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Chairman Kline, Ranking Member Miller, Chairwoman Foxx, and Ranking Member Hinojosa:

National Skills Coalition is a national network of business leaders, union affiliates, community colleges, community-based organizations, and public workforce agencies working together to help every worker and every industry in this country gain the skills they need to compete and prosper in today's economy.

On behalf of our members, I want to thank you for inviting me to testify before the committee today, and for your efforts to strengthen and modernize the Workforce Investment Act (WIA) for the 21st century. With nearly two-thirds of all jobs created between 2008-2018 expected to require at least some form of postsecondary education or training—including millions of well-paying "middle-skill" jobs that the workforce system is particularly well-suited to help fill—we must ensure that all U.S. workers have access to education and training leading to skills and industry-recognized credentials that will allow them to get and keep family-supporting jobs. And, with U.S. employers struggling to fill even current job openings because of a lack of qualified candidates, it is clear that we must act sooner rather than later to ensure that we have a workforce system that can respond quickly and effectively to the demands of today's labor market.

It is a testament to the importance of this issue that we have two alternatives before this committee to consider for purposes of WIA reauthorization. The Workforce Investment Improvement Act of 2012 (HR 4297), introduced by Subcommittee on Higher Education and Workforce Training Chairwoman Foxx and Representatives McKeon and Heck, and the Workforce Investment Act of 2012 (HR 4227), introduced by Representative Tierney, Ranking Member Miller, and Subcommittee on Higher Education and Workforce Training Ranking Member Hinojosa. Both offer visions for the nation's workforce system that share some key commonalities, but also underscore some stark differences.

Core Goals for Reform

National Skills Coalition believes that any federal workforce policy reforms, such as those being considered by the committee, should be driven by three core goals:

1) Enhancing the <u>effectiveness</u> of our nation's workforce system in meeting the skill needs of all U.S. workers and businesses, through expanded access to training and greater industry involvement in determining what that training should entail;

2) Strengthening accountability across all of our workforce and education programs, so that states and localities are aligning limited federal resources with labor market demand, while also ensuring that the needs of all individuals, including those who are harder-to-serve, are met; and

3) Promoting innovation by building on the lessons learned and best practices developed over the past 15 years by the workforce field, so that high-performing states, localities and practitioners can bring those innovations to scale, and so that others are encouraged to adopt these effective practices to better meet the needs of local workers and industries.

We are encouraged to see that similar goals inform both the legislation that is the focus of today's hearing, as well as the bill introduced last month by the committee Democrats. However, National Skills Coalition has significant concerns that some of the policy changes proposed under HR 4297 may not actually achieve these goals.

Impacts of Proposed Consolidation

In the name of alignment and reducing inefficiency—necessary goals for our future workforce system—HR 4297 adopts the blunt instrument of program consolidation, eliminating 27 federal programs that collectively provide a variety of services to support the training and employment of many different types of workers, as well as key functions like our 50-state Wagner-Peyser system that connects the unemployed to unemployment insurance and re-employment services. But after eliminating these programs, the resulting consolidated Workforce Investment Fund block-grant does not actually require states or localities to adopt proven practices like the reforms the authors encourage elsewhere in their bill.

Consolidation, in and of itself, is not reform. Simply combining 27 funding streams into one will not automatically result in a more effective, efficient system if nothing changes in how those funds are being used at the state and local level. Congress should make specific, targeted investments in key strategies that we know work, and require all states—not just the high-performing innovators—to implement those strategies as is appropriate for their local and regional labor market needs. This will better drive system-wide change. Even among the states that have been first adopters of these practices over the past decade, we fear that consolidation may create unintended incentives that will shift them from the very models they have developed to bring a wide range of people into the skilled labor market.

Furthermore, it not clear that the programs that are consolidated under HR 4297 will actually result in the kind of system alignment that will facilitate seamless transitions across programs and institutions. National Skills Coalition believes that, rather than simply consolidating a list of programs culled from a Government Accountability Office report, a better approach would be to promote and support career pathways models that align adult education, job training, postsecondary education, and supportive services at the system level to provide well-defined employment and training pathways for individuals, with multiple exit and entry points for workers at various skill levels and stages in their careers. These career pathways strategies have demonstrated strong results in helping workers – particularly low-skilled individuals and other vulnerable populations – persist and succeed in education and training, and have enhanced employer engagement in the design and implementation of programs that help prepare new workers for entry-level positions, while helping incumbent workers move up the career ladder. Numerous states, regions, and local communities have already begun this work, and federal policy should support the progress that has already been made in the field.

But our greatest concern, beyond not providing clear direction or standards on how federal funds should be used, is the impact that consolidation will have on the populations who may no longer be served once these programs are eliminated.

Programs and Services for a Diverse Workforce

HR 4297 seems to ignore the diversity of individuals who are in, or aspire to be part of, our rapidly changing U.S. workforce. With mounting skill demands and the pending retirement of millions of skilled baby boomers, we need to ensure that every U.S. worker—even those with the greatest skill needs—can qualify for skilled employment in U.S. industries. That means we need a diversity of programs and pathways to match the wide range of people who need to be part of that solution: young people struggling to find jobs out of high school; mid-career dislocated workers who have been employed for 20 years but who now must re-train for a new occupation or even to remain in their own industry; and older workers who are postponing retirement and need some skills and support to continue earning a living. We have nearly 90 million workers who need some upgrading of their reading, math and/or English language skills—in addition to whatever new technical skills they will need—if they're going to fill or re-train for open skilled positions.

There is no one workforce development strategy or funding stream that can meet the needs of all of these workers, or guarantee access to the range of services that each of them will need in different combination in order to succeed. Many of them will require not just technical training, but also possibly income support if they're not working, or childcare or transportation services to help them stay in school or on the job after placement, or basic skills and /or English language instruction, or any of a number of other types of assistance. HR 4297 eliminates programs that have guaranteed that a full diversity of workers—including those with the highest skill needs—have access to these federally funded employment and training services. In addition, vulnerable populations like disconnected youth, Native Americans, migrant and seasonal farmworkers, and other hard-to-serve populations would almost certainly lose access to vital services under HR 4297.

In the place of these eliminated programs, HR 4297 requires states set aside a very low 2% of their funding allocation for services for individuals with barriers to employment—a substantial drop from the already inadequate resources devoted to those job-seekers. It removes the provision of support services. It eliminates the current priority of services for low-income individuals. It sets an 18% cap on services to low-income youth, and would not hold states accountable if they spent significantly less than that. And, beyond what provisions and programs it eliminates through its consolidation proposal, it opens the door for states to use super-waivers to roll other federal programs that serve our most vulnerable into the same undifferentiated pot—including TANF, TAA, Vocational Rehabilitation services for those living with disabilities, and the Community Services Block Grant.

As such, it seems almost certain that the consolidation of programs proposed under HR 4297—particularly when coupled with the numerous policy changes in the bill that reduce protections for low-skilled, low-income, and other targeted populations—will reduce access to education and training services for our nation's most vulnerable workers.

Employer Engagement and Sector Partnerships

HR 4297 emphasizes the need for federal workforce programs to be more closely aligned with the changing needs of industry—another goal with which we strongly agree. However, the mechanism proposed by HR 4297 to achieve greater employment engagement—that is, increasing the percentage of employers sitting on Workforce Investment Boards (WIBs) while decreasing representation from other stakeholders—will likely do little to actually increase the number of local employers involved in the local definition of industry-recognized credentials, or in the vetting of the design of related training and employment strategies. At the same time, by decreasing the role of other community stakeholders' participation on the WIBs—including community-based organizations, service delivery providers, labor representatives and youth advocates—HR 4297 actually threatens to limit the necessary input of a range of perspectives in the planning out of workforce services that will meet the needs of both employers and workers within local communities.

Under current law, there are WIBs with 51% employer membership who are actively collaborating with multiple firms and other stakeholders in industry-specific sector partnerships—partnerships that are held up as models of employer engagement for the rest of the country—and there are WIBs with the same 51% employer stake who are not. The number of employers on these WIBs is not the determinant factor. Rather, it is how many employers are meaningfully engaged through industry-specific planning and deployment efforts. Also key is whether the development of such sector partnerships is a state or local planning priority, whether there is participation by a wide enough range of firms and other stakeholders to make them legitimate, if there is funded capacity to help maintain these partnerships to respond to changing industry needs, and if there are rewards for those systems that use them effectively to increase employer engagement.

Accountability and Performance Measures

National Skills Coalition appreciates and supports the increased attention to accountability and performance measures under HR 4297. The bill makes a number of important improvements to the current performance and accountability system, including the implementation of common performance measures across WIA core programs. The inclusion of a new credential measure, and a measure of progress toward a credential that potentially encourages longer-term training critical for low-skilled workers, are important improvements of current law, as is the required state adjusted level of performance for each of the core indicators.

However, even with these changes, there are concerns that HR 4297 will still lead to the kinds of "creaming" that sometimes occurs under the current performance measures. For example, HR 4297 uses a measure of median wages rather than wage gains. The use of median wages tends to push toward focusing on individuals with higher earning potential—and thus higher median wages—while a measure of wage gains potentially rewards programs that serve low-income individuals who have the greatest opportunity to increase their earnings. Under HR 4297, states could potentially meet performance requirements without ever addressing the needs of those with the greatest barriers to employment. We know from experience that so long as performance measures do not reward states that make the commitment to serve low-income, low-skilled, or otherwise vulnerable populations, these populations will often not have access to the education and training they need to obtain skilled employment.

Furthermore, even under current law, data collection and program oversight are already difficult. The diversity of local policies for registering participants and tracking program outcomes has complicated federal oversight because it is difficult to obtain nationally comparable data. Under HR 4297, it is likely that the consolidated block-grant funding structure will further exacerbate this issue. As a rule, we know less about how block-grants funds are spent than other types of funds. Our ability to evaluate access to employment and training services by population, type of jobseeker, income level, or skill level will almost certainly be less under a consolidated block grant than under current law.

Putting Investments in Skills at Risk

Finally, the level of investment in a skilled workforce provided under HR 4297 must be considered in the context of the current fiscal debate. We want to thank subcommittee Chairwoman Foxx for her commitment to maintaining current funding levels for what are already significantly under-invested programs. The authorization for the proposed Workforce Investment Fund appears to be close to the sum of current appropriations for programs consolidated under the bill. While we do not agree with the consolidation or believe that this funding level is adequate—witness the near tripling of clients using our One-Stop services just over the past two years—we appreciate that HR 4297 does not further contribute to the more than $1 billion in workforce funding cuts that we have already seen over the past two years.

That said, our much greater concern is how consolidation proposals like that proposed under HR 4297 have been cited by others in Congress—including Chairman Ryan in his budget blueprint—as rationale for continuing our nation's disinvestment in the skills of its people, across a range of programs: adult education, job training, career and technical education, and even higher education. The House's recently passed budget resolution would cut over $16 billion from our nation's education, workforce and social service programs under Budget Function 500, and we fear the passage of HR 4297—regardless of the intentions of its authors—would be used to justify extremely deep cuts in skills investments.

Conclusion

It is our hope that this Committee can bring this debate back to what we think are shared goals: investing effectively in all of our country's workers, ensuring those investments are guided by the active involvement of employers and other industry stakeholders, holding our states and localities accountable and rewarding those who continue to be workforce innovators, and ultimately closing skills gaps that will help more people find good employment and help more U.S. industries grow. We look forward to working with the committee in pursuit of these goals.