

**OUTCOME  
GOAL 2.3 -  
INCREASE  
EMPLOYMENT  
AND EARNINGS  
FOR RETRAINED  
WORKERS**



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## Overview

The national unemployment rate reached 5.4 percent in October 2001, an increase of 1.5 percentage points over October 2000. A national unemployment rate of 5.4 percent has not been recorded since December 1996. The terrorist attacks of September 11 further exacerbated the loss of jobs — with 1,013 mass layoffs involving 117, 711 workers occurring within the following three weeks.

Declines in the economy's performance often precede a significant increase in the demand for reemployment and retraining services. Each year, an estimated 2 million displaced workers require reemployment services and 500,000 need retraining to secure jobs with long-term employment potential. For these workers, the workforce development system serves as a resource to aid them in developing the skills demanded by technological change and to overcome barriers to employment, such as basic skills deficiencies and low levels of English language proficiency.

## Serving the Public

The Department's Employment and Training Administration provides worker retraining through three major programs: the Workforce Investment Act (WIA), Title IB (Adult and Dislocated Worker Employment and Training Activities); the Trade Adjustment Assistance (TAA) program; and the North American Free Trade Agreement Transitional Adjustment Assistance (NAFTA-TAA) program. The framework for delivering WIA services emphasizes: preventing unemployment, where possible; maximizing job placement and wage replacement; early intervention following the notification of a plant closing or loss of jobs; effective

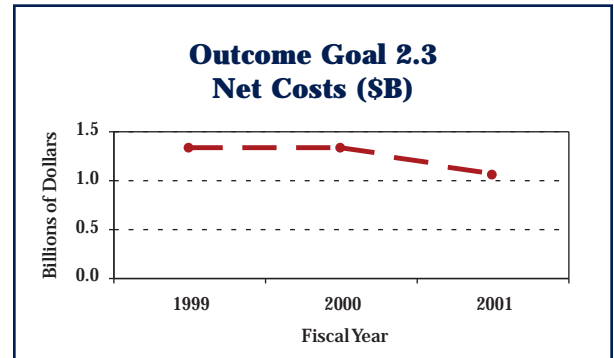
service and outreach; and partnerships with employers, employees' representatives, faith and community based organizations and other stakeholders. All three of the Department's programs serving dislocated workers provide occupational and on-the-job training, job search assistance, relocation assistance, and income support for workers in training. Services are delivered through local One-Stop Centers.

### Program Costs

Lower spending for dislocated worker programs in FY 2001 could increase in FY 2002 as workers unemployed with the downturn in the economy exhaust their unemployment benefits and become more proactive in seeking training as a means to new employment.

### DOL Challenges for the Future

A key Secretarial area of emphasis is re-orienting the Department's programs to meet the needs of the 21st Century workforce and ensuring effective, results oriented job-training programs. Adult and dislocated worker programs will be challenged to provide universally high quality service, high performance results and consumer choice to citizens who vary greatly in the mix and intensity of services they require. These programs will also be challenged to achieve the responsiveness needed to adjust quickly to sudden changes in the economy triggered by economic "shocks," such as those that followed the September 11th terrorist attacks, and the unforeseen demand for new skills that was associated with employment growth in the information technology industries over the last decade. Customized training and on-the-job training may become increasingly important components of strategies to improve the programs' flexibility to respond to rapid economic changes.



## JOBS FOR DISLOCATED WORKERS

**Of those registered under the WIA dislocated worker program, 71% will be employed in the first quarter after program exit, and 82% of those employed in the first quarter after program exit will be employed in the third quarter after program exit, with 90% of pre-dislocation earnings.**

**Results:** The Department met its goal. The program achieved an entered employment rate of 75 percent, a six-month retention rate of 83 percent and an earnings replacement rate of 95 percent. Final data will be available after all States submit their annual reports to the Department. That data will contain an additional quarter of wage records, so results are expected to vary from this report.

**Program Description:** The dislocated worker program aims to improve the quality of the workforce, reduce welfare dependence and enhance the productivity and competitiveness of the nation's economy. The Workforce Investment Act (WIA) authorizes employment and training assistance to eligible dislocated workers. The Department allocates 80 percent of the funds by formula to the States. The Secretary may use the remaining 20 percent for discretionary activities specified in WIA, including assistance to localities that suffer plant closings, mass layoffs or job losses due to natural disasters.

**Analysis of Results:** According to preliminary results, the Department exceeded the Program Year 2000 performance targets, which DOL developed through negotiations with the State agencies. The results reflect performance that 53 States reported.

States and local areas used the Unemployment Insurance wage

record reporting system for the first time this year as their performance reporting data source. The Department plans to examine the States' reports and the UI wage record reporting system to identify any issues that may affect data quality and reliability

**Strategies:** DOL introduced the following major strategies to improve the WIA dislocated worker program after its first year of full operation:

- The Department conducted "WIA Readiness Reviews," which uncovered several areas that affect the delivery of quality services to dislocated workers and the accurate and reliable reporting of both services and outcomes. For example, the review results indicate that: a) eligibility determination policies varied among and within States; b) the number of eligible training providers was less than what would be necessary for competition and customer choice – primary tenets of WIA; and c) using the flexibility afforded them, States had adopted inconsistent approaches to certain measures of dislocated worker services, affecting the comparability of data.
- The Department designed guidance and technical assistance activities to address the problems that the "WIA Readiness Reviews" revealed occurred in the first year of program implementation. States and local service providers use the guidance and technical assistance to improve services and outcomes for individuals the WIA dislocated worker program serves.
- DOL began deploying the guidance it developed as a result of the "WIA Readiness Reviews." The Department is working with a

network of partners from business coalitions, public interest groups, and community and faith based organizations to implement the WIA program refinements for their respective constituents. This will assure more consistent policy, which will improve service delivery, outcomes and reporting. DOL will assess its success in deploying the guidance during the second half of Program Year 2001.

- The Department began "showcasing" the best WIA programs. The Workforce Excellence Network (which consists of the Departments of Education, Health and Human Services and Labor, the National Association of Workforce Boards, the National Leadership Institute and other organizations) conducts two major national conferences each year — the "Journey to Excellence" and "Workforce Innovation" — to display programs and innovations. In "Journey to Excellence," State and local service provider staff members who have achieved excellent results provide workshops to other State and local program staff. "Workforce Innovation" showcases projects with technological innovations that have improved employment and training services for dislocated workers and other WIA customers.

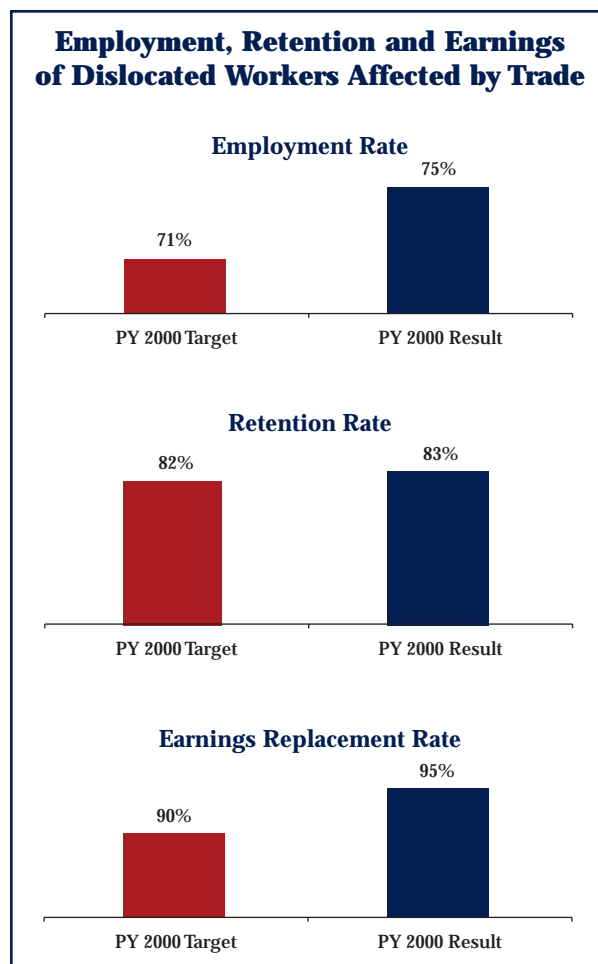
For Program Year 2001, the Department is building upon these basic strategies by continuing readiness reviews, providing additional training and technical assistance in response to readiness review findings, and working with its partners to improve services and outcomes for all citizens. One of the partners, the Workforce Excellence Network, will showcase models that demonstrate outstanding customer service, satisfaction and employment outcomes.

The Department also will examine the wage replacement measure for dislocated workers during Program Year 2001. Specifically, the Department will focus on better understanding how personal and economic factors affect the importance of wage replacement for the individual participant. This effort will provide DOL with valuable insight and information that will inform Departmental policies and directives and assist localities in improving wage replacement for dislocated workers.

**Goal Assessment and Future Plans:**

The Department has increased the Program Year 2002 performance goal to take into account the Program Year 2000 performance results. The Department set performance goals for Program Years 2000, 2001 and 2002 during the transition from the Job Training Partnership Act program to the WIA program. DOL revised the Program Year 2002 target of 75 percent employment, 85 percent retention in employment, and 92 percent earnings replacement rate to a target of 78 percent, 88 percent, and 98 percent, respectively.

*(Goal 2.3A — FY 2000 Annual Performance Plan)*



## HELP TRADE-AFFECTED WORKERS FIND NEW JOBS

**Upon exit from the Trade Adjustment Assistance (TAA) or NAFTA Transitional Adjustment Assistance (NAFTA-TAA) programs, 73% of program exiters will be reemployed in the first quarter after exit, with 80% of those still employed in the third quarter after exit and with an average of 82% of pre-dislocation wages.**

**Results:** The Department substantially met the goal, according to preliminary data covering the first three quarters of FY 2001. Sixty-six percent of participants were employed in the first quarter after program exit, and 90 percent of those were still employed in the third quarter after program exit with an average of 88 percent of pre-dislocation wages.

**Program Description:** DOL's TAA program provides readjustment services to dislocated workers who lose their jobs in important part because of increased imports from any foreign country. DOL's NAFTA-TAA program provides readjustment services to dislocated workers who lose their jobs in part because of increased U.S. imports from, or because of a shift of production to, Canada or Mexico. The readjustment services and benefits offered by both programs include occupational, on-the-job and remedial training, job search and relocation assistance, and income support for workers in training.

**Analysis of Results:** The Department's current data cover the first three quarters of FY 2001 and represent reports from 43 States under the revised Trade Act Participant Report (TAPR) system upon which the performance measures are based.

Preliminary results for program participants employed in the first quarter after exit are slightly lower than the 73 percent target. The Department notes the shortfall in employment for those exiting the program as well as the apparent decline in the percent of wage replacement from that of FY 2000 (from 106 percent replacement to 88 percent) but believes that, without final data, it is too early to assess the potential causes for these levels of performance.

A preliminary reading suggests that some of the shortfall in this year's performance could be due to the overall performance of the U.S. economy in general, or the fact that in some trade-impacted communities unemployment rates can soar to levels of 10 to 26 percent. (See General Accounting Office (GAO) report entitled "*Trade Adjustment Assistance: Experiences of Six Trade-Impacted Communities*" in which the GAO noted the challenges for selected trade-impacted communities which could not be met by existing trade assistance programs.) The lower results could also be due in part to the lower reemployment rate of those participants who did not enter or complete a training program. This is consistent with recent findings of the DOL Office of Inspector General (OIG) that, although over 90 percent of TAA participants received some training, only about half of the approximately 9 percent of TAA participants who received no training became reemployed and only 68 percent of those who failed to complete training got jobs compared to 77 percent of training completers who got jobs. The OIG report is complimentary about the fact that over 90 percent of participants in this audit received some training as compared to just over 50 percent in a prior study.



**Strategies:** In FY 2001, the Trade Act Programs' strategies focused on implementing the new TAPR system to support performance management and on providing technical assistance and training to strengthen program administration. DOL also continued to identify ways to fully integrate dislocated worker services that the Trade Program authorizes with the system of dislocated worker services that the Workforce Investment Act (WIA) authorizes. In the future, the Department will continue to provide ongoing technical assistance to States facing reporting problems as well as providing appropriate training on all aspects of the administration of the Trade Act programs, especially cooperation with the WIA dislocated worker program, through conferences it sponsors nationwide. A review of final data as well as the outcome of pending legislation to reauthorize the Trade Program will shape the program's other FY 2002 strategies.

**Goal Assessment and Future Plans:** The Administration supports TAA Program reauthorization and is currently developing additional provisions that will enhance the program's dislocated worker services. The Department will adjust its goals and strategies accordingly to reflect any new provisions.

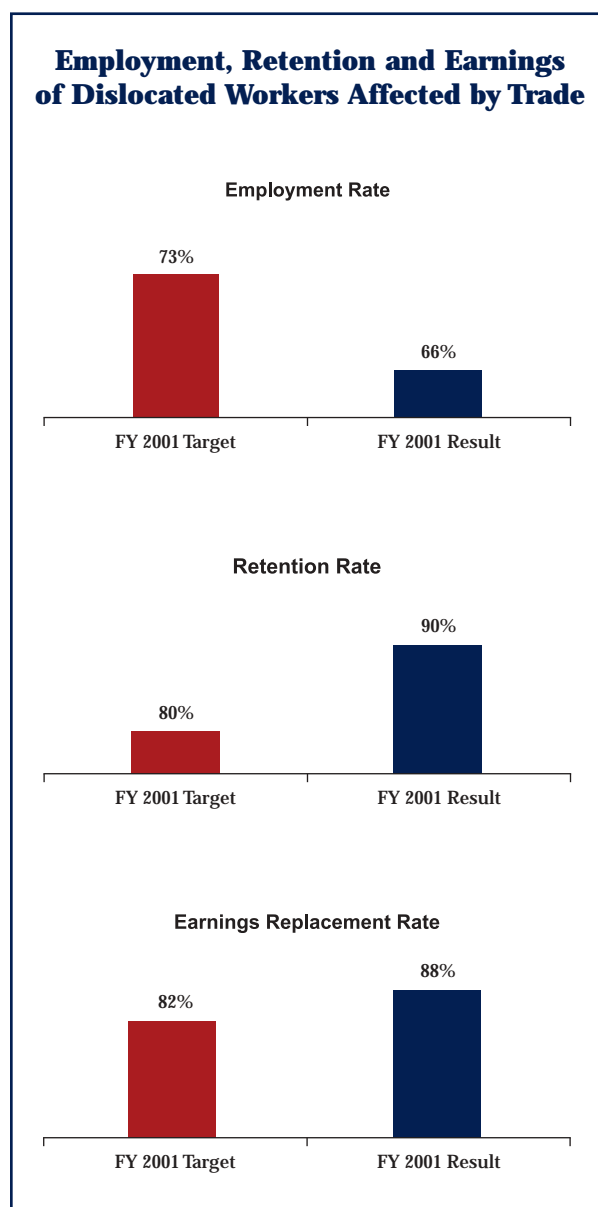
**Program Evaluation:** GAO completed its review of the TAA and NAFTA-TAA programs. Its report, *"Trends, Outcomes, and Management Issues in Trade Act Programs,"* has the following recommendations for DOL:

1. Establish an effective performance measurement system to track participant outcomes and then disseminate that information to the States and localities so that they can better serve participants;

2. Establish procedures that will enable the Department to certify workers for TAA and NAFTA-TAA within required time frames; and
3. Establish more effective internal controls and improve oversight with regard to benefit payments by States in order to prevent workers ineligible for benefits from receiving them.

The Department has implemented an improved reporting system that uses performance indicators and definitions consistent with those of WIA and uses Unemployment Insurance wage records (less costly and more consistently reliable) as the basis for reporting employment, earnings and retention. It has put new procedures in place and has hired contractor staff to assist in completing investigations in a timely manner. DOL has also collected information and corrections on benefit data from 28 of 31 States. In all cases, States made reporting errors, but did not pay benefits to ineligible workers.

OIG completed its review of the TAA and



NAFTA-TAA programs in FY 2001. Its report, *"Improving Trade Act Programs,"* has the following recommendations for DOL:

1. Ensure that States have suitable employment goals translated down to the local level of program services;
2. Ensure that States have clear, uniform procedures for program termination;
3. Ensure that States' trade adjustment activities are an integral part of their program evaluation and monitoring systems; and
4. Ensure that the Department and the States monitor participant data in the new TAA reporting system to ensure the data are accurate and complete.

The Department agrees with the OIG recommendations and has already made program improvements that address the OIG concerns. DOL has refined its performance measures and goals, and it will continue to work closely with States to ensure local offices are better aware of performance expectations. Ongoing training sessions and forthcoming directives will emphasize to State and local office Trade Act staff the importance of managing for performance and outcomes for participants, rather than simply for process. DOL's revised Trade Act Participant Report system and new program review guide will further the implementation of the OIG recommendations.

See Appendix 3 for further information regarding these evaluations. ■

*(Goal 2.3B — FY 2001 Annual Performance Plan)*