosts productivity, replacing a receptionist with an automated phone response system is one reason why high school-only jobs are disappearing. Printing an airline boarding pass on your home computer translates to fewer gate attendants at the USAir counter, jobs that had a pension and family health insurance. EZ Pass on the New York State Thruway means fewer human toll takers who probably maintained a middle class lifestyle with only a high school credential. Registration kiosks at the Hilton Hotel on Connecticut Ave in Washington D.C. check many people into their rooms faster through touch screen choices of King size or two double beds, smoking or non-smoking.

Since 1992, vast numbers of jobs have been lost through these changes brought about by advances in technology. Our national challenge is to increase the skill levels of current workers and our emerging workforce, while replacing baby boomers, in such a way that those workers don’t instead create an increasing pool of unskilled workers competing for ever- shrinking low skill/ low wage jobs.

An important part of the solution - The Workforce Investment Act

One of our major weapons in this fight for global competitiveness is the Workforce Investment Act. NWA believes that significant progress has been made in every State in the short time WIA has been implemented, but it is important that we reauthorize WIA and make improvements so that it will be even stronger. In communities across the country innovative programs and strategies have blossomed as a result of the changed focus and flexibility provided in WIA to meet the needs of business and local economies in workforce areas, as well as the related needs of workers. As a result, we strongly believe that modest changes, not a dramatic overhaul, are needed in reauthorization. Reauthorization should result in necessary improvements and/or "fixes," and in the removal of barriers to program integration and innovation. Most importantly however, reauthorization should allow the positive evolution that is underway at the state and local levels to continue, building upon the private sector partnerships at the local level. Let me make a few specific recommendations-

1. **Authority of Local Workforce Boards (WIBs).** In order to fulfill the broad strategic vision Congress articulated with the passage of WIA, NWA recommends that:

    - The private sector influence on the local WIBs should be bolstered by requiring local WIB membership to include at least 60% private sector representatives. Only public sector representatives with optimum decision-making authority should be allowed to serve on WIBs. Local WIBs should be appointed by local elected officials.
    - WIBs should be given greater direct control over resources and programs beyond WIA I-B. The system should allow rural, isolated and non-metropolitan areas of any state to have more discretion on how services are delivered. This would allow these areas the flexibility to respond to their particular labor market needs without being forced into inappropriate "one-size fits all" approaches. WIBs should have their own separate title in the Act, which would make clear to all that their mission is broader than just (today's) WIA Title 1B.

- WIA reauthorization should clarify the essential, pivotal role that local boards are intended to play as conveners of key stakeholders for the development of local/ regional workforce and economic strategies, and as brokers of training and related services, resulting in a highly skilled workforce.
- Monetary incentives should be provided to local Boards who achieve exemplary results through innovative activities such as: strategic plan development, community audits, partnership with economic development entities, leveraging of local workforce and economic development funds, identification and adoption of innovative business strategies such as sectoral, incumbent worker, and career ladder pathways. Incentives should be provided to local boards to work regionally to address the comprehensive education, workforce, economic and competitiveness needs of their regions.

2. **One-Stop Delivery System.** NWA agrees with the GAO that One-Stops are reducing duplication and increasing cost efficiency of the Federal workforce investment and partner programs. We further agree with the GAO that businesses know one stop career centers exist, and businesses have high customer satisfaction with one stop's services.

- NWA recommends that One-Stops be authorized in a separate, new title of WIA, to reinforce the fact that One-Stops are the primary infrastructure through which to access services in a comprehensive workforce investment system.
- While no one envisioned in the late 1990's when WIA was first being authorized the gigantic growth in broadband access to many American's homes, we do not believe that physical one stop locations can today be replaced by virtual one stops. In One Stops across this country, jobseekers with weak or no computer literacy skills are personally assisted as they apply for jobs at companies such as Home Depot that only accept electronic applications.
- One of the failed promises of the Workforce Investment Act of 1998 is that the envisioned funding of one stop infrastructure by the federal partner programs has largely failed to materialize. In many cases, the cost of one stop infrastructure has been borne largely by WIA Title 1B and Wagner Peyser. In this turbulent labor market America's workers need the continued assistance and services of One Stops, but NWA recognizes

that overly relying on WIA Title 1B and Wagner Peyser funding to support these One Stops has reduced the amount of training that could otherwise have been provided.

- Therefore, we believe that One Stop infrastructure funding should be part of any WIA Reauthorization legislation. One Stop Infrastructure funding is necessary for aligning all components of the workforce development system. NWA recognizes the difficulty in determining appropriate funding contributions to One Stop infrastructure in this time of severe budget constraints, however, we believe that securing and adequately funded One Stop infrastructure is of great importance to providing access to American workers and employers as envisioned in WIA.
- Finally, any separate line item for One Stop infrastructure funding must contain language protecting the Adult and Dislocated Worker funding levels to ensure that infrastructure is not funded at the expense of these needed formula funds.

3. **Training.** In order to fulfill the vision in WIA to build a world-class workforce and strengthen U. S. businesses, training must be available to both emerging and existing workers. The National Workforce Association agrees with those organizations that think more training should be provided, although we believe that addressing One Stop infrastructure funding will be one important step in increasing the number of workers trained.

- USDOL has claimed that only 200,000 people a year are trained under WIA. The National Workforce Association strongly disputes these numbers. The GAO has found that over 400,000 people a year are trained under WIA. But even GAO's numbers are lower than the actual numbers of workers receiving training. One Stop Career Centers across America are filled with workers engaged in skill enhancement activities like two week crash courses in Microsoft Office. Under current law, these activities, which the participating workers see as "training", are not reported as training. They should be included in the definition of training under WIA Reauthorization. One Stops across the country also do what the original WIA legislation asked them to do, leverage their limited funds. Yet workers who are referred from One Stops to Pell funded training don't show up in the WIA count. This too should be fixed in WIA Reauthorization. Finally, USDOL's numbers did not count people who received training under the Governor's

15% funds. In my state alone, thousands of people have been trained through strategic use of this WIA funding.

- If Congress decides to require that a set percentage of a WIB's funds must be spent on training, then it is fair and essential that skill enhancements and leveraged training count under that requirement.
- NWA strongly believes that WIA Reauthorization should adopt a regression model for calculations of cost and wage gain measures to reflect the local economy and characteristics of populations receiving services. Failure to reinstate this regression model that existed under WIA's predecessor legislation the Job Training Partnership Act risks under-serving individuals with severe barriers to employment.
- Sectoral strategies which include career ladder approaches to help people move toward self sufficiency have shown great promise under WIA. They are best provided through contracted training, not Individual Training Accounts (ITA's). NWA believes that ITA requirements should be relaxed to allow contract training for sector initiatives.
- The employer match requirement for customized training should be a decision of the local WIB, and factors such as the size of the employer's business are important factors in that determination.
- WIBs should be allowed to spend up to 10% of their Adult and Dislocated Worker formula funds on incumbent worker training. This flexibility is needed to both target key industry clusters as well as to help move low wage workers up the career ladder. Performance measures will need to be adjusted, since earnings will increase less for an existing low wage worker than an unemployed worker who receives training and is then placed into a job.

4. **Expenditures vs. Obligations.** Because no accurate assessment of WIA spending can fairly rely on expenditures exclusively, WIA reauthorization should require USDOL to utilize some combination of expenditures, accrued expenditures, and legal obligations in determining spending for the system. Congress may want to consider using either "accrued expenditures" or "legal obligations" (encumbrances) in determining the redistribution of "unspent" funds, in reports to Congress on spending levels, and in determining funding recommendations. These terms must be clearly defined in the Act, and DOL should be required to collect this

information from states and local areas, and should be required to utilize such data. Subsequently, technical assistance should be promptly provided to States and local workforce areas by USDOL. NWA's recommendations are consistent with the recent GAO study and findings on expenditures and obligations.

While you are the Authorizing Committee, the failure to reauthorize WIA has cost the workforce system millions of appropriated dollars since USDOL continues to erroneously insist that there are large sums of money not being spent. NWA strongly disagrees with USDOL's conclusion, as well as their continued insistence on using a reporting methodology that is not the one defined in the WIA legislation.

We respectfully point out that in his recent June 28th testimony before this subcommittee, Sigurd Nilsen, of the Government Accountability Office stated that:

- USDOL's "focus on expenditures without including obligations overestimates the amount of funds available to provide services at the local level."
- "The process used to determine states' available funds considers only expenditures and does not take into account the role of obligations in the current program structure. Our (GAO's) analysis of Labor's data from program year 2003 and beyond indicates that states are spending their WIA funds within the <u>authorized</u> 3 year period."
- "In fact, almost all program funds allocated in program year 2003 were spent by states within 2 years."
- Finally, Nilsen said that USDOL's "Office of the Inspector General (OIG) recently concurred, noting that obligations provide a more useful measure for assessing states' WIA funding status if obligations accurately reflect legally committed funds, and are consistently reported."

In my home State of New York, from Program Year 01 (PY01) to PY 07 we received $1,536,278,587 in total WIA Title 1B funds. Every single penny was spent within the timeframe Congress authorized. That's right, New York State had zero funds recaptured. Yet based on this faulty USDOL argument that the workforce system is awash with funds, the House

Appropriations Committee, July 11th, adopted a $335 Million dollar Rescission to WIA funds. In my State, even though we spend every single penny as Congress has directed us, we will have $28 million less to provide critically needed training to our workers, if this rescission stands.

NWA strongly urges you to address this issue this year. While our global competitors increase their investments in an educated and highly skilled workforce, failure to remove this fallacious argument risks WIA becoming the piggybank for other worthy domestic programs at the very time when we need to maximize our investment in our workforce.

Conclusion

For many years Workforce Development policy has been an area of strong bipartisan agreement in the Congress. The National Workforce Association believes that there are immense benefits to the workforce development system that can be derived by fine-tuning WIA in reauthorization. In these critical economic times, we hope that the Committee on Education and Labor, and the House will build on WIA's growing successes rather than making radical changes to a system that has just begun to see major improvements. The Workforce Investment Act has indeed moved the nation forward toward the goal of having a single, comprehensive, and customer-friendly system where all American workers and employers can receive the information and services they need to succeed in today's rapidly changing labor market.

NWA stands ready to work with you and the committee staff as reauthorization moves forward. Chairman Hinojosa, that concludes my remarks. I want to thank you again for this opportunity to testify before the Subcommittee. I welcome any questions that you may have.