

# **The Workforce Investment Act in Eight States**

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## Preface

This is the final report to the U.S. Department of Labor on an in-depth, eight-state study of state and local administration of the Workforce Investment Act (WIA) of 1998. There are multiple reasons for conducting such implementation research:

- ***Economic Development.*** Learning about ways to upgrade the skills of the American workforce, which is the overarching aim of the 1998 Workforce Investment Act, is a crucial ingredient for enhancing the competitiveness of the U.S. national economy.
- ***Administrative Understanding.*** Knowledge about the way different kinds of federal grant-in-aid work — in this case a broad-gauged subvention to state governments — is an important input to national policy making in functional areas in which block grants or variants of block grants are provided. Implementation research can be valuable aid to public officials so they can learn about how the actions of different types of governments in American federalism can influence bureaucratic behavior related to the pursuit of national policy goals.
- ***Federalism Theory.*** Federal grants-in-aid involve a two-part policy bargain: on the one hand *horizontally* there are the multiple and often different goals that are sought by the grant-making agent. At the same time, grants-in-aid are also a policy bargain *vertically* in the sense that the relationships between the granting and recipient entities are worked out in ways that are ultimately complex and varied. Both dimensions need to be understood theoretically in regards to the functioning of American federalism.

We hope the findings of this study highlighted in this report contribute to policymaking, policy implementation, and scholarship in all of these ways. This implementation research report represents the culmination of a collegial and interactive process that involved the authors of the final report, Burt Barnow and Christopher King, all the authors of the eight case studies, and the responsible members of the central staff of the Nelson A. Rockefeller Institute of Government, the public policy research arm of the State University of New York. The eight case study states are Florida, Indiana, Maryland, Michigan, Missouri, Oregon, Texas, and Utah.

The Institute has conducted a number of field network research studies similar to this study of the 1998 Workforce Investment Act.\* In this case, the major emphasis is on state governments, although in each sample state field-research observations were made at the local level and the level of the One-Stop Career Centers, the front line of workforce policy. We requested that state officials review and comment on the draft case study

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\* See Lurie, Irene (2003). "Field Network Studies," in *Implementation Analysis: An Evaluation Approach Whose Time Has Come*, Thomas Corbett and Mary Clare Lennon, eds., Washington, D.C.: Urban Institute Press.

reports, which they did. Full texts of the completed reports are available to the public. It is our hope that this research will be a useful input to policy making, coming as it does at the beginning of the 109th Congress, which has on its agenda the reauthorization of the WIA legislation.

Many people made valuable contributions to this study. Along with the authors of this report, I especially want to acknowledge and express appreciation to the hundreds of state and local government officials and officials on nonprofit and for-profit companies working in this field who provided valuable information and data on the operations of the WIA program in the eight sample states and in local Workforce Investment Boards and at One-Stop Career Centers in these states. We benefited as well from the good counsel and advice of U.S. Department of Labor officials, especially Emily DeRocco, Mason Bishop, Stephen Wandner, David Balducchi, Tara Smith, and Amanda B. Spickard.

*Richard P. Nathan*  
*Principal Investigator*

## Executive Summary

This report concludes a two-year study of workforce service delivery in eight states, sixteen local areas, and more than thirty local One-Stop Career Centers operating under the auspices of the federal Workforce Investment Act (WIA) of 1998 (Public Law 105-220). WIA represented the first major reform of the nation's workforce development policies and programs in fifteen years, replacing programs that had previously operated under the Job Training Partnership Act (JTPA).

WIA is based on seven guiding principles, most of which have now been adopted by state and local workforce development systems:

- Streamlined services.
- Individual empowerment.
- Universal access.
- Increased accountability.
- A strengthened role for local Workforce Investment Boards (WIBs) and the private sector.<sup>1</sup>
- Enhanced state and local flexibility.
- Improved youth programs.

Major changes for workforce development programs authorized under Title I of WIA include the following:

- Fostering more coordinated, longer-term planning for workforce development programs. The long-term planning was not only for WIA, but also for the Employment Service (labor exchange services supported under the Wagner-Peyser Act), and related funding streams such as Temporary Assistance for Needy Families (TANF) work programs, Adult Education and Family Literacy, Career and Technical Education, and Vocational Rehabilitation programs.
- Institutionalizing One-Stop Career Centers as the cornerstone of the local workforce delivery system. All states applied for and received One-Stop infrastructure grants (financed by national Wagner-Peyser Act funds) in the 1990s. These grants promoted and financed voluntary One-Stop approaches to workforce service delivery. WIA relies on One-Stop Career Centers as the “front-end” of the local workforce system; partners are required to contribute a portion of their funds to support the One-Stop Career Centers' infrastructure.
- Sequencing services for job seekers through three tiers: core, intensive, and training services. Core services involve the provision of information on job openings, the labor market, and providers of training services, youth activities, adult education, vocational rehabilitation activities, and vocational education

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<sup>1</sup> Local boards are business-led “boards of directors” for the local areas.

activities. Intensive services involve individualized activities such as counseling and assessment to help customers choose training programs and select occupational areas. Training consists of classroom or on-the-job preparation for a specific occupation or set of occupations.

- Implementing universal eligibility for core services via One-Stop Career Centers. In a departure from its predecessor JTPA, WIA is structured to provide core services to *all* participants in the labor market. Training funds, however, are reserved for low-income individuals if funds are insufficient to serve all customers.
- Increasing reliance on market mechanisms by 1) delivering training services using Individual Training Accounts (ITAs) that allow customers to select training from an eligible provider list with provider performance information available on a consumer report card, and 2) linking performance incentives to standards for three programs: WIA, Adult Education and Family Literacy, and Vocational Education.

The purpose of this study is to provide useful information for both national policymakers in the Executive Branch and Congress for WIA and related reauthorizations (e.g., Perkins, TANF) and for program administrators and policy researchers. The research has been designed to enhance understanding of the way workforce service delivery has been operating across the country.

Individual published reports on each case study state (i.e., Florida, Indiana, Maryland, Michigan, Missouri, Oregon, Texas, and Utah) are available on the U.S. Department of Labor (USDOL) and Rockefeller Institute websites.<sup>2</sup> A report on a Colloquium on this research, held in Washington, D.C. on May 6, 2004, is also available on the Rockefeller Institute website.<sup>3</sup>

### Methodology

The field network methodology adopted for this WIA service delivery study has been used to inform policymakers, administrators, and researchers about the effects of a number of federal/state policy initiatives over the past several decades. Key features of field network studies include:

- A focus on major implementation issues of one or more programs by institutions of interest.
- Reliance on knowledgeable senior researchers in the field.
- Coverage of relevant levels and units of government.
- Application of a uniform research design that enables researchers to draw on field data across sites to synthesize findings.

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<sup>2</sup> See <http://www.doleta.gov/reports/searcheta/occ/> or [http://www.rockinst.org/quick\\_tour/federalism/wia.html](http://www.rockinst.org/quick_tour/federalism/wia.html).

<sup>3</sup> See [http://www.rockinst.org/quick\\_tour/federalism/wia.html](http://www.rockinst.org/quick_tour/federalism/wia.html).

In each of the eight study states, a spectrum of workforce system actors was interviewed. Researchers used a structured guide for interviews of elected officials (e.g., legislators), policymakers, agency officials, program directors, community and technical college administrators, business and chamber of commerce leaders, state and local WIB directors and staff, One-Stop Career Center directors and staff, advocates, and employees of community-based organizations. In addition, leaders and staff of workforce development, education, human services, vocational rehabilitation, economic development, and related programs were interviewed to obtain a broad perspective on workforce development activities.

The box below lists the study states and areas, and the field researchers. The study sites were selected using a purposive selection strategy. States and local areas were selected by region, urban/rural population, the organizational approach of One-Stop Career Center systems, and WIA early-implementation status. Some sample states were chosen in part because of the research connections to the work of the Rockefeller Institute and its network of field researchers in related policy areas (e.g., welfare reform) and to ensure that the information requested by the USDOL for WIA reauthorization was collected.

**States and Local Workforce Areas Studied**

<i>Florida</i>	First Coast (Region 8), Citrus, Levy, and Marion Counties (Region 10) <u>Researchers:</u> Burt Barnow, Amy Buck
<i>Indiana</i>	Ft. Wayne (Northeast), Indianapolis/Marion County <u>Researchers:</u> Patricia Billen, Richard Nathan
<i>Maryland</i>	Baltimore City, Frederick County <u>Researchers:</u> Burt Barnow, Amy Buck
<i>Michigan</i>	Lansing (Capital Area), Traverse City (Northwest) <u>Researchers:</u> Christopher King, Daniel O'Shea
<i>Missouri</i>	Kansas City and Vicinity, Central Region <u>Researchers:</u> Peter Mueser, Deanna Sharpe
<i>Oregon</i>	Marion, Polk, and Yamhill Counties (Region 3) The Oregon Consortium/Oregon Workforce Alliance (TOC/OWA) <u>Researchers:</u> Laura Leete, Neil Bania
<i>Texas</i>	Austin (Capital Area), Houston (Gulf Coast) <u>Researchers:</u> Christopher King, Daniel O'Shea
<i>Utah</i>	Salt Lake City (Central), Moab/Price (Southeast) <u>Researchers:</u> Christopher King, Daniel O'Shea

The sample includes small and large states and urban and rural areas that exhibit a range of organizational structures and service delivery practices. The sample is weighted to leading-edge states in workforce development. Florida, Michigan, Texas, and Utah had implemented workforce reforms in the mid-1990s before WIA was enacted. Indiana, Missouri, and Oregon also had begun to revise their systems prior to WIA. The emphasis on leading rather than representative states affects the findings. As a group, these states were less likely to have difficulty with some of WIA's new features because they either had already begun to implement some of them on their own or, given their experience with workforce reform, would be expected to have an easier time doing so.

The study's findings are based on WIA policies and service delivery experience observed during the summer and fall of 2002, when field researchers conducted site visits. Changes that have occurred in each area since that time are described briefly in Appendix A of this report.

### Findings

Findings are organized according to five major topics which the study addressed: (1) leadership, including the role of employers and the private sector; (2) system administration and funding; (3) organization and operation of One-Stop Career Centers; (4) service orientation and mix; and (5) the use of market mechanisms such as the Eligible Training Provider (ETP) list, performance standards, and Individual Training Accounts (ITAs).

Leadership. The study states exhibited a range of leadership patterns in setting up, implementing, and operating their workforce development systems. In Florida, Texas, Michigan, Indiana, Oregon, and Utah, the governor's office played a strong leadership role, but in others (e.g., Maryland), the governor gave discretion to local workforce areas. The state legislature had a leadership role in Florida, Texas, and Utah, resulting in bipartisan state workforce legislation. Business' role was strong at the state level in only a few of the states. At the local level, however, business engagement was found to be strong in half of the states (i.e., Florida, Oregon, Texas, and Utah) with local agencies pursuing their own approach.

System Administration and Funding Allocations. WIA's administrative structure is complex, distinguishing between policy development, program administration, and service delivery more explicitly than earlier workforce legislation. It also requires states to balance state and local responsibilities and make decisions about how to administer WIA in conjunction with other state employment security, economic development, and related programs. The most common approach is that policy was developed by the state and local WIBs, program administration was undertaken by agencies at the state and local level, and service delivery was carried out by vendors. Some study states (notably Florida and Texas) adopted this separation of responsibilities several years prior to WIA, while others (e.g., Maryland) chose not to do so. States in the study also varied in the extent to which there was centralized control over individual programs at the state and local level. Texas, Florida, and Michigan gave control over most programs to local WIBs and One-



Stop Career Centers, while in Utah the state retained control over these funding streams as a state-administered system. In other states (e.g., Maryland), there was little centralized control over local-level programs.

Funding to states and local areas is driven by WIA's statutory allocation formulas. Officials of state and local boards in the study sample expressed the position that funding was inadequate to provide the services called for in WIA to all participants. Some local workforce boards studied found it necessary to ration costly services such as training. Although WIA law calls for universal eligibility, it does not create an entitlement for all services to all people, and workforce systems have not had enough funding to serve more than a fraction of those eligible. Initially, officials of some of the local areas studied said that they had sufficient funding to provide training to all participants for whom the service was considered appropriate; however, this was later found not to be the case. State officials interviewed noted the desire for greater flexibility to move funds within the state and among the WIA funding streams, and to do so more quickly.

One-Stop Career Centers. One-Stop Career Centers are at the heart of WIA. It is important to keep in mind that One-Stop Career Centers are places, not programs. Challenges have arisen related to how the WIA mandatory and optional partners relate to each other at the Centers, and how the Centers are operated and funded. States and local workforce investment areas have interpreted the One-Stop service delivery mandate differently. In some states, programs such as WIA, the Employment Service, and TANF are integrated. Utah is furthest along in this respect, but Florida and Texas also have highly integrated One-Stop Career Centers.

This study examined how Employment Service, TANF, Unemployment Insurance, and community colleges are related in the One-Stop Career Centers. The Employment Service is usually a key partner, but its relationship with WIA varies, despite the fact that it is a mandatory partner under WIA. Michigan has permission from the USDOL to use merit staff from public agencies other than the Employment Service to deliver labor exchange services. In most Centers in the study, the One-Stop Career Center operator or a WIA Title I contractor also provides core services. Specific roles and relationships can vary within local workforce investment areas.

The relationship between WIA and TANF, which is an optional One-Stop partner in the WIA legislation, depends on state and local goals, program philosophy, management style, and political culture. In Florida, Michigan, Texas, and more recently Missouri, the state workforce development agency receives and spends the state's TANF workforce development funds, while in Utah the state workforce agency controls all TANF funds. TANF is a mandatory partner in Oregon and Missouri, but the relationship is not as strong as in other states. In Indiana and Maryland, TANF is an optional partner, and TANF's presence in the Centers varies across local areas.

Although Unemployment Insurance (UI) is a mandatory partner under WIA, changes predating the law have caused the UI system to be a minimal partner. In most states, UI staff are now often housed in "call centers" and interact with claimants

primarily by telephone (or the Internet) instead of in person. At the time of field observations, Indiana was the only state in the study not intending to use the call-center approach for UI eligibility determination.<sup>4</sup>

Community colleges have been a major source of training for the nation's workforce system. Relationships between community colleges and WIA programs varied among the states, in part because states vary in how established their community colleges are. The major issue affecting the relationship between community colleges and the WIA system involves ITAs and the Eligible Training Provider list requirements.<sup>5</sup>

TANF, Vocational Rehabilitation, and Veterans' Employment and Training Service were generally depicted as partners that did not fit as well in One-Stop Career Centers either because of conflicting goals, cultures, or other differences.

States in the sample varied in the extent to which other funding streams are administered by the local WIBs, and whether or not optional partners (notably TANF) were mandatory partners. Under WIA, there is no prescribed method of paying for One-Stop Career Center infrastructure costs such as rent and utilities. A wide variety of arrangements were found in the sample states, ranging from one partner paying all rent and utilities to a formula assigning infrastructure costs to partners based on criteria such as their full-time equivalent staff or square footage used. The issue of funding One-Stop Career Centers was a source of contention in most study states.

Service Orientation and Mix. When WIA was initially implemented, states and local areas interpreted the statutory language to require a *work-first*, or labor market attachment, orientation based on early guidance provided by USDOL. Later, the USDOL Employment and Training Administration made it clear that a work-first orientation was not required, and that states were free to place greater emphasis on training. The eight states in the research sample reacted to this policy clarification in a variety of ways. Florida and Indiana retained a work-first emphasis, reserving training as a last resort for customers who went through core and intensive services without finding employment. Maryland and Michigan did not take a state position on this subject, leaving it up to local boards to develop their own policy. Both states do, however, encourage local boards to use training for occupations associated with economic growth. Texas emphasizes work-first in its rhetoric, but in practice the state generally allows local boards to make their own decisions about program orientation. Missouri and Oregon offer a contrast to Texas. In these states, there is an emphasis on human capital development at the state level, but the orientation is more one of work-first at the local level. Finally, the Utah system reflects a balanced orientation that combines elements of both work-first and human capital development.

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<sup>4</sup> It was beyond the scope of this study to determine if the benefits of moving UI staff to remote call centers outweigh the costs of not having them at the One-Stop Career Centers.

<sup>5</sup> An Individual Training Account (ITA) is established for a set amount on behalf of a WIA participant (adult or dislocated worker) who uses the ITA funds to purchase training services from providers on the Eligible Training Provider (ETP) list. WIA requires each state to maintain an ETP list of all eligible training providers in the state, which must be accompanied by program performance and cost information.

Use of Market Mechanisms. All states have labor market information (LMI) systems that provide information at the state and sub-state level on wages and employment as well as ten-year projections of employment growth and openings by occupation and industry. In several study states, local WIB officials expressed disappointment that the LMI produced by their state did not include current job vacancy data and that contracts with private vendors to produce additional information were necessary.

Because customers have several choices of training programs and providers under WIA, it is important for them to have access to user-friendly information that can help them make an informed choice. Requiring states to maintain an Eligible Training Provider (ETP) list is one way to enhance customers' ability to make choices. Officials in all states in the sample said they approved of the ETP concept, but state experiences with implementation varied. Florida experienced the fewest problems because the state already had a system in place prior to WIA that required training institutions to provide the necessary data. Utah and Michigan reported few problems with ETP requirements. Officials in Texas, Missouri, and Oregon all experienced problems initially, but modified their systems to reduce the data collection and reporting burdens on training institutions. Respondents in Maryland and, to a lesser extent, in Indiana indicated that the ETP was a burden for training institutions. Officials of several states said that small programs or institutions stopped participating in WIA because of the reporting burden.

The WIA requirement that most training vendors for adult and dislocated worker programs be selected through voucher-like instruments called Individual Training Accounts (ITAs) was a significant change for federally sponsored training programs.<sup>6</sup> USDOL regulations gave states leeway as to how much they wanted to restrict ITAs in terms of cost, match with customer aptitude and ability, and characteristics of the training occupation. States in the study sample often left decisions on implementing ITAs to the local boards, which often used a "guided choice" approach for customer choice.<sup>7</sup> The local boards commonly established time and cost limits, but there were variations. Choice was limited either because many providers did not list their programs on the ETP or there were a limited number of providers in the state.

Officials of states and local areas in the study sample expressed concerns about the WIA performance management system. Most indicated that the system is a step backwards to the approach used under JTPA. They especially complained about the absence of a procedure to adjust for characteristics of participants served and local economic conditions. State officials also expressed concern that the USDOL Employment and Training Administration regional office officials did not enter into meaningful negotiations with state officials about their performance management system problems and needs.

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<sup>6</sup> The ITA requirement does not apply to customized training, on-the-job training, and other training situations.

<sup>7</sup> In the guided choice approach, counselors provide customers with guidance in selecting training programs, with the final decision left to the customer.

This study, consistent with previous studies of performance management for training programs, found evidence that local areas engaged in behavior to make their performance appear better than it actually was. This included “creaming,” whereby preference in enrollment is given to customers most likely to improve their measured performance, and strategic behavior regarding the timing of program entries and exits. Officials of several states in the sample implemented their own distinctive practices. Florida and Texas added additional performance measures to provide more timely measures of outcomes, and Florida, Texas, Maryland, and Oregon added measures that capture systemic performance for an entire labor market rather than a specific program.

### Conclusions and Challenges

This study drew the following conclusions:

1) States and localities in the sample embraced newly devolved authority and responsibility for workforce investment under WIA, giving rise to an increasingly varied workforce development system. States and local areas — led by governors, mayors, and county executives, as well as legislators and state and local workforce administrators — have served as “laboratories of democracy,” experimenting with new ways of doing business in workforce investment. A number of the study states (e.g., Florida, Michigan, Texas, Utah) had been in the vanguard of workforce policy reform, some of them advancing innovative service delivery approaches, governance reforms, and market-oriented mechanisms years before WIA introduced and encouraged such changes nationally.

2) The current approach to measuring and managing performance under WIA has not been productive, nor does it fit well with the intergovernmental approach to workforce policy that has evolved in recent decades. State and local officials and One-Stop Career Center staff were nearly unanimous in expressing displeasure with performance measurement and management under WIA. The predominant view was that prior to WIA, program participation and outcome data were of higher quality, performance standards negotiations processes were more balanced between the federal and state governments and between the states and local WIBs, and there was more emphasis on managing programs for improved results as opposed to the achievement of what tended to be viewed as arbitrary numeric goals.

3) Leadership makes a difference in workforce policy. In a number of the sample states, legislatures and governors were ahead of the policy curve early in the process in fostering an enhanced role for employers and achieving a more demand-driven workforce. Systems of the kind envisioned in the WIA legislation depend more on the type of role that employers play than on their numbers. Areas that have a strong employer role — ranging from leadership in governance to curriculum design to the provision of training — tend to be those in which employers play a substantive role, often associated with the adoption of sectoral or cluster-based strategies for economic and workforce development.

4) The separation of workforce policy development, program administration, and service delivery functions under WIA embodies what are viewed as sound management and administrative principles and, where it is being well implemented by states and localities, is contributing to the effectiveness of workforce investment programs. Several of the states in the study (e.g., Texas) separated these functions prior to WIA implementation in reforming their workforce systems in ways that survived changes in governors, legislative leadership, and political parties. However, other states in the study (e.g., Maryland) allowed local government agencies responsible for program administration to deliver services and at least one state in that position exceeded its negotiated performance standards.

5) States and local areas with more integrated workforce investment programs provide services more seamlessly with less fragmentation and duplication. Policymakers and administrators encounter criticism when they make decisions to retain traditional program structures reflecting categorical federal funding streams (i.e., the “silos”), consolidate programs under common administrative control, or integrate service delivery by administrative function. Issues arise at the state level as well as in the WIBs and One-Stop Career Centers locally. Of all of the sample states, Utah comes closest to delivering seamless services to customers, though other states (e.g., Florida, Texas) were not far behind.

6) Both state and local officials indicated that current and anticipated funding levels for workforce investment services, including WIA, the Wagner-Peyser Act, and related programs, are not sufficient or sufficiently flexible to meet needs. Funding levels have declined both absolutely and in inflation-adjusted terms despite the increasingly dynamic nature of labor markets. It is unlikely that efficiencies realized through innovations such as Internet-based job search and One-Stop Career Center service delivery can make up for these reductions.

7) One-Stop Career Centers are best viewed as places of service delivery, rather than programs, and are the key to providing seamless, comprehensive services. As such, it is important that the principal workforce partners — especially WIA, Employment Services, and TANF — be represented at the Centers along with effective education and training referral. Practice varies on both counts. The best One-Stop Career Centers serve clients well. Some programs do not appear to be a good “fit” for One-Stop Career Centers, for example, Unemployment Insurance, due to the emergence of claimant call centers, veterans’ programs because staff can only provide services to veterans, and Vocational Rehabilitation due to mission and target group mismatches.

8) There is no single best way to operate a One-Stop Career Center. Rather there are a number of differing providers, philosophies, and orientations. There is variation in operators, operating styles, and orientations — from strong work-first in Lansing, Michigan, to a balance of human capital development and work-first throughout Utah. The key to success appears to be how well the One-Stop Career Centers are managed and operated, not who operates them and their program orientation.

9) One-Stop Career Centers need stable infrastructure funding. The USDOL supported the early implementation and operations of the One-Stop Career Centers through discretionary national Wagner-Peyser Act grants to states and localities, but Centers must now carve out their support from ongoing programs and partners. The negotiation of One-Stop Career Center operating agreements and extended negotiations over finances may well have diverted resources from the provision of much-needed services, a phenomenon that is only going to worsen with declining resource levels.

10) Federal policy has become more flexible regarding services and program orientation than in the early days of WIA implementation. Recent research on workforce service strategies suggests that labor force attachment approaches yield employment and earnings impacts for some groups in the near term; however, over the longer run (three to five years), human capital development in the form of on-the-job training (OJT) and occupational skills training are likely to outperform them. States and local WIBs appear to be increasingly cognizant of this and have instituted more balanced strategies.

11) A number of the new market mechanisms introduced by WIA, including ITAs and, to a lesser extent, eligible provider certification processes, appear to be working better than expected. Despite early implementation difficulties, for the most part the study states and local areas studied have now incorporated these features into their policy frameworks and day-to-day operations for adults and dislocated workers. In part, this may reflect low demands for training services in the first few years of WIA implementation due to the booming economy. Based on the field research, leaders of many local boards and One-Stop Career Centers appear to be pursuing a “guided choice” approach to ITAs. More variation was found among the states in the sample in how well the Eligible Training Provider list requirements function. There is widespread support for the concept, but requirements for its operation were said to be overly rigid.

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WIA went into effect in all states in July 2000; WIA reauthorization discussions began in 2003 and continued in 2004. This is long enough to get a general idea about how the program is working, but it is too short a time for conducting a rigorous impact evaluation or cost/benefit analysis. The report concludes with a listing of challenges for the future:

- Balancing accountability and flexibility under a broad-based federal grant-in-aid program.
- Maintaining cooperative federal-state-local relationships on an ongoing basis.
- Assuring that reporting and performance requirements do not adversely affect customer selection, services provided and outcomes.
- Balancing the effects of UI call centers and Internet-based claims processing with the role of One-Stop Career Centers.
- Balancing the goals of universal access and serving those most in need.

- Determining effective roles for business in workforce programs and how to achieve and sustain them.
- Designing One-Stop Career Centers so orientation, management structures, and the layout for customer flow maximize outcomes.
- Integrating workforce services at One-Stop Career Centers and at other locations.
- Developing return-on-investment measures as a component of workforce performance management systems.

**The Workforce Investment Act**  
**in Eight States**



# I. Introduction

This report concludes a two-year workforce service delivery study of eight states, sixteen local areas, and more than thirty One-Stop Career Centers operating under the authority of the federal Workforce Investment Act of 1998 (Public Law 105-220) (WIA). WIA represented the first major reform of the nation's workforce development policies and programs in over fifteen years, replacing programs that had previously operated under the Job Training Partnership Act (JTPA). The introductory section of this report provides a brief background on WIA, followed by an explanation of the study's approach in Section II. The study's major findings are provided in Section III. Readers interested mainly in the study's conclusions can proceed to Section IV, which also presents a series of challenges. Appendix A provides a brief update of events in the study states since completion of the study's field research. Appendix B is a four-decade overview of U.S. federal workforce development policy and program themes.

## A. Background

The Workforce Investment Act of 1998 represents both more and less than would appear at first look. It represents more in the sense that it significantly altered the framework for and conceptualization of workforce service provision. It represents less in that it came on the heels of substantial experimentation and change at the state and local level, to the point where many of its features were already in place or were being implemented in some states prior to WIA's enactment in late 1998. WIA also represents a smaller change than had been anticipated, because it did not consolidate the numerous federal workforce funding streams as had been proposed in several bills introduced in recent years.

WIA is based on seven guiding principles, most of which have now been adopted by state and local workforce development systems:<sup>8</sup>

- **Streamlined services.** Integrating multiple employment and training programs at the "street level" through the One-Stop delivery system to simplify and expand access to services for job seekers and employers.
- **Individual empowerment.** Empowering individuals to obtain the services and skills they need to enhance their employment opportunities through Individual Training Accounts (ITAs), which enable eligible participants to choose the qualified training program that best meets their needs. The development of "consumer reports," containing information for each training provider, allows individuals to make informed training choices.
- **Universal access.** Granting access to every individual through the One-Stop

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<sup>8</sup> These principles are from the WIA implementation white paper available at [www.doleta.gov/usworkforce/documents/misc/wpaper3.cfm](http://www.doleta.gov/usworkforce/documents/misc/wpaper3.cfm).

delivery system to core employment-related services. Customers can obtain job search assistance as well as labor market information about job vacancies, the skills needed for occupations in demand, wages paid, and other relevant employment trends in the local, regional and national economy.

- **Increased accountability.** Holding states, localities, and training providers accountable for their performance.
- **A strengthened role for local Workforce Investment Boards (WIBs) and the private sector.** Local boards are business-led “boards of directors” for the local areas.
- **Enhanced state and local flexibility.** Giving states and localities the flexibility to build on existing reforms to implement innovative and comprehensive workforce investment systems. Through such mechanisms as unified planning, waivers, and Work-Flex, states and their local partners have the flexibility to tailor delivery systems to meet the particular needs of individual communities.<sup>9</sup>
- **Improved youth programs.** Linking youth programs more closely to local labor market needs and the community as a whole, and providing a strong connection between academic and occupational learning. In addition, traditional employment and training services are augmented by an array of youth development activities.

As discussed in an earlier report (Barnow and King, 2003), WIA has been described as a “major overhaul” of the nation’s approach to employment and training, as a “fundamental departure” from previous programs, and as “the first significant attempt to retool” these programs in two decades. The Act institutionalized changes in workforce policies and practices that began to surface as a handful of early-implementing states (e.g., Florida, Indiana, Kentucky, Louisiana, Pennsylvania, Texas, Utah, Vermont, and Wisconsin) operationalized the Act’s provisions beginning in July 1999. These and other states had developed and implemented One-Stop Career Centers prior to the 1998 enactment of WIA legislation, some of them, such as Wisconsin and Pennsylvania, as early as the mid-1980s.

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<sup>9</sup> According to Training and Employment Guidance Letter No. 06-99, dated February 22, 2000, Workforce Flexibility Partnership Demonstration Program (Work-Flex) authority was created for up to six states in the Department of Labor’s Appropriation Act for Program Years 1997 and 1998 with funding available through June 30, 2002. Eligibility was expanded to all states in the 1998 WIA legislation. Under Work-Flex, Governors are granted the authority to approve requests for waivers of certain statutory and regulatory provisions of the WIA statute (Title I) submitted by their local areas. States may also request from the Secretary waivers of certain requirements of the Wagner-Peyser Act ( 810) and certain provisions of the Older Americans Act applicable to state agencies that administer the Senior Community Service Employment Program (SCSEP). (SCSEP is authorized by Title V of the Older Americans Act and provides part-time community service employment to low-income persons age 55 and over through grants from the ETA National Office. It is not included in the current JTPA Work-Flex Program.) The Secretary may grant Work-Flex authority for a period of not more than 5 years. States have made little use of Work-Flex to date.

Major changes to workforce development programs authorized under Title I of WIA include the following:

- Fostering more coordinated, longer-term planning for workforce development programs. The long-term planning was not only for WIA, but also, on a discretionary basis, for the Employment Service (labor exchange services supported under the Wagner-Peyser Act), and closely related funding streams such as Temporary Assistance for Needy Families (TANF) work programs, Adult Education and Family Literacy, career and technical education, and Vocational Rehabilitation programs.
- Institutionalizing One-Stop Career Centers as the cornerstones of the local workforce delivery system. All states applied for and received One-Stop infrastructure grants (financed by national Wagner-Peyser Act funds) in the 1990s, some considerably earlier than others. These grants promoted and financed voluntary One-Stop approaches to workforce service delivery. WIA relies on One-Stop Career Centers as the “front-end” of the local workforce system; partners are required to contribute a portion of their funds to support the One-Stop Career Centers’ infrastructure.
- Sequencing job seekers’ services from core to intensive to training services. Initially, state and local workforce boards perceived the statutory language and guidance from the U.S. Department of Labor’s Employment and Training Administration (USDOL ETA) as encouragement to pursue rigid service sequencing under “work-first” approaches similar to TANF work programs. USDOL ETA, however, did not interpret the sequencing requirement to be synonymous with a work-first approach and sought to clarify its implementation directives accordingly after the first year.
- Implementing universal eligibility for core services via One-Stop Career Centers. In a departure from its predecessor, JTPA, WIA is structured to provide core services to *all* participants in the labor market. Training funds, however, are reserved for low-income individuals if there are insufficient funds to serve all customers.
- Increasing reliance on market mechanisms by 1) delivering training services using Individual Training Accounts (ITAs) that allow customers to select training from an Eligible Training Provider list supplemented by a “consumer report card” that includes provider performance information, and 2) linking performance incentives to program standards for three programs: WIA, Adult Education and Family Literacy, and Vocational Education.

The changes that WIA made to the workforce system in 1998 stem from a number of trends that had been underway for several years in the states as well as at the federal level, among them the following:

- Many governors and state legislatures (e.g., Michigan, Oregon, and Texas) had been actively engaged in reforming welfare and welfare-employment programs for several years prior to WIA's enactment. Some states (e.g., California, Florida, Minnesota, and Utah) had been involved in some form of welfare reform for over a decade, often with a work-first orientation, stressing immediate labor force attachment over services more focused on "human capital development" well before the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) reinforced it federally in 1996. PRWORA also time-limited welfare benefits and instituted strong work requirements that focused attention on workforce development programs and services for welfare recipients (see Nathan and Gais, 1999).
- Several states instituted major workforce development reforms of their own starting in the early 1990s (see Grubb et al., 1999). This study includes six of these states: Florida, Indiana, Michigan, Oregon, Texas, and Utah. As part of the move to reform their workforce systems, some of these states reorganized their administrative structures to consolidate related programs into large "umbrella" workforce agencies that established state human resource investment councils, mandated the creation of local WIBs to expand the scope of traditional job training programs, directed the orientation of their programs toward customers, and required One-Stop Career Centers to be initial services access points. These states were better positioned for WIA implementation than their peers, and many became early-implementing WIA states.
- In addition to welfare and workforce development, other program reforms relevant to WIA service delivery occurred, including Adult Education and Family Literacy and Vocational Rehabilitation, which were reauthorized and reformed as WIA Titles II and IV, respectively. The Perkins III legislation for vocational (or career and technical) education in 1998 encouraged longer-term planning, required that a greater share of funding go to local areas, eased target group mandates, and required states to establish specific performance levels for several measures (see King, 1999). State level incentive grants for WIA, Adult Education and Family Literacy, and Vocational Education programs were linked to federally negotiated performance levels.
- Unemployment Insurance (UI) programs around the country also changed. Many states shifted the in-person UI claims filing process at local Employment Service offices (and One-Stop Career Centers) to remote call centers, where claimants filed for initial UI benefits over the telephone or via the Internet. In some states, the UI work requirement was modified so claimants could satisfy it through telephone or online assurances rather than in-person visits, further separating UI operations from traditional workforce programs.
- Many of the study states effected changes in their workforce programs' orientations in the 1990s. As previously noted, many welfare and workforce programs adopted an aggressive work-first philosophy, where participants were

expected to obtain a job quickly rather than collecting cash welfare benefits or participating in more substantive education and training designed to enhance skill levels. States began to stress individual responsibility for workforce programs' participants. Individuals and their families were expected to play an expanded role in their career and job development, including arranging education and training services' financing (see Ganzglass et al., 2001, and National Governors Association, 2002). States also began emphasizing consumer choice through voucher-based training approaches that allowed participants to select occupations and specific training providers within approved guidelines (see Trutko and Barnow, 1999).

- As discussed in an earlier volume (Barnow and King, 2000), the USDOL facilitated WIA's implementation by fostering and financing the One-Stop delivery system's creation. The USDOL also launched supporting initiatives in the years leading up to WIA, including enhanced labor market information availability and access through America's Labor Market Information System (ALMIS) initiative and informed consumer choice tools such as consumer report cards on program outcomes and voucher-based service delivery approaches.

WIA must be viewed as part of a larger ongoing trend toward the devolution of authority and responsibility for federal policies and programs. One of the more noteworthy devolution issues is the need to strike a workable balance between accountability and flexibility. This is a challenge faced by Congress and various levels of the intergovernmental system, as well as the private sector. Peters and Waterman, in their 1982 book, *In Search of Excellence*, observe how the accountability/flexibility challenge is addressed by the most successful American businesses, who often opt for a "tight/loose" approach: that is, measuring tightly what is important to them, but affording considerable discretion in how it is ultimately accomplished. In *Reinventing Government* (1992), Osborne and Gaebler applied a similar logic to the public sector, but recommended a more flexible, entrepreneurial government accountable to clearer bottom-line results rather than traditional bureaucratic hierarchies. All federal programs that provide grants-in-aid on a broad (block grant) basis face this challenge of balancing accountability and flexibility.

## **B. Purpose**

WIA changed the nation's workforce development systems by opening workforce services to all rather than focusing mainly on the economically disadvantaged; giving participants more freedom to select employment and training programs that best meet their needs; consolidating services at One-Stop Career Centers; and investing local boards with new responsibilities for oversight and planning. The Act gives states and local WIBs latitude to design, organize, and operate the systems their way. Because each state implemented the new law differently, it is important for national policymakers and administrators to know how the states and local WIBs responded to new WIA policies.

The purpose of this study is to provide useful information for national

policymakers in the Executive Branch and Congress for WIA and related reauthorizations (e.g., Perkins, TANF). This research was designed to enhance understanding about the way workforce service delivery has been operating across the country, helping state and local policymakers and administrators to improve their workforce delivery systems.

Individual published reports on each study state are available on the U.S. Department of Labor (USDOL) and Rockefeller Institute websites.<sup>10</sup> A report on a Colloquium on this research, held in Washington, D.C. May 6, 2004, is also available on the Rockefeller Institute website.<sup>11</sup>

### **C. Organization of the Report**

The remainder of this report is organized into five major sections. Section II explains the study's methodology, outlines major issues addressed in the report, and describes the study sites and the process used for selecting them. Section III presents the study's major findings. Findings that had little new to add to the existing discussion were omitted as they were covered in the project's state case studies and in the interim report, both published earlier. Section IV presents the report's conclusions followed by the challenges that the nation's workforce development system will need to address in the coming years. Appendix A updates events and changes in each of the study states since completion of the field research in the summer and fall of 2002 and the winter of 2003. Promising practices and developments observed in the study states and local areas are noted throughout the report. Appendix B provides a four-decade overview of U.S. federal workforce development policy and program themes.

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<sup>10</sup> See <http://www.doleta.gov/reports/searcheta/occ/> or [http://www.rockinst.org/quick\\_tour/federalism/wia.html](http://www.rockinst.org/quick_tour/federalism/wia.html).

<sup>11</sup> See [http://www.rockinst.org/quick\\_tour/federalism/wia.html](http://www.rockinst.org/quick_tour/federalism/wia.html).

## II. Methodology

The field network methodology adopted for this WIA service delivery study has been used to inform policymakers, administrators, and researchers about the effects of a number of federal/state policy initiatives over the past several decades. This methodology is explained briefly in this section, followed by a discussion of the study's key research questions and issues, a listing of study sites, and an explanation of the site selection process.

### A. The Field Network Observer Approach

The workforce development system is composed of actors and agencies with varied funding sources, target groups, and services. The field network approach is well suited to studying the implementation and administration of new initiatives or changes in ongoing national programs involving multiple institutions and considerable local variation. As described by Lurie (2003), key features of field network studies include:

- A focus on major implementation issues of one or more programs by institutions of interest. Institutions, not individuals, are the unit of analysis. Research hypotheses focus on changes resulting from major shifts in legislation, policy, or funding levels.
- Reliance on knowledgeable senior researchers in the field. Field researchers use a report form or guide articulating the issues to be investigated and analyzed rather than survey response forms. This approach relies on experienced, knowledgeable researchers who often draw upon their expertise to obtain answers to critical issues.
- Coverage of relevant levels and units of government. For this study, state and local level institutions for the workforce development system are included.
- Application of a uniform research design that enables lead researchers to draw on field data across sites to synthesize findings. By relying on experienced, politically knowledgeable local researchers, field research reports — often in the form of state and local case studies — are well informed and uniformly documented to reflect local conditions and needs that the lead researchers can then synthesize.

Field network studies have performed well over time, according to criteria used to judge the quality of social science research.<sup>12</sup> This approach has been used extensively to study more than a dozen major federal programs over several decades, ranging from revenue sharing and public service employment in the 1970s to more recent welfare, Medicaid, and faith-based initiatives.<sup>13</sup>

In each of the study states, a spectrum of workforce system actors was

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<sup>12</sup> The criteria typically used to assess social science methods are: construct validity, internal validity, external validity, and reliability. See Irene Lurie (2003).

<sup>13</sup> For more on the field network approach, see Richard P. Nathan (2000).

interviewed. Using a structured interview guide, elected officials (e.g., legislators), policymakers, agency officials, program directors, community and technical college administrators, business and chamber of commerce leaders, state and local WIB directors and staff, One-Stop Career Center directors and staff, advocates, and workers in community-based organizations were interviewed. In addition, leaders and staff of workforce development, education, human services, rehabilitation, economic development, and related services were engaged in discussions to obtain a broad perspective of workforce development activities.

In a departure from past field network studies, the draft state case studies were shared with key state and local policymakers and administrators for review and comment before the reports were finalized, which provided researchers with valuable feedback.

## **B. Major Issues Addressed**

A number of researchers have examined WIA to date, most focusing on early WIA implementation experiences across a broad range of issues. USDOL ETA staff began conducting internal implementation studies of WIA in 1998 and 1999. They also funded a national WIA implementation study by Social Policy Research (SPR) Associates that followed dual tracks: track one consisted of three rounds of site visits to sixteen states and numerous localities and One-Stop Career Centers between 1999 and 2001, while track two assisted USDOL ETA (with the help of USDOL ETA Regional Offices) to consolidate WIA implementation data for all fifty-four states and territories. For track one of this evaluation, D'Amico and SPR colleagues (2001) explored issues ranging from planning and administration to service provision and performance management.<sup>14</sup>

In addition, with Ford Foundation support, Buck (2002) of Public/Private Ventures (P/PV) studied early WIA implementation in five cities: Charlotte (NC), Houston (TX), Orlando (FL), Philadelphia (PA), and Boston (MA) — in a mix of both early-implementing and other states — focusing largely on how new market mechanisms (e.g., ITAs, performance measures) and One-Stop Career Center requirements affected workforce programs and participants.

Frank et al. (2003) of the Center for Law and Social Policy (CLASP) analyzed national data for the period July 1, 2000, to June 30, 2001, comparing early participation, demographics, and services under WIA with similar data for the final year of JTPA. In another empirically oriented project funded by USDOL ETA, the Administrative Data Research and Evaluation (ADARE) Project, researchers from several universities and private, nonprofit research institutions have been examining early participation and service patterns, and WIA performance measures, as well as estimating quasi-experimental net impacts from WIA participation on employment and earnings (see Stevens, 2003; Mueser et al., 2003; and Hollenbeck et al., 2003).

Finally, O'Shea and King (2001) explored early experiences with WIA and related

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<sup>14</sup> D'Amico and his colleagues also produced a series of internal WIA reports for USDOL ETA. We have benefited from reviewing these unpublished reports and discussing them with the authors.



programs in three states (i.e., Tennessee, Texas, and Washington) and at least two local workforce investment areas in each as a Rockefeller Institute pilot for the current study. They focused on problems and opportunities experienced by these states while implementing new WIA features (e.g., Eligible Training Provider lists, service sequencing) and also explored ways in which states and local areas addressed expanded authority under WIA in their own particular context (i.e., devolution issues).

These studies, together with policy interest from the ongoing WIA reauthorization debate and USDOL ETA discussions, helped shape the focus of this study, which addresses the following topics:<sup>15</sup>

- Leadership and governance, including issues regarding the decentralization of authority and responsibility;
- Workforce system planning at the state and local level;
- System administration, including structure and funding;
- One-Stop Career Center organization and operations;
- Services and participation;
- Market mechanisms, their use and effects, including labor market information, performance standards, and training provider certification;
- The use of information technologies; and
- Special reauthorization issues of interest to USDOL ETA and others at the federal, state, and local levels.

### **C. The Study Sites**

This study examined the experiences of eight states, sixteen local workforce investment areas, and more than thirty One-Stop Career Centers with the administration and delivery of employment and training services under WIA and closely related programs. The box on the following page lists the study states and areas, and the field researchers.

The study sites were selected using a purposive selection strategy. States and local areas were selected by region of the country, urban/rural populations, the organizational approach of One-Stop Career Center systems, and WIA early implementation status. Some sample states were chosen because of research connections to the work of the Rockefeller Institute and its networks of field researchers in related policy areas (e.g., welfare reform) and to ensure that information that USDOL ETA requested for WIA reauthorization was collected.

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<sup>15</sup> Workforce system planning and information technology issues are not discussed in detail in this report because there were no major differences among the states in our study sample in their practices or experiences generally.

### States and Local Workforce Areas Studied

<i>Florida</i>	First Coast (Region 8), Citrus, Levy, and Marion Counties (Region 10) <u>Researchers:</u> Burt Barnow, Amy Buck
<i>Indiana</i>	Ft. Wayne (Northeast), Indianapolis/Marion County <u>Researchers:</u> Patricia Billen, Richard Nathan
<i>Maryland</i>	Baltimore City, Frederick County <u>Researchers:</u> Burt Barnow, Amy Buck
<i>Michigan</i>	Lansing (Capital Area), Traverse City (Northwest) <u>Researchers:</u> Christopher King, Daniel O’Shea
<i>Missouri</i>	Kansas City and Vicinity, Central Region <u>Researchers:</u> Peter Mueser, Deanna Sharpe
<i>Oregon</i>	Marion, Polk, and Yamhill Counties (Region 3) The Oregon Consortium/Oregon Workforce Alliance (TOC/OWA) <u>Researchers:</u> Laura Leete, Neil Bania
<i>Texas</i>	Austin (Capital Area), Houston (Gulf Coast) <u>Researchers:</u> Christopher King, Daniel O’Shea
<i>Utah</i>	Salt Lake City (Central), Moab/Price (Southeast) <u>Researchers:</u> Christopher King, Daniel O’Shea

Note: Utah is organized as a single, statewide workforce investment area. This is unusual but not unique. Other states with single workforce areas include South Dakota, Vermont, and Wyoming. Under prior workforce training programs (e.g., Comprehensive Employment and Training Act), states such as South Carolina also were organized as single-program states.

As part of the selection process, field researchers considered the following factors for the local areas in the eight study states: organizational structure, practices, implementation obstacles, population statistics, urban/rural mix, number of One-Stop Career Centers, and size. Field researchers also obtained recommendations and supporting information from state officials, regional USDOL ETA staff, and the National Governors Association.

The sample includes small and large states, and urban and rural areas that exhibit a range of organizational structures and service delivery practices. The sample is weighted to “leading-edge” states in the area of workforce development policy. As previously mentioned, Florida, Michigan, Texas, and Utah had implemented workforce reforms in the mid-1990s before WIA was enacted. Indiana, Missouri, and Oregon also had begun to revise their systems prior to WIA; Oregon was known for its systematic approach to performance measurement — the Oregon “benchmarks” — encompassing all policy areas.

The emphasis on leading rather than representative states affects the study's findings. As a group, these states were less likely to have difficulty with some of WIA's new features, since they had either already begun to implement them on their own or, given their long-standing experience with workforce reform, would be expected to have an easier time doing so. The study's findings are based on WIA policies and service delivery experiences observed during the summer and fall of 2002 when field researchers conducted site visits and interviewed state and local actors. Changes have occurred since that time. New governors took office in five of the eight study states (i.e., Indiana, Maryland, Michigan, Oregon, and Utah).<sup>16</sup> In Maryland and Michigan major reorganizations happened or are underway. In study states where the governors remained in place, workforce policies and programs continue to evolve as part of the dynamic process of implementing WIA and related programs while responding to changing economic and social environments. Appendix A of this report describes changes that have occurred in the study states since the research for this project was completed.

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<sup>16</sup> In both Indiana and Utah, lieutenant governors became governors due to unforeseen circumstances rather than electoral processes: Indiana in September 2003 as a result of the untimely death of Governor Frank O'Bannon, and Utah in February 2004 when Governor Mike Leavitt left to become the Administrator of the U.S. Environmental Protection Agency.

### III. Findings

Findings are organized according to five topics that the study addressed: (1) leadership, including the role of employers and the private sector; (2) system administration and funding; (3) organization and operation of One-Stop Career Centers; (4) service orientation and mix; and (5) the use of market mechanisms such as the Eligible Training Provider (ETP) list, performance standards, and Individual Training Accounts (ITAs). To keep the report size manageable, details are not provided for all areas studied. For example, as all states have WIBs with similar composition, board composition has not been covered in this final report. Readers interested in this and other topics can learn more by consulting the individual state reports published by the USDOL and the Rockefeller Institute (Rockefeller Institute of Government, 2004a and 2004b).

#### A. Leadership and Governance

This section discusses leadership by the executive and legislative branches of state government and by the private sector in states' workforce development systems and WIA implementation.

*State leadership.* The study states exhibited a range of leadership patterns in setting up, implementing, and operating their workforce development systems. In Florida, Texas, Michigan, Indiana, Oregon, and Utah, the governor's office played a strong role in leading the workforce development system, especially when the program was new and state policies were being established. In Michigan, former Governor Engler was the main catalyst for the comprehensive Michigan Works! System, which emphasizes state direction and strong local control. Indiana's governor was described as the "driving force" behind using economic growth as an engine to drive workforce policy, although like Maryland, Indiana vests substantial power at the local level. Utah's governor played a strong role in reforming the state's workforce system, including WIA implementation. In Missouri, the governor's office played an active role in shaping the state's workforce system, but gubernatorial involvement declined due to a change in administration and a growing budget crisis.

The legislature had a leadership role in some of the sample states. The Florida legislature played a major role in shaping and moving the state's workforce development system forward. It added substantial state money to pay for incumbent worker training and for the development and implementation of a sophisticated tracking and accountability system, predating WIA requirements. It also enacted legislation that required the establishment of three state councils with corresponding local level committees: First Jobs/First Wages (focusing mainly on youth), Better Jobs/Better Wages (focusing on current and former welfare recipients), and High Skills/High Wages (focusing on experienced workers). These councils are exclusive to Florida's workforce policy approach, and are described in the box on the next page. Support for workforce development in Florida was bipartisan, and when the governorship changed parties, the new governor continued to provide strong support to the legislature's initiatives.

### Florida State Councils and Local Committees

Workforce Florida, Inc (WFI), the state Workforce Investment Board and chief policy organization for all Florida workforce related programs, has three statutorily established councils that focus on key segments of the workforce. Most strategic planning for workforce development at the state level is channeled through these three councils described below:

- First Jobs/First Wages Council promotes successful entry into the workforce through education and job experience for youth and adults entering employment for the first time. This council is also Florida's state youth council.
- Better Jobs/Better Wages Council assists families making the transition from welfare to work and former welfare recipients working in low-wage jobs with little mobility to attain better positions.
- High Skills/High Wages Council assists experienced workers with education and training efforts intended to place them in high paying, high skill jobs and to attract employers that hire these types of workers.

Florida law also requires that each local workforce investment board maintain three similar committees.

In the past, WFI's chair has charged each of the three state workforce councils to meet a particular challenge working closely with their partner committees at the local level. For example, the chair has urged the High Skills/High Wages Council to work with the local committees to rapidly train 1,000 information technology professionals. Similarly, the chair challenged the Better Jobs/Better Wages Council to work with local committees to train 1,000 employed former cash assistance recipients to facilitate their career advancement and self-sufficiency. Finally, the chair charged the First Jobs/First Wages Council to identify opportunities to place 1,000 youth in unsubsidized after-school programs. Each council exceeded their targets.

Source: Burt Barnow and Amy Buck, "Florida Case Study," in *The Workforce Investment Act in Eight States: State Case Studies from a Field Network Evaluation*, Washington, D.C.: U.S. Department of Labor, 2004.

Texas' legislature provided strong bipartisan leadership during the early and middle 1990s.<sup>17</sup> It enacted comprehensive workforce legislation in 1993 and 1995, and, as in Florida, the governor's office gave strong support to the bipartisan efforts that were already under way at that time. In Utah, in the mid-1990s, the legislature was heavily involved in reforming the state's workforce development system. After that, it has not been very active in this policy area.

In Maryland, neither the governor nor the legislature provided strong workforce development leadership; instead it came from the local level. Maryland's previous governor focused more on higher education than on workforce development policies and programs, and local workforce boards were given maximum flexibility within WIA guidelines in structuring and administering their programs. The twelve Maryland WIBs formed the Maryland Workforce Development Association (MWDA), which represents

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<sup>17</sup> This situation has since changed dramatically: relationships between the two parties have deteriorated significantly in the past few years, such that bipartisan decision-making is more the exception than the rule.

local board interests to the state, sometimes reversing state policies. Michigan's local workforce investment areas also have a leadership association, the Michigan Works! Association, which is one of the oldest and strongest in the country.

***Role of employers and the private sector.*** There has been a strong push to encourage employers to play a leadership role in workforce development since the late 1960s. The rationales for seeking a stronger employer role are that it will:

- Make programs more “demand driven,” that is, more responsive to the employer’s needs, and it will increase participants’ employability;
- Facilitate access to jobs; and
- Improve programs through the use of private sector approaches to planning and operations.

It is difficult to measure business involvement in the workforce development system. The impression is that WIA has not yet achieved the strong employer role envisioned by the statute or promoted by the USDOL, although some states and areas have accomplished more in this respect than others. Explanations for low state and local level business involvement in workforce development vary. Concerns expressed by business leaders, as well as policymakers and researchers, have included the overly large size of the boards, their lack of influence over workforce issues in their areas, the bureaucratic nature of the boards and the programs they administer, and employers’ perceived lack of value added from their involvement. The fact that business representatives are more engaged when boards are pursuing sectoral and related strategies with potentially greater value to them suggests that their *role* in governance is more important than their *numbers* on boards and committees.

Also of interest is the use of the “Carver Governance Policy Model” for board management of nonprofit organizations, where board members are asked to make important policy decisions, yet are largely shielded from the more mundane aspects of policy implementation.<sup>18</sup> Use of the Carver Model is intended to push boards to make more strategic policy decisions, as one member stated, to get them “up and out of the paperclips.” Some Florida and Texas boards actively used the Carver Governance Policy Model, and staff and board members interviewed view this approach as effective at getting employers to engage substantively in the workforce development system.

Business’ role was strong only in a few of the sample states. It was strong in Florida, where state law mandates the High Skills/High Wages Council and local counterpart committees. The High Skills/High Wages Council is comprised entirely of business representatives, and it fosters engagement with and employment in high paying skilled jobs. In one of the local areas visited, the local chamber had a strong partnership with its WIB, as did the local economic development agency. Business was also instrumental in setting the tone for workforce policies and programs in Texas and Utah. The first executive director of the Texas Workforce Commission in 1996 was the former

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<sup>18</sup> Information on the Carver Model is available at [www.carvergovernance.com/](http://www.carvergovernance.com/).

president of a major staffing industry corporation, and the commission's first chair is now director of the Texas Association of Business, the state's major business organization. Utah's workforce programs have had a solid business orientation, according to longtime observers, and Governor Leavitt's choice of a prominent Salt Lake City banker to lead the state's first workforce development reform task force reflects this.

Employer engagement is moderate with substantial inter-area variation in Indiana, Maryland, Michigan, and Missouri. In Indiana, business engagement varies across the state. Local boards have difficulty getting and keeping businesses interested, particularly during the recent economic downturn. Chamber of Commerce involvement in Indiana is typically through board membership, which varies across the state.

In Maryland, employers are moderately involved in workforce development. At the state level, there is no evidence of strong chamber involvement, and local chambers did not appear to have strong roles in the two local areas that were visited. Michigan also had moderate and varied employer engagement among local boards. Chambers are not a major force in Michigan, but there is chamber representation on some boards, and some have developed sectoral and association linkages.

Local level business engagement is relatively strong in half of the study states: Florida, Oregon, Texas, and Utah, with each state pursuing its own approach. Employers in Florida and Oregon are highly engaged in local board activities, though Chamber of Commerce participation is uneven. Employers in Oregon also are actively involved in the workforce system through the efforts of the Employment Department. Some local areas have employed business sector liaisons to work with employers, while others have worked with their area chambers for special initiatives.

In Houston, key business associations (e.g., the Greater Houston Partnership) and key sectoral groups (especially in health care) play a prominent role with considerable encouragement and support from the local board. Another Texas board recently contracted with an organization to serve as its principal liaison with area employers to foster greater engagement. In Austin, business' role in workforce development is moderately strong. The Greater Austin Chamber of Commerce has active participation from key sectors of the Austin economy, such as semiconductors and technology, health care, and construction. The chamber serves as the host organization and a major source of financial support for the Capital Area Training Foundation (CATF), which is organized by key industry sectors, and serves as an intermediary between area employers and the education and training community.

Ties to employers are idiosyncratic to the local area in Missouri. The state workforce board has a marketing plan posted on its website that focuses on increasing services to employers, but local One-Stop Career Center operators must take the initiative to contact local businesses under the plan. In at least one local area, the chamber is a member of a consortium that operates the One-Stop Career Center. There is some indication that under WIA, business involvement in workforce development programs has increased, most likely due to the business focus of local board membership. The

business majority has encouraged boards to ensure that the employers' needs are met. Under WIA in Missouri, attention is given to surveying employers about their needs and directing efforts to meet those needs.

## **B. System Administration and Funding**

This section discusses the administrative structures of the workforce development systems in the study states, followed by a brief discussion of funding levels and allocations from states to local boards.

*Administrative structures.* The administrative structure of WIA is complex, distinguishing between policy development, program administration, and service delivery more explicitly than earlier workforce legislation. In general, the statute and regulations encourage that these three roles be distinguished and undertaken by different state and local level entities. For the workforce development activities funded by Title I of WIA, the most common approach is that policy development is made by the state and local WIBs, program administration is undertaken by agencies at the state and local level, and service delivery is carried out by vendors.<sup>19</sup> This separation of responsibilities is not a requirement, however.<sup>20</sup> Specifically, the state board may be an independent organization that reports directly to the governor, or it can be placed in the same organization responsible for administering WIA programs. At the local level, the workforce board may or may not have any staff; in the latter case, the board may have little independence from the agency operating the program. Also at the local level, the grant recipient is required to administer the programs through outside vendors unless the state authorizes the local grant recipient to provide services.

WIA's administrative structure represents a departure from previous programs, in which local government agencies often directly provided services, particularly those WIA classifies as core and intensive services. The separation of responsibilities delineates what each organization is supposed to do, avoids potential conflicts of interest, and embodies what we view as sound management and administration principles. Some of the states in the research sample (e.g., Texas) had adopted a separation of responsibilities several years prior to WIA's enactment.

Several of the study states did not follow the WIA-suggested structures. This study did not produce direct evidence of how these deviations affect the management quality or results. However, some states and local areas that did not follow these structures function well. In Maryland, for example, local agencies are permitted to deliver services themselves, and two sample areas provided core and intensive services with

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<sup>19</sup> Some states have only one workforce investment area (e.g., Utah in this sample). In this case, there is no local board, at least with regard to WIA programs.

<sup>20</sup> Note that this separation of responsibilities only applies to Title I WIA funds. Wagner-Peyser Act funded labor exchange services must be provided by state merit staff employees, generally working for the Employment Service. Also, the policy development function refers to WIA Title I funds unless the state has provided the board with broader authority, as is the case in some states in the study sample.



government employees. These local areas met or exceeded their performance standards, and the state was one of sixteen in the nation to qualify for a performance bonus.<sup>21</sup>

Another important structural issue is administrative authority over specific programs or funding streams. One of the topics considered in workforce development reform in recent years is consolidation of the many programs that deliver workforce development services. Most programs are funded with specific appropriations and operated independently of each other. The establishment of One-Stop Career Centers was intended to coordinate the provision of services. Many observers believe that services would be better coordinated if programs were combined or administered by one entity. As discussed later, the states in the study sample vary significantly in the extent to which there is centralized control over individual programs at the state and local level. Some states, such as Texas, Florida and Michigan, gave control over most programs to the local WIBs and the One-Stop Career Center operators. Utah, as already noted, has control over these funding streams as a single-WIB, fully state-administered system. In other states (e.g., Maryland), there is little centralized control over local level programs.

At the time of this study, Maryland's administrative structure was "traditional," being similar to the structure that had been in place under JTPA.<sup>22</sup> The state WIB was an independent agency, reporting directly to the governor. The major programs funded by the USDOL, including WIA, the Employment Service, Unemployment Insurance, Welfare-to-Work (WtW), and Trade Adjustment Assistance (TAA), were administered by the Department of Labor, Licensing, and Regulation (DLLR). The Department of Human Resources (DHR) administered the TANF work program and the Food Stamp Employment and Training program. The Department of Business and Economic Development (DBED) operated two small training programs oriented toward economic development activities. The Maryland State Department of Education and the Maryland Higher Education Commission administered community colleges and other educational institutions. Maryland grants maximum flexibility to its local boards, and a number of them opted to run some or all of their own One-Stop Career Centers and to provide core and intensive services with government employees instead of outside vendors.

Changes in Maryland's organizational structure illustrate changes in the priorities of two governors. Governor Schaeffer focused on economic development; therefore workforce development programs were placed in an agency that also included economic development (the Department of Employment and Economic Development). His successor, Governor Glendenning, moved workforce programs to the Department of Labor, Licensing, and Regulation to strengthen the state's labor department.

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<sup>21</sup> Receipt of a performance bonus may not be the best measure of how well a state is performing. First, eligibility for the bonus depends on performance on two programs in addition to WIA (Adult Education and Vocational Education). Second, state performance standards are set through negotiation with the federal regional offices, so the meaning of the standards may not be consistent across states.

<sup>22</sup> In Maryland, and other states as well, the administrative structure has changed significantly at the state level since this analysis was undertaken. In Maryland's case this was due to the election of a new governor with different ideas than his predecessor on how the state's workforce development system should be organized.

In Michigan, the Michigan Department of Career Development (DCD) houses most of the major federally supported programs and a number of state programs.<sup>23</sup> In addition to WIA, TANF workforce activities, Food Stamp Employment and Training, WtW, TAA, the Employment Service, and Unemployment Insurance, DCD also administers corrections training programs, Vocational Rehabilitation, Vocational Education, and Adult Education. Although the workforce development programs are all housed under the same umbrella agency, each program operates separately with little coordination or integration; administrative authority for education programs in Michigan is diffused. Along with Colorado and Massachusetts, Michigan is one of three states operating under Wagner-Peyser Act demonstration authority, so labor exchange services supported by this source are provided by different organizations, including local independent school districts.

Missouri has a different organizational structure for its workforce development and related programs. The Department of Economic Development (DED) houses WIA and the Employment Service, but not Unemployment Insurance.<sup>24</sup> Vocational Education, Vocational Rehabilitation, and Adult Education are in the state education agency. The state WIB in Missouri is staffed by DED rather than having its own staff. The Division of Workforce Development, within the Department of Economic Development, administers WIA at the state level and sets state-level policy; the state board, the Missouri Employment and Training Council, oversees the local boards and sets state policy for service provision.

In Oregon, two state agencies have been jointly designated as lead WIA agencies — the Oregon Department of Community Colleges and Workforce Development (CCWD) and the Employment Department. Together, these two agencies have built a statewide performance indicator system, and each has staff that act as workforce system liaisons between state agencies and between the state level and the local boards. Although these two agencies are jointly designated as lead WIA agencies, on a day-to-day basis CCWD plays the primary role — receiving and administering Title I WIA funds and providing technical assistance to local workforce areas. As in Maryland and Michigan, the state has a policy of giving local boards maximum flexibility. One unusual feature in Oregon is its two-level hierarchy structure of local workforce areas. To comply with WIA requirements, the state has seven local workforce areas. Six of these consist of one to three counties each; the seventh area, known as the Oregon Consortium/Oregon Workforce Alliance (TOC/OWA), is composed of twenty-three counties. Although considered a single local workforce area for WIA purposes, TOC/OWA is divided into nine separate workforce regions, each of which has its own board, memoranda of understanding, and One-Stop Career Center system. This is one example of the flexibility states and local areas can exercise under WIA to design structures and systems that fit their own needs.

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<sup>23</sup> Under the new governor, Michigan is currently restructuring its workforce system.

<sup>24</sup> Until 1999, the Employment Service was housed in the Missouri Department of Labor and Industrial Relations along with the agency that processes Unemployment Insurance claims.

The Department of Workforce Development is the lead state agency for WIA in Indiana. In addition to WIA, the Department of Workforce Development administers the Employment Service, Unemployment Insurance, veterans' employment programs, Welfare-to-Work, Trade Adjustment Assistance, and state-funded programs. The Department of Workforce Development provides staff support to the Commission on Vocational Education. The Department of Education administers Adult Education, and the Family Social Services Administration administers Vocational Rehabilitation, Food Stamp Employment and Training, and TANF. Economic development is administered by the Department of Commerce; the Department of Commerce's economic development regions are not the same as the state's WIA areas.

Indiana has a balance of authority between the state and the local boards. The state exerts influence in several areas, e.g., adding additional state performance measures and branding the One-Stop Career Centers, but leaves many decisions, including those regarding service delivery, to the local boards. The Department of Workforce Development has a member on each local board.

The three final states in the study sample — Florida, Texas, and Utah — are characterized by a strong state role and service integration or consolidation at the state and local level. The state board in Florida, Workforce Florida, Inc., is a quasi-public nonprofit organization established by the state to provide policy for the state's workforce development programs. The Agency for Workforce Innovation (AWI) is the state agency that administers Florida's WIA program. In addition to WIA, AWI administers Welfare-to-Work, TANF workforce development funds, the Food Stamp Employment and Training program, Job Corps recruitment, Trade Adjustment Assistance, and Wagner-Peyser Act funded labor exchange activities. Where Florida differs from the five previously discussed states is that for all these programs, control at the local level is through the One-Stop Career Centers. TANF workforce development funds in Florida are allocated at the state level and distributed to the local workforce investment areas, which then spend the funds through the One-Stop Career Centers. Florida's request to change its structure for Wagner-Peyser Act funds was not approved, so the state maintains a separate Employment Service. At the local level, however, Employment Service employees functionally report to the One-Stop Career Center managers, as well as to their Employment Service supervisors. Although TANF and Food Stamp Employment and Training funds are provided to AWI and distributed to the local boards, other TANF and food stamp matters, such as eligibility determination and cash benefits payments remain the responsibility of the Department of Children and Families. State legislation strongly encourages (but does not require) co-location of other partners at the One-Stop Career Centers. Community and technical colleges have been considered part of the state's workforce development system for many years, but the Florida Department of Education administers them.

In Texas, the state board, the Texas Workforce Investment Council, serves as a system oversight, evaluation, and planning entity for the comprehensive workforce service delivery network. The Texas Workforce Commission is the lead state agency for workforce development programs. Three full-time paid commissioners oversee the TWC

administrative and operational policies and programs. The TWC originally took a highly regulatory, top-down approach to policymaking, but the agency has given local boards more autonomy and is continuing to devolve responsibility for additional programs — e.g., TAA and ex-offenders work programs, and even the Employment Service and veterans' programs — in 2003. Most of the major workforce development funding streams have been devolved to the local boards, which receive block grants that they use to procure services. These programs include WIA, TANF workforce development funds, Food Stamp Employment and Training, Welfare-to-Work, work-related childcare, and special initiatives. TWC staff deliver services in the local One-Stop Career Centers for Wagner-Peyser Act services, Trade Adjustment Assistance, and a state ex-offender workforce program. As is the case for Florida, Texas' strong state system stems largely from state legislation.

Utah differs from the other states in the study because it is constituted as a single WIB and it is a state-administered program. Utah's Department of Workforce Services (DWS) administers nearly all workforce development and many related programs. These programs include WIA, the Employment Service, Unemployment Insurance, Trade Adjustment Assistance, childcare, and all aspects of the TANF and food stamp programs (including the workforce components).<sup>25</sup> Education programs at all levels — including K-12, adult education, community colleges, and four-year colleges and universities — are administered separately from WIA. Education programs are administered through the Utah State Office of Education and the Utah System of Higher Education, and economic development programs are operated through the Department of Community and Economic Development. There are no local boards for administering WIA, but five regional planning councils have substantial input in key aspects of workforce policy, resource allocation, service design, and the location of One-Stop Career Centers. Funding streams for workforce development programs are consolidated at the state level and passed on to the five regions. Because funds are integrated locally and programs at the One-Stop Career Centers are administered by state employees, services and support activities are conducted by staff assigned to functional areas: administration, eligibility determination, employment services, and business services.

***Funding levels and allocations.*** WIA funding to states and local workforce investment areas is driven by the statutory allocation formulas. Officials of the state and local boards in the study sample expressed concern that there was not enough funding to provide all the services called for in WIA to the entire population eligible for services; as a result, some of the local workforce boards found it necessary to ration costly services, such as training. Although the WIA statute offers universal eligibility, it is not an entitlement to all services for all people, and the workforce development systems have not had enough funding to serve more than a fraction of the eligible population.<sup>26</sup> At the time of the field visits, some local areas asserted that they had sufficient funding to

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<sup>25</sup> Utah was one of only two states that turned down funding for the Welfare-to-Work formula-funded program; Ohio was the other.

<sup>26</sup> Most studies have found that prior workforce development programs such as CETA and JTPA could never serve more than ten percent of those eligible. See Sandell and Rupp (1988).

provide training to all participants for whom the service was considered appropriate; however, this was later found not to be the case.

Funding flexibility is another common concern. To provide equity and to meet the targeting desires of Congress, WIA funds are provided separately for each of the three target groups specified in the statute — adults, dislocated workers, and youth. After retaining fifteen percent of the funds for administration and state initiatives, and twenty-five percent of the dislocated worker funds dedicated for state rapid response activities, the remaining funds must be passed on to the local workforce investment areas using the same funding formulas that are provided for in the statute.<sup>27</sup> Several state respondents expressed concern that the target group funding streams do not necessarily reflect their state’s needs or priorities and that the current regulations do not permit them to reallocate funds among target groups or local WIBs quickly. There were no systematic calls for changes in the allocation formulas; instead state officials interviewed wanted more flexibility to move the funds within the state and across funding streams, and the ability to do so more quickly. Some local officials indicated that what appears to be slow spending on training and other activities may be the result of performance-based contracting — where some or all of the funds are not spent until after the activity has occurred — or multi-period training, where some of the funds are encumbered to pay for training that has been authorized as part of an ITA.

Finally, some respondents expressed concern about the absence of a “hold-harmless” provision in WIA as it would protect from disruptive swings in local allocations. In previous workforce development programs, hold-harmless provisions assured that a state or local program’s allocation was not reduced by the full amount that the funding formula would otherwise provide because of a change in the factors used to allocate funds. For example, under JTPA, local areas could maintain ninety percent of the prior year’s funding in the face of reductions resulting from changes in the funding factors.<sup>28</sup> The rationale for this provision is that the small amount of geographical inequity that it created was worth incurring to avoid large, disruptive swings in local allocations.

Maryland reported that current funding levels were inadequate to serve the population in need. Several workforce investment areas took actions to address this problem. Frederick County allocated \$900,000 in local funds for workforce development activities by the county’s training agency, and the Lower Shore workforce investment area hired out their staff to other government agencies to raise additional funds.

Local areas in Michigan expressed concern that the WIA funds were inadequate to provide training, that Wagner-Peyser Act funds were falling and were not sufficient to provide the requisite core services, and that the federal funds for implementing and

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<sup>27</sup> Some states and local workforce investment areas expressed concerns that separate funds were not allocated for the One-Stop Career Center infrastructure.

<sup>28</sup> The hold-harmless adjustments could only address declines resulting from changes in funding formula variables and not changes in the size of the total allocation. If funding were reduced by one-third, it would be impossible to hold local programs harmless at ninety percent of their previous year’s allocation.

supporting the One-Stop Career Centers had terminated. The governor retained less than the fifteen percent permitted by WIA for administration in return for local workforce investment area buy-off on his proposed workforce development system reorganization. Local areas in Michigan were concerned about the absence of a hold-harmless provision in WIA.

Many of Missouri's workforce investment areas did not spend their full allocation in the first year of WIA, fiscal year 2001. Some observers took this as evidence that with the elimination of the hold harmless provision of JTPA, allocations across areas did not represent real needs. Others suggested that this was primarily a response to new regulations and the need to establish revised procedures. In the two years after WIA's implementation, it became clear that in most areas levels of funding have been below those necessary to serve all those eligible to participate.

Concerns expressed in Florida, Indiana, and Oregon largely echo those of other states. To deal with the absence of the hold-harmless provision, Indiana has instituted a hold-harmless provision of its own within the state. Indiana and Oregon use part of their fifteen percent WIA funds for state-established incumbent worker programs.

Funding adequacy and flexibility are issues in Texas, as well. In part, the state has dealt with the adequacy issue by supporting a Skill Development Fund with state general revenues. In 2003, Texas also secured waivers from the USDOL, including one to waive the twenty percent employer match for customized training and another to allow the state unlimited flexibility in transferring funds between Adult and Dislocated Worker programs. Both the City of Austin and Travis County allocated up to \$3 million annually in local tax revenues to support the provision of workforce services for several years.

Like most other states in the sample, Utah respondents view the available resources as inadequate. Because Utah is a single-WIB state and all workforce development funds are administered through the same agency, Utah has the most flexibility among the study states in targeting its funds.

### **C. One-Stop Career Centers**

One-Stop Career Centers are at the heart of WIA, but they are places where services are delivered or arranged, not programs. Challenges have arisen relative to how the mandatory and optional partners under WIA relate to each other in the Centers, and how the Centers are operated and funded. Many One-Stop Career Centers included in this study went beyond the letter of the law in fulfilling the concept of "One-Stop shopping" for workforce services, while others struggled to implement WIA provisions regarding Center partners such as memoranda of understanding (MOUs) and co-location of partners. The sections that follow describe (1) how the mandatory and optional partners relate in the One-Stop Career Centers, and (2) Center operations.

***One-Stop Career Center partners at the local level.*** The WIA statute lists seventeen mandatory partners from four federal agencies that are required to have a

presence at the One-Stop Career Centers, plus a number of optional partners.<sup>29</sup> This study found significant variation in both partner participation and the way this partnership works in the Centers of the sample states. The following subsections describe how the Employment Service, TANF, Unemployment Insurance, and community colleges relate in the One-Stop Career Centers of the study states. The final subsection discusses problems states had with one or more partners that did not quite fit.

States and local workforce investment areas have interpreted the One-Stop service delivery mandate differently. In some states, programs such as WIA, TANF, and the Employment Service have been well integrated. Utah is perhaps the furthest along (see box below), but Florida and Texas are doing well in this area, also. In contrast, “Maryland did not develop a model structure for One-Stop delivery system design and operation,” and “the degree to which One-Stop delivery system partners participate in One-Stop Career Centers varies widely across local regions.”<sup>30</sup>

### **Utah’s Service Delivery System**

Utah has a fully integrated One-Stop delivery system with seamless services supported by programs administered by the state Department of Workforce Services (DWS). Services funded by WIA, the Wagner-Peyser Act, TANF, the Food Stamp program, Food Stamp Employment and Training, and childcare are offered at the Employment Centers, Utah’s One-Stop Career Centers, not as “programs” but as generic services. Partners support funding and services to Utah’s Employment Centers, but not the programs as such.

Utah’s system of fully integrated Employment Centers constitutes a single, statewide workforce investment area where all workforce programs are state-administered and policy decision-making is centralized. Utah has no local Workforce Investment Boards, but eight regional planning councils have substantial input into key aspects of workforce policy, resource allocation, service design, and the location of Employment Centers. The state-administered, locally delivered workforce and support services that DWS staff provide are structured along geographic and functional lines. State administration allows the transferring of program funds between workforce regions and offices.

Source: Christopher King and Dan O’Shea, “Utah Case Study” in *The Workforce Investment Act in Eight States: State Case Studies from a Field Network Evaluation*, Washington, D.C.: U.S. Department of Labor, 2004.

<sup>29</sup> The seventeen mandatory One-Stop Career Center partners referenced in the statute are: WIA Adult, Dislocated Worker, and Youth programs; Job Corps; Native American programs; veterans’ workforce programs; Wagner-Peyser Act programs; Adult Education and Literacy; Vocational Rehabilitation; Welfare-to-Work programs; Senior Community Service Employment program; postsecondary vocational education; Trade Adjustment Assistance and NAFTA Transitional Adjustment; local veterans’ employment representatives and disabled veterans’ outreach; Community Services Block Grant Employment and Training programs; Housing and Urban Development Department Employment and Training activities; and state unemployment compensation programs.

<sup>30</sup> See Burt Barnow and Amy Buck, “Maryland Case Study,” *The Workforce Investment Act in Eight States*, op.cit. p. 30.

The statute suggests that the more integrated model comes closer to meeting program goals. It offers more seamless service delivery, avoids program fragmentation and services duplication, and reduces the costs of accessing services for individuals in need. In areas where the Employment Service continues to offer labor exchange services in its own quarters and core services are paid with WIA funds, it would appear that the spirit of WIA is being violated, if not the letter of the law. In some locations, however, integrating or even highly coordinating services is difficult. Cultures, philosophies, and program goals can vary significantly across agencies, particularly when one state level agency has been in existence for over sixty years (Wagner-Peyser Act funded employment service), while the workforce agencies are newer, have different goals, and are less steeped in tradition.<sup>31</sup>

The Employment Service and One-Stop Career Centers. The Employment Service, or Job Service, as it is sometimes known, is the longest standing employment and training program in the U.S.<sup>32</sup> Established in 1933 by the Wagner-Peyser Act, the Employment Service provides labor exchange services to employers and all members of the labor force. Historically, this program performed a variety of functions related to assisting employers and workers to fill and obtain jobs. These functions include maintaining a list of job openings; providing information to job seekers about the labor market and specific openings; providing job seekers with interest, aptitude, and ability assessments; matching workers to openings through automated and manual procedures; and processing applications to fill positions for employers. The Employment Service also receives funds from other sources to provide other functions. In many states, the Employment Service receives WIA dislocated worker funds to run the state's rapid response unit. This unit provides timely information to plants experiencing closings or mass layoffs. The Employment Service often administers other related workforce programs, such as Labor Market Information, Trade Adjustment Assistance, and Food Stamp Employment and Training. A decrease in real (inflation-adjusted) resources in recent years has led the Employment Service to reduce or eliminate services such as aptitude testing and automated job matching in many states. Instead, it maintains a listing of current job openings and provides referrals to job seekers.

The Employment Service is almost always a key partner at the One-Stop Career Centers, but the nature of its relationship with the WIA program varies. Michigan operates under demonstration authority from the USDOL that permits the use of merit staff from other public agencies in addition to the state Employment Service to deliver labor exchange services.

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<sup>31</sup> Recent analysis of WIA Standardized Record Data (WIASRD) by Stevens et al. (2003) for USDOL ETA for the ADARE Project in a number of states (including Florida, Maryland, Missouri, and Texas) indicates that states with more integrated or at least consolidated workforce development systems relied less on WIA for providing core services and presumably more on Employment Service, TANF, and other funding streams.

<sup>32</sup> See Balducci and Spickard (2003) for a detailed review of the history and prospects for the Employment Service.



In most One-Stop Career Centers in the study sample, core services are also provided by the One-Stop Career Center operator or a WIA Title I contractor. The specific roles and relationships can vary within local workforce investment areas (see Stevens et al., 2003). In states such as Maryland and Missouri, the Employment Service's role is greater in One-Stop Career Centers that had formerly served as affiliated employment security offices.

In some states, the Employment Service operates exclusively or primarily within the One-Stop Career Centers, but in others it maintains separate offices. In Maryland, the Employment Service is present at one or more One-Stop Career Centers in each workforce investment area, but in some local areas, the Employment Service maintains a separate office as well. A USDOL ETA regional administrator stated in an interview that the Employment Service in many southern states maintains separate affiliated offices from One-Stop Career Centers.

Florida, Texas, and Utah have integrated the Employment Service into their One-Stop Career Centers. As a single-WIB state, Utah has the organizational advantage that all workforce employees are state employees, so the problem of combining state employees with private sector or local government employees is absent. In Florida and Texas, Employment Service workers at One-Stop Career Centers report to Center managers as well as to Employment Service supervisors. Both Texas and Florida indicate that this approach works well, although there were some initial adjustment problems.

In the past, when the Employment Service had a larger real budget, Employment Service workers frequently provided individual counseling, testing, and assessment — now classified as intensive services under WIA. Such activities have virtually disappeared in recent years as resources dwindled.

TANF and One-Stop Career Centers. Temporary Assistance for Needy Families (TANF) is the federal-state welfare program for families with dependent children. TANF was created in 1996 when the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) was enacted. Under this program, which replaced Aid to Families with Dependent Children (AFDC), states receive a block grant from the federal government based on the amount they received for AFDC in the years prior to TANF.<sup>33</sup> TANF gives states considerable flexibility in determining program eligibility and grant size, but it emphasizes placement of cash assistance recipients in work and work-related activities, such as job search, work experience programs, and training. Education and training are allowable activities, but within limits. Most states have adopted a work-first or “labor force attachment” philosophy for their TANF programs based on federal requirements and research conducted by the Manpower Demonstration Research Corporation (MDRC). These studies indicated that labor force attachment programs are

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<sup>33</sup> Under AFDC, states established the size of the AFDC grant for families of different compositions, and the federal government matched these funds using a formula based on state per capita personal income.

more cost effective than “human capital development programs” such as education and training.<sup>34</sup>

The relationship between WIA and TANF depends on many factors, including state and local goals, program philosophy, management style, and political culture. Given the flexibility that states have in their TANF and WIA programs and the variation in state government traditions and structures, it would be difficult under current law to mandate a precise relationship between the two programs. Some states and local boards may not like the idea of having a group of customers who are not at the One-Stop Career Centers by choice. In particular, state and local programs that have taken the universal services aspect of WIA as a cornerstone of their programs may find that the presence of a large number of welfare recipients makes it difficult to attract incumbent workers to their One-Stop Career Centers. Some programs dealt with the issue of diverse customer groups by establishing different types of One-Stop Career Centers in different locations or by requiring TANF recipients to meet with their caseworkers at particular One-Stop Career Centers.

From a management viewpoint, combining services for TANF recipients with services provided to other customers offers advantages since TANF and WIA provide similar workforce development services. Few states, however, sought to combine the workforce development aspects of the two programs. This could be because of a combination of cultural differences, turf issues, and a fear that trying to serve diverse populations in the same program would be problematic.<sup>35</sup>

In three of the eight programs in the study sample — Florida, Michigan, and Texas — the state workforce development agency receives and spends the state’s TANF workforce development funds. Missouri adopted this approach in July 2003. In these states, services for TANF recipients are an integral part of One-Stop Career Center activities, but there are distinctions. In Florida, state law assigns TANF workforce development funds to the local boards bearing responsibility for WIA. The state’s Department of Children and Families, responsible for TANF eligibility determination for cash and other program benefits, has a presence at some but not all One-Stop Career Centers. The decision is up to the local boards. Some local boards in Florida have attempted to differentiate their One-Stop Career Centers to attract different types of customers, and in such areas, services for TANF recipients are provided or emphasized only at selected One-Stop Career Centers. In Michigan, workforce development activities for TANF recipients are provided at the One-Stop Career Centers, but the services for TANF recipients are segregated from the services for other customers. Texas uses an

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<sup>34</sup> See Hamilton (2001). The MDRC findings were obtained for studies based on welfare recipients and may not apply to the broader population served by WIA. Also, the human capital development programs tested in the MDRC demonstrations were primarily GED preparation rather than vocational training programs. Based largely on findings from their Portland, Oregon site, MDRC now advocates a mixed strategy of human capital development combined with labor force attachment. Some analysts believe that there is evidence that long-term vocational training is a good strategy for TANF recipients. See Martinson and Strawn (2002).

<sup>35</sup> One of the turf issues is that workforce development programs and welfare programs are under the jurisdiction of different congressional committees.

approach similar to Florida's — the state allocates all of its TANF workforce development funds to the local boards, which then decide how to serve TANF recipients (within parameters provided by the WIB).

In Utah, the state workforce agency administers TANF funds. Eligibility for TANF and other means-tested program benefits like Medicaid and food stamps are paid or arranged by the state workforce agency. All activities occur at Utah's One-Stop Career Centers. In Indiana and Maryland, the decision to include TANF as a partner is made by the local WIA boards and the welfare agencies. In Baltimore, Maryland, for example, TANF does not have a presence at the city's One-Stop Career Centers, but the agency administering WIA (the Mayor's Office of Employment Development) has contractual arrangements with the TANF agency to provide employment services to TANF participants.

TANF is a mandatory partner in Oregon and Missouri, but the relationship is not as strong as in Florida and Texas. In Oregon, TANF staff were located at many of the One-Stop Career Centers at the time of field visits. The TANF agency was later reorganized, and in some locations TANF staff were in the process of being moved to separate human services integrated service centers as this report was being prepared. Although TANF is also a mandatory partner in Missouri, it has limited direct involvement with One-Stop Career Center activities.

Unemployment Insurance and One-Stop Career Centers. The Unemployment Insurance (UI) system is a federal-state partnership dating from the late 1930s that provides temporary income support to qualified workers who have lost their jobs, who are able and available for work, and who meet the state's requirements to search for a job. State UI programs are financed primarily by a tax on employers, and benefits under the regular UI program may last up to twenty-six weeks in most states.<sup>36</sup> To qualify for and continue receiving UI, unemployed individuals must meet certain monetary and non-monetary requirements. The monetary requirements assess earning sufficiency over a base period of four quarters, usually the first four of the five quarters preceding the layoff. Non-monetary requirements deal with separation and non-separation issues. Although the rules vary significantly across states, workers who leave their positions voluntarily or are terminated for gross misconduct are generally not eligible for UI. Non-separation issues deal with continuing eligibility for the program: workers must be able, available, and actively seeking work to continue collecting UI. The Unemployment Insurance staff in each state administer the program by determining initial and continuing eligibility, calculating benefits, and adjudicating issues in dispute.

In 1993, Congress mandated that states identify UI claimants who are likely to exhaust their benefits, refer them to reemployment services in a timely manner, and

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<sup>36</sup> In addition to the regular UI program, there is a federal-state extended benefits program that is activated when the unemployment rate exceeds certain levels for specified periods of time. With program changes in recent decades, this program has rarely triggered on. In addition, during periods of high, sustained unemployment rates, temporary federal programs are sometimes established to continue benefits for a longer period.

collect information about the services received and subsequent outcomes. Claimants referred to reemployment services must participate in Worker Profiling and Reemployment Services (WPRS) to be eligible for UI.<sup>37</sup> States have flexibility in determining the method for identifying at-risk claimants, the services to be provided to these claimants, the agency responsible for providing the services, and the penalties for services refusal. These services are frequently provided at the One-Stop Career Centers, and the Employment Service is typically responsible for the provision of the reemployment services.

Although UI is a mandatory partner in the One-Stop Career Centers, changes in the program that predate WIA have caused the UI system to be a minimal partner in most states. Prior to WIA, the state UI program was usually housed in the same overall state organization as the Employment Service, and the two programs jointly constituted the State Employment Security Agency (SESA). At the local level, the issue of whether or not the two programs should be co-located was causing tension. Because the Employment Service provided many of the services that unemployed workers needed to find new work and also enforced the work test, they were often co-located. In contrast, the co-location sometimes caused the Employment Service to complain that they were identified as the “unemployment service office” and that this image deterred non-claimants from using the program.<sup>38</sup>

In recent years, because of budget problems, UI staff are housed in “call centers” and interact with claimants primarily by telephone. Under this arrangement, claimants file claims and supporting information by telephone or on the Internet. UI staff then review the information and resolve issues by telephone, whenever possible.<sup>39</sup> States adopting this approach maintain that it reduces administrative costs, improves system efficiency, and provides greater consistency in staff training and service delivery. Call centers are frequently in separate locations from the One-Stop Career Centers, and when they are in the same building, the call center is isolated and claimants are not allowed to meet with the UI staff.

Five states in the study sample were using a call center approach at the time of interviews: Florida, Maryland, Missouri, Texas, and Utah. Michigan is moving toward this system. However, when site visits occurred, UI staff were located at some One-Stop Career Centers. Oregon has announced plans to adopt a call center approach by 2005. The only state in the study sample having no intention of using this approach is Indiana.

In Indiana, claimants must go to the One-Stop Career Center to file a claim. A recent survey indicated this as the most frequently cited reason for One-Stop Career

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<sup>37</sup> Referred claimants must participate in services unless they already previously completed them or they have a “justifiable cause” for not participating.

<sup>38</sup> The concern about the image led many states to call their agencies the “Job Service” rather than the Employment Service.

<sup>39</sup> The procedures vary by state, and in-person hearings are more often used for appeals. See Fishman et al. (2003).

Center visits in Indiana. The state is developing a system where claims can be filed through the Internet, and this will likely reduce use of the One-Stop Career Centers.

Using call centers does not mean that there is no relationship between UI claimants and the One-Stop Career Centers. Claimants seeking work are likely to find the Center one of the most effective resources in their job search. Call centers and UI Internet sites provide claimants with information on One-Stop Career Centers' locations and services.

Another reason claimants go to One-Stop Career Centers is that the Employment Service is often used to enforce work test provisions of state UI law. In most states, UI claimants are required to register with the Employment Service and follow up on any referrals they have received as evidence of their availability and willingness to work.<sup>40</sup>

As noted earlier, states are required to profile new UI claimants to identify the ones who are likely to exhaust their benefits. Claimants so identified are often required to participate in One-Stop Career Center activities such as seminars and job searches, or lose their benefits. Some states also conduct eligibility reviews where claimants are periodically required to visit the One-Stop Career Centers to provide evidence that they are complying with eligibility requirements. This usually involves providing proof of contact with employers, as well as discussing with Employment Service staff what job search methods were used.

States vary in their requirements for UI claimants. Florida, for example, de-emphasizes worker profiling, but uses the eligibility review process. Maryland refers claimants identified as likely to exhaust their benefits to the Employment Service.

Call center usage means that Unemployment Insurance services (e.g., filing claims, reporting required search activities, processing claims through fact-finding and determinations) are not provided at the One-Stop Career Centers; however, many One-Stop Career Centers have a dedicated telephone connected to the call center where staff assist customers with reaching the UI Internet site. Based on interviews conducted with UI and Employment Service staff, it appears that the advent of call centers has separated UI staff from the Employment Service, just as in many states the development of One-Stop Career Centers has brought the Employment Service and WIA agencies closer. Unemployment Insurance officials have indicated that Employment Service and call center staff lack communication, but believe that cost reductions make such an approach necessary. It was beyond the scope of the current study to determine if the overall workforce system is more efficient with the call center system.

Community Colleges and One-Stop Career Centers. Community colleges are two-year postsecondary education institutions that have been involved extensively in workforce development programs. These institutions derive most of their funding from states and local communities, and fill an important niche in education and workforce

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<sup>40</sup> Exceptions are sometimes made for workers with a recall date and workers in trades where hiring is done through a union hall.

development systems by offering a range of courses spanning academic and remedial education, vocational training, and recreation. Community colleges offer postsecondary level courses that provide college credit. These courses can lead to an associate's degree or they can be used as stepping-stones to degree programs at four-year colleges and universities. Community colleges also offer credit and noncredit courses that provide credentials for specific occupations. When such a program is successfully completed, the student receives a certificate or can take an occupational license examination. Because many potential customers are unprepared for vocational training or higher education, community colleges offer remedial and developmental courses to help students prepare for courses requiring certain reading and math skill levels. One local community college president described the common scenario: roughly one-third of the college's students were enrolled for academic programs either as terminal efforts or as feeder programs for higher education, another third was engaged in workforce oriented programs, and the final third was signed up for miscellaneous offerings to meet personal development needs.

Community colleges are often entrepreneurial. Their main sources of funding are state and local, but they also receive federal funding from the Perkins Act. Many community colleges receive funds from WIA as a vendor and from employers for customized training. Some states offer vocationally oriented and/or nondegree programs through technical colleges or institutions that are separate from their community colleges, but they are considered community colleges in this report.

A common issue among sample states was how the WIA program intends to deal with Pell grants. Pell grants are federal need-based grants providing low-income students enrolled in eligible education programs up to \$4,050 for the (2003-2004) school year to defray attendance costs.<sup>41</sup> The Workforce Investment Act requires that WIA funds be the payer of last resort; thus WIA participants enrolled in programs whose students may receive Pell grants are required to obtain the Pell grant first and only use WIA funds to cover any remaining costs. Local boards in the sample states found these rules confusing, and many respondents indicated that educational institutions believed that Pell grants were required to be the last payer. To alleviate confusion, local boards often required participants to apply for Pell grants if they were enrolled in programs where these grants could be used; if Pell grants were disbursed, then the WIA payment was reduced by the Pell grant. Although this policy appeared to satisfy WIA and Pell rules, local officials remain confused and would like to see WIA and Pell grant policies clearly stated.

Community colleges have been a major source of training for the nation's workforce development system.<sup>42</sup> The role that community colleges play in the workforce development system as training service providers and as operators of One-Stop Career

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<sup>41</sup> Individuals with family income up to \$45,000 are eligible for Pell grants. "Eligible" programs generally must be for credit and students must be enrolled at least halftime.

<sup>42</sup> For more on the community college role in workforce development, see Grubb et al. (1999) and Grubb, *Learning to Work: The Case for Reintegrating Job Training and Education* (1996) and Grubb, *Working in the Middle: Strengthening Education and Training for the Mid-skilled Labor Force* (1996).

Centers are described here. For a discussion of the impact on community colleges of Eligible Training Provider (ETP) list see Section III.E of this report.

Relationships between community colleges and WIA programs varied among sample states. In part this is because states vary in how established their community colleges are, but also because of the level of difficulty encountered by potential partners in working with one another. In Maryland, community colleges have been ongoing sources of workforce programs training. In one Maryland local workforce investment area, the community college is the *only* locally available source of vocational training. In Frederick County, the community college and the local WIB formed a partnership to provide fee-for-service training to employers in the area.

In Oregon, the same state agency is responsible for community colleges and workforce investment programs, the Oregon Department of Community Colleges and Workforce Development. Community colleges have been ongoing sources of training and are partners in the One-Stop Career Centers in thirteen of Oregon's fifteen regions.

In Michigan and Texas, community colleges have a presence at the One-Stop Career Centers, but relationships were initially strained by the development of the Eligible Training Provider list. In Texas, community college involvement in WIA varies across local workforce investment areas. For example, in Houston, Houston Community College, which is the largest in the area, has been actively involved in WIA and earlier training programs, but another community college has had little involvement with WIA to date.

Community colleges have been an important part of Florida's workforce development system, and WIA has helped shift the focus back to community colleges and other educational institutions. The state's emphasis on economic development and high-demand occupations has reinforced the importance of community colleges' responsiveness to employer needs. For example, the Florida Community College at Jacksonville recently built an advanced technology center to meet the training needs of emerging career fields identified by the Jacksonville Economic Development Commission.

Indiana's community college system is still evolving. At the time of the Indiana site visits, the Community College of Indiana (CCI) was still in its infancy. Ivy Tech State College, a partner in the CCI effort, has been an important part of the workforce development systems in several local areas. It is unclear if the new system will expand Ivy Tech's role in WIA.

Overall, community colleges are an important partner for the workforce investment system. In most states, they traditionally have provided vocational and basic skills training. As workforce and student aid legislation is revised, it would be beneficial to clarify the relationship between Pell grants and WIA funding for training. The major issues affecting the relationship between community colleges and the WIA system involve ITAs and the Eligible Training Provider list, which are discussed later.

Partners That Did Not Fit Well. Although a One-Stop Career Center environment is appealing in theory, some partners may find it difficult to work together in practice. Difficulties may arise when partners have different missions or goals. For example, in some states, TANF's mission to immediately place welfare recipients in jobs conflicts with the training option offered by WIA.

Another reason for partnering problems is that programs have different management systems and styles. They may, for example, use incompatible information systems that make information sharing difficult, thus requiring customers to provide the same information a number of times. Because the One-Stop Career Center approach combines people from state and local government, nonprofit organizations, and for-profit firms, there are likely to be large differences in culture and pay scales that can lead to jealousy and turf issues.

Problems are more likely to arise if partners are providing full time onsite services. Therefore, states with a minimal TANF presence at One-Stop Career Centers are less likely to have problems, but tension could arise in states where TANF and WIA agencies attempt to provide seamless services. Difficult or strained relationships may also be resolved over time. For example, when Florida's Wagner-Peyser Act funded Employment Service employees first reported to the One-Stop Career Center operators, there was a period of adjustment, but by the time the site visit was conducted, there were no major problems.

Vocational Rehabilitation, a mandatory partner under WIA, was most frequently cited as the partner that did not fit well into the One-Stop Career Center environment. This program was cited as being problematic in most states in the sample for a number of reasons. The Vocational Rehabilitation programs generally have different goals, culture, and management systems than the workforce development programs in most states. In part, these stem from the different types of problems that Vocational Rehabilitation agencies encounter. Vocational Rehabilitation customers often require longer-term and more supportive services than the typical WIA customer. More importantly, Vocational Rehabilitation programs often view overcoming physical and mental disabilities as their primary mission, and providing employment is not the primary goal for some of their customers.<sup>43</sup> States not reporting problems with the Vocational Rehabilitation partner were those where the Vocational Rehabilitation agency had staff present at the One-Stop Career Centers on a part-time basis and performed most of their duties in their own offices.

Missouri and Oregon reported that they had difficulty partnering with the state TANF agency. In the case of Missouri, TANF and workforce development agencies have different missions. Also, TANF recipients often require more focused attention in dealing

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<sup>43</sup> The environment for customers with disabilities may be different now in some states than it was when the site visits were conducted. The USDOL has undertaken a number of initiatives that could improve relations with the state Vocational Rehabilitation agencies. For example, many states have received grants to hire disability program navigators to assist disabled customers with the workforce development system.



with issues such as domestic violence, and the One-Stop Career Centers are not set up to provide such attention. Similar concerns were expressed in Oregon, where the state TANF agency indicated that the types of services offered under WIA are not always appropriate for TANF recipients, who often had multiple barriers to employment.

Florida and Indiana listed Veterans' Employment and Training programs as a difficult partner. This is because veterans' programs have statutory restrictions prohibiting their employees from serving nonveterans. These restrictions can make it difficult to achieve the kind of seamless service delivery that some One-Stop Career Centers strive for. Veterans' program staff members are less flexible than other staff at the One-Stop Career Centers; they may be idle (because there are no veterans present) while some customers need assistance. Some respondents indicated that these issues could be overcome if the veterans' program staff are willing to interpret the mandate more loosely.<sup>44</sup>

Although sample states noted some partnering problems, there were fewer than expected due to the purposive sample of states in the study. Florida and Texas were early WIA implementers and had addressed many of the partnership issues prior to WIA. As a single-WIB, state-administered program, Utah was able to avoid many of the partnering problems. Another reason states experienced fewer partnering problems is they reduced the partnership role for potentially troublesome partners. Because TANF is an optional partner in the One-Stop Career Centers, its role could be minimized if there are partnering problems. States with conflicting TANF and WIA missions were more likely to operate programs separately.

In the reauthorization process, attention should be given to the two programs that had the greatest difficulties fitting into the One-Stop Career Center environment — Vocational Rehabilitation and TANF. The USDOL has recently put more emphasis on serving customers with disabilities, and there have been major changes in the vocational rehabilitation field in recent years. The Ticket-to-Work program could lead to changes in the role of state rehabilitation agencies and other service providers for people with disabilities.<sup>45</sup>

Operating separate workforce development programs for WIA and TANF duplicates efforts. This duplication could be reduced by making TANF a mandated partner at the One-Stop Career Centers, or federal legislation could combine workforce development funds for the programs, as is currently done in Florida, Texas, and Utah. Although one can debate the merits of combining the workforce development funds for TANF and WIA (it might make it more difficult to provide different services and requirements for TANF recipients than for other customers), making TANF a mandatory

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<sup>44</sup> One local area in Florida apparently has been allowed to address this problem directly, paying for a portion of the veterans' program staff's time from other sources, thus permitting them to serve nonveterans.

<sup>45</sup> The Ticket-to-Work and Work Incentives Improvement Act of 1999 creates new mechanisms and incentives for promoting work for individuals with disabilities including "tickets" (i.e., vouchers) that can be used to purchase training and related services through One-Stop Career Centers and other entities.

partner would force the two programs to address the issues of having similar missions and services, if not integrate them.

***One-Stop Career Center operations.*** In this section, two operational issues are analyzed: Center operators and financial arrangements for the One-Stop Career Center infrastructure.

Center Operators. The WIA statute and regulations permit variation in how the One-Stop Career Centers are operated, which is reflected in the study states. States in the sample varied in the extent to which other funding streams (e.g., TANF workforce development funds, Food Stamp Employment and Training) were administered by the local WIBs, whether or not optional partners (such as TANF) were designated as mandatory partners by the state, and in operation and management standardization of One-Stop Career Centers (e.g., branding of One-Stop Career Centers and designation of the operators).

In Maryland, local areas have been granted maximum discretion. The state did not designate any additional mandatory partners beyond those prescribed in the statute, and the local boards are free to select any appropriate operator for their One-Stop Career Centers. Maryland permits local boards to have government agencies operate the Centers and to provide career and intensive services directly. The two local workforce investment areas visited in Maryland — Baltimore City and Frederick County — were administered by a local agency. In Baltimore City, the mayor’s Office of Employment Development administers the program, and in Frederick County, the Job Training Agency administers the WIA program. As noted above, in Frederick County, the county agency operates the One-Stop Career Center for the workforce investment area, and in Baltimore there are three different arrangements for the One-Stop Career Centers: two Centers are operated by the mayor’s Office of Employment Development, one Center is operated by the Baltimore AFL-CIO, and one Center is operated by a for-profit vendor.

The other states in the sample also use a variety of arrangements. In Michigan, the One-Stop Career Center operators are selected competitively on a two-year cycle. Michigan, as a “demonstration” state for Wagner-Peyser Act operations, offers a distinctive One-Stop environment, where Michigan Works! agencies contract with a mix of state agency and private and intermediate school district staff to operate and provide services at their Centers. Missouri also has their local boards designate One-Stop Career Center operators for two-year periods. Operators in Missouri may be either single entities or consortia of organizations. Utah is a single WIB state, and all the One-Stop Career Centers in Utah are operated by the state.

Florida allows each local board to determine the operator of its One-Stop Career Centers. When WIA first became effective, ten of the twenty-four local boards had community colleges operating their One-Stop Career Centers. The number of community colleges operating Centers has declined to three because a state oversight agency suggested that operating a One-Stop Career Center and providing training services might be a conflict of interest.

WIA's law and regulations attempt to separate policy development, administration, and service delivery. Thus, the legislation's default model has local policy set by the local WIB, One-Stop Career Centers operated by independent organizations (which can be for-profit, nonprofit, or a consortium of organizations), and services delivered by Wagner-Peyser Act funded state employees and vendors selected by the board or the One-Stop Career Center operator — in the case of core and intensive services, and by the customer in the case of training (through ITAs). The statute grants the states sufficient leeway to separate various functions, so administration and delivery can be placed in the hands of the local government, as is the case in the two Maryland local workforce investment areas that were visited.

The preferred organizational model, separating One-Stop Career Center oversight from administration, and separating center service delivery from operation works well, but so do alternative systems that operate in some states. The extreme case is Utah, where the entire system is run as a state program, and operates effectively that way. Maryland permits local WIBs to run their programs the "old fashioned" way as things were done under JTPA, and this system works as well. Maryland was one of sixteen states to qualify for a federal performance bonus in 2003, and the two local areas visited, both of which operated One-Stop Career Centers and provided core and intensive services, did well on performance standards. Frederick County contributed \$900,000 in cash plus in-kind resources to the WIA program, and it is unclear if the county would be as willing to support the program financially if the funding went to a vendor. In Baltimore, vendors operate half the One-Stop Career Centers, so the city can (and does) monitor how well its Centers perform compared to the other two Centers.

Funding the One-Stop Career Center Infrastructure. Under WIA, there is no prescribed method of paying for infrastructure costs such as rent and utilities. A variety of arrangements was used in the sample states, ranging from one partner paying for all rent and utilities to a formula assigning infrastructure costs to partners based on criteria such as full-time equivalent staff or square footage. Not surprisingly, the issue of funding One-Stop Career Centers was a source of contention in some states. When the WIA agency or some other program assumed all or most of the infrastructure costs there were no disagreements, but one or more programs were absorbing a disproportionate share of the costs. Cost splitting efforts frequently led to disagreements among the partners about what was fair. In some agencies, full-time equivalent staff numbers are used, but in others a square feet occupied measure is used. Establishing a separate source of funding for the One-Stop Career Center infrastructure would avoid many of these battles and encourage better cooperation.<sup>46</sup>

In keeping with its general policy of leaving such matters up to local discretion, Maryland lets each local area decide how to cover infrastructure costs. In the two local areas visited, infrastructure costs were largely borne by the WIA agency. In Frederick County, the county provided the building rent free and also provided cash for program

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<sup>46</sup> Problems would not disappear if separate funds were provided for the infrastructure. In some areas there could be squabbling about whether particular partners received an adequate share of the infrastructure.

operations. The state paid for part of the rent to cover the cost of housing Wagner-Peyser Act funded staff at the One-Stop Career Center. In Baltimore, coverage of infrastructure costs varies across the Centers. One of the Centers is housed in a building owned by the State Department of Labor, Licensing, and Regulation, the agency that contains the Employment Service. At that site, rent and utilities are paid by the state agency. At the two One-Stop Career Centers operated by the mayor's Office of Employment Development, the city pays for the infrastructure costs.

Cost sharing is generally negotiated at the local WIB or One-Stop Career Center level in the other study states. In Missouri, for example, partners are expected to pay rent if they are housed in the facility on a full-time basis. Local staff in Missouri expressed concern about the time and effort involved in negotiating cost-sharing agreements. Oregon also has cost sharing on a case-by-case basis. The individual memoranda of understanding (MOUs) among the partners present at the One-Stop Career Centers indicate how costs for categories such as space, utilities, office supplies, marketing, signage, brochure racks, and lobby space are allocated. In Florida, cost sharing is negotiated at the local level. Generally, costs are allocated on the basis of direct labor costs or the number of full-time equivalent employees for each partner at the One-Stop Career Center. Florida retained a contractor to provide training to local staff on best practices in cost allocation. In Indiana, indirect costs at the One-Stop Career Centers are typically allocated on the basis of space used by each partner.

Utah is again atypical. As a single-WIB state, major partners are housed in the same state agency. The state relies on workload allocation factors and a random-moment time survey administered to nine hundred staff each calendar quarter for allocating administrative and service costs.<sup>47</sup> Facilities costs for the One-Stop Career Centers are allocated across funding streams based on the square footage occupied by program staff for each funding stream.

#### **D. Service Orientation and Mix**

WIA requires that services be categorized as core, intensive, and training, and that customers should receive the three tiers of service in sequence, with only those unable to obtain a job moving on to the next tier of services. Core services are defined as services that involve provision of information to job seekers about the labor market in general, as well as specific information about job openings including the position requirements and information on how to apply for the job. Core services are required to be available to everyone, and universal access availability under WIA is one of the features distinguishing the program from JTPA.

Although core services are available on a self-serve basis, they may also be provided on a staff-assisted basis. At the One-Stop Career Centers visited, staff members inquire whether customers would like assistance when they first enter the Center's resource room where core services are available. If help is requested, staff-assisted

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<sup>47</sup> This arrangement is far more common among human service agencies, but was signed off on by USDOL ETA after thorough examination.

services are immediately provided. In addition, staff usually circulate in the resource room to answer questions and assist customers who appear to be having difficulty.<sup>48</sup>

Intensive services involve more in-depth contact with the One-Stop Career Center staff. Rather than merely showing customers the available resources and how to obtain information and services, intensive services involve counseling as well as aptitude and interest assessments that can help customers make more informed career and training choices. Finally, training services involve classroom or on-the-job training to increase customers' skills and credentials so they will qualify for in demand occupations.

For several reasons, when WIA implementation began (as early as July 1, 1999, for some states including Florida and Texas, and by July 1, 2000, for all states), most states and local workforce investment areas thought that WIA required a work-first orientation, where the emphasis was on obtaining immediate employment — and that any job was better than no job. The statutory language requiring three tiers of sequenced services could be interpreted as meaning that training should be an option only for those who failed at all efforts to place them in a job. The state respondents in the study sample indicated that the USDOL ETA was slow in providing regulations and guidance on WIA; this temporary void in information forced states and local workforce investment areas to interpret policy requirements on their own. Moreover, states and localities reasonably interpreted some of the early guidance that USDOL ETA provided to mean that WIA mandated a work-first approach. During this period, research on programs for welfare recipients published by the MDRC suggested that the work-first (or labor force attachment, as it is sometimes called) approach was as effective as a human capital approach in the first few years following participation. These findings gave further impetus to the emphasis on core services over training in the WIA program.<sup>49</sup> Over time, however, USDOL ETA effectively informed the workforce investment community that sequencing of services does not mean work-first and that states and local WIBs could move customers quickly through the first two tiers into training if that is the appropriate service.

The work-first philosophy in welfare programs stems partly from the belief that work is an obligation of welfare recipients and partly from the research findings showing that such an approach is effective. The literature does not necessarily show that a labor force attachment approach is more effective or cost effective than the type of training typically used in programs such as WIA or JTPA.<sup>50</sup> However, there is no disputing that core services are less expensive than training on a per-customer basis, so a work-first

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<sup>48</sup> Social Policy Research Associates is currently conducting an evaluation of core services for the USDOL ETA.

<sup>49</sup> What was touted as “human capital development” in the MDRC studies tended to be primarily low-level basic skills activities (e.g., adult education), and lacked much in the way of occupational skills training; moreover, Portland, the one site in MDRC’s demonstrations that actually offered substantial amounts of training and operated well run programs, produced significant longer-term net impacts on employment and earnings that were larger than those from labor force attachment.

<sup>50</sup> The relative effectiveness of training versus other activities is also likely to vary with the business cycle. When the job market is tight, then job search is likely to be more appropriate, and when unemployment is high, training is more likely to be advantageous.

approach will enable local boards to serve more customers, albeit with fewer resources per customer. Once the USDOL ETA effectively informed the workforce investment community that sequencing of services does not mean work-first and that states and local WIBs could move customers quickly through the first two tiers into training if that is the appropriate service, some of the states and local boards in the study sample shifted more to a human capital development orientation — or one that was balanced between the two orientations. Florida retains a work-first orientation, particularly for its TANF customers, who are served exclusively through the state’s One-Stop Career Centers. The state also promotes incumbent worker training, but not to the exclusion of the unemployed. Florida policies place strong emphasis on economic development and place workforce development as a key part of its economic development effort.

Indiana also has a strong or enhanced work-first orientation where training is viewed as an activity that should follow labor force attachment efforts. In Florida and Indiana, state officials view workforce development as a key element of economic development policy, and some local workforce investment areas embrace this concept and pursue initiatives tied to economic development. Texas emphasizes a work-first orientation in its rhetoric, but in practice, the state gives more attention to human capital development and generally allows local boards to make their own decisions about program philosophy and orientation.

Maryland and Michigan, in contrast, did not take strong stands at the state level, leaving such decisions to the local WIBs. Maryland has focused its efforts on relieving occupational shortages in five areas: construction, health care, teaching, high technology, and tourism. Michigan, like Maryland, leaves program orientation to the local boards. The state emphasizes economic growth through increased supply of skilled labor for high-demand occupations and career development that encompasses education, workforce development, and economic development.

Missouri and Oregon appear to have adopted contrasting policies at the state and local level. At the state level they have a human capital orientation, while actual implementation at the local level places more emphasis on a work-first orientation.

Utah has a balanced (or mixed) orientation that combines some elements of work-first with those of human capital development. The state has moved more toward human capital development in recent years. Like Texas, Utah does not emphasize linking workforce development to economic development, though local workforce boards are increasingly pursuing sectoral models linking the two.

## **E. Use of Market Mechanisms**

WIA continues the trend of moving toward a market-based system that is results-driven and determined more by customer choice. Four market-based mechanisms are discussed in this section: distribution of labor market information, provider certification, ITAs, and performance management systems.

***Labor market information.*** Labor market information (LMI) is not a market mechanism itself, but provides information about the labor market to customers, and promotes and facilitates the working of the labor market. All states have labor market information units that provide information for the state as a whole and for individual labor markets. In addition to producing information about the current status of the labor market, all states also produce labor market projections that include employment projections by occupation over a ten-year period. A unit in the state employment service usually operates labor market information programs. Funding for labor market information comes from several sources, including the Bureau of Labor Statistics (BLS) in USDOL, which is responsible for producing and coordinating employment statistics at the national level. Both state and national labor market information is available at One-Stop Career Centers via the Internet.

### **Michigan's Labor Market Information System**

Michigan has long believed in a strong state role for labor market information that helps job seekers and businesses make informed choices about education and training opportunities, occupational trends, labor force characteristics, and other types of information. The Office of Labor Market Information (OLMI) in the Michigan Department of Career Development (MDCD) is responsible for the collection, analysis, and distribution of state labor market information. In print and electronic form, OLMI provides employment and unemployment data, economic development and planning information, industry and occupational estimates and forecasts, wage information, and social, as well as demographic, information.

Regional OLMI staff work closely with local boards and sub state planners. These field staff provide training seminars, presentations, technical assistance, and information to Michigan Works! Agency (MWA) staff, business, and the general population. OLMI's website [www.michlmi.org](http://www.michlmi.org) provides direct access to labor market information and reports. OLMI supports the Michigan Talent Freeway and produces several analyses of occupational and educational attributes of job applicants in the Michigan Talent Bank. For example, state or workforce areas can view job applicant occupational and educational profiles. County and regional data support local strategic planning for WIA.

Michigan's labor market information system is exemplary by national standards, but suffers the same limitations found in many federal/state data programs. These data programs were intended to provide more macro-level and longer-term information for major labor market areas rather than firm specific, more geographically defined areas and shorter time horizons. Forecasts and trends often overlook dramatic downturns or immediate opportunities that occur locally, such as a plant closings or the bottom falling out of an industry (e.g., the semiconductor industry). Some occupational forecasts are dominated by structural features of the economy such as the seasonal hospitality and other service industry employment in the Traverse Bay Area, and simply mirror developments that are readily apparent to local employment professionals.

Source: Dan O'Shea and Christopher King, "Michigan Case Study," in volume one of *The Workforce Investment Act in Eight States: A Field Network Evaluation*: U.S. Department of Labor, 2004.

Generally, states have made strides toward improving the quality and presentation of their labor market information in recent years. In several sample states, one or more local WIBs expressed dissatisfaction with aspects of the state's labor market information program and purchased supplementary information from private vendors. These complaints often reflect a desire for more detailed vacancy data that the state cannot produce because of budgetary constraints. This study did not cover the states' labor market information systems in sufficient depth to judge their scope and quality. However, it appears that state labor market information programs are aware of the concerns from local workforce investment areas and are trying to meet their needs. The transition to the Standard Occupational Code (SOC) system for all federal programs producing information on occupations and the coming of age of USDOL ETA's O\*NET, the Occupational Information Network, also should enhance the value of labor market information. O\*NET provides occupational skills and aptitude requirement information and identifies occupations requiring similar skills.

***Provider certification.*** Under JTPA, vendors did not have to meet performance criteria to become eligible to provide training to participants. To improve accountability and enable customers to make more informed choices, WIA established the Eligible Training Provider (ETP) list, giving the responsibility to states for establishing the ETP application procedures. Providers on the list, whose eligibility is reviewed every twelve to eighteen months, are required to furnish performance information to the states' workforce agencies for WIA customers and for all enrollees (whether a WIA customer or not) for each occupational program they have on the list.

Experience to date raises questions about whether under its current structure the ETP provides sufficient valid information to justify its costs and inconvenience. The experiences of the study states varied and while a few states found the ETP to be useful and a minimal burden, in most states the providers, the state, or both complained that gathering the data was expensive and not worth the effort. Because results must be provided for each individual occupational training program rather than for the provider as a whole, the reports frequently covered such a small number of participants, particularly the results for only WIA participants, that there were too few enrollees to provide statistically meaningful results. For example, if a community college had thirty-two WIA enrollees but they were spread over eight vocational programs, there would be data for groups with an average of only four participants. Combining data for various occupations would resolve the small sample problem in some instances, but by combining data across offerings, prospective students would not be able to assess the provider's performance for specific offerings — a community college that placed 100 percent of its computer programmers but none of its licensed practical nurses would show up as having a placement rate of fifty percent, and providing only aggregate information would be a disservice to potential customers for both programs.

The best strategy at this time may be to relax the ETP requirements to allow states and local areas time to develop more economical tracking systems and strategies to address programs with few WIA enrollees. Performance-based contracting offers one approach to holding providers accountable for placing participants, but the track record



on this approach is mixed.<sup>51</sup> Other possibilities include combining data for several years for judging outcomes and waiving ETP requirements for small programs.

Among the states covered in this project, Florida experienced the fewest problems with the ETP requirements. Florida had already established the Florida Education and Training Placement Information Program (FETPIP) prior to WIA to track education and training vendor performance. Administered by the Florida Department of Education, FETPIP collects, maintains, and disseminates placement and follow-up information on Florida education and training program participants by relying on linkages to UI wage and other employment and earnings records.

Utah is another state that did not experience difficulties with these requirements. The state has modified its program since it was initially established in early 1999. However, obtaining providers for its list has caused some problems because the state lacks a fully developed system of community and technical colleges.

Texas experienced some problems with its ETP process. The initial 1999 system was paper based and viewed as cumbersome, though improvements to the system have eased the problems somewhat. Difficulty accessing outcome data remains a challenge for institutions and the state. An interesting speculation of some state officials is that a number of providers have let their listing lapse so they could re-enter the system using the more lenient standards for new listings.

Maryland staff at the state and local level indicated that the ETP created significant problems. Local officials in the two Maryland areas included in the study reported that the process of getting a provider on the list was time consuming and confusing. Providers were reported as hesitant about putting programs on the list, and many programs had too few participants to yield reliable performance data. A state official noted, however, that the ETP process helped the state weed out education and training institutions that were operating illegally.

Michigan did not report any major problems with the ETP system, but state officials noted that instituting ETP appears to have reduced WIA participation of community colleges and technical schools in the state. The community colleges now apply for certification only for those programs for which they expect to get substantial numbers of training referrals.

Missouri had to modify its data collection system to accommodate the WIA-ETP requirements. The Department of Elementary and Secondary Education maintained a list of providers prior to WIA, and this agency established a system to remove most of the burden of data collection from vendors. At the time of the study, state officials recognized that data matching requirements would increase as the WIA program matured, but the state and local areas reported minimal problems with the ETP.

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<sup>51</sup> Spaulding (2001) found that performance-based contracting was associated with better participant placement and wage outcomes in 1998 when JTPA was in effect, but the USDOL ETA identified a number of abuses of performance-based contracting in the 1980s and discouraged its use.

ETP requirements presented some challenges in Oregon, but state officials have worked hard to assure that WIA does not discourage the use of community colleges as training providers. The state adopted policies to assure that nondegree sequences would count as a “program” for WIA ETP purposes, and has assumed all responsibility for reporting training provider results. The state expedites the ETP approval process when a participant wishes to enroll in an unlisted program, and the process can be completed in one week.

Indiana officials characterized the ETP approval process as an administrative burden, but not prohibitively so. State officials indicated that training providers are reluctant to collect the required performance information because of the small number of expected WIA enrollees.

***Individual Training Accounts (ITAs).*** In addition to mandating the use of One-Stop Career Centers, a significant change instituted under WIA was the establishment of Individual Training Accounts (ITAs). In an effort to provide more customer choice, WIA mandates that under most circumstances adults and dislocated workers who are to receive training services must be provided with ITAs that permit them to select their own training provider and occupational program (subject to local workforce investment agency restrictions). Exceptions to the ITA rule are made for customized and on-the-job training, where participant training provider selection would make little sense, and when there is a training program of demonstrated effectiveness offered by a community based organization or another organization in the area to serve special participant populations facing multiple employment barriers.

The ITAs are essentially vouchers, though not in their purest form (see Barnow and King, 1996). Prior to WIA there had been only limited experience with the use of vouchers in workforce development programs (see Barnow, 2000). Vouchers give WIA participants the freedom to select the program they believe would best meet their needs, but the evidence on voucher effectiveness for disadvantaged populations is mixed, with some studies showing that this group frequently overreached in selecting programs.

There were other potential problems with ITAs. Local WIBs might have argued that it made little sense to hold vendors and programs accountable for participants’ performance if participants were making the selection. This potential pitfall was avoided by permitting local programs to exercise latitude in limiting ITA use to programs in which participants were qualified and for in demand occupations. In addition, the ETP is intended to screen out programs that are ineffectual in placing participants in suitable jobs. The remaining concern is that the use of ITAs would provide uncertainty to providers on how many participants they might serve in a given year, making it difficult for them to plan.

Overall, ITAs appear to be a successful feature of WIA. They are popular with participants and accepted by the local WIBs as a useful program feature. An important aspect of this success is that local boards have the flexibility to set limits on the

programs' time and costs, and to have a "guided choice" approach to ITA use. Under the guided choice approach, local WIA programs provide strong guidance or restrict ITA use to programs they believe correspond to the participant's aptitudes and abilities. At the time this report was prepared, USDOL ETA was conducting an experiment to determine the advantages and disadvantages of three levels of consumer choice for ITAs.<sup>52</sup> This experiment will likely provide useful evidence on the merits of varying the level of influence that local programs should have on participants' choices.

The site visits did not provide a lot of information on the three exceptions to the use of ITAs, but other evidence suggests that customized training and on-the-job training are among the most effective training strategies.<sup>53</sup> The exception for special populations permits local boards to make use of particular exemplary programs when warranted. This exception was not observed in the field visits and no other evidence on this provision was identified, so it would be useful for USDOL ETA to conduct research on the use of this provision. The ability of local WIBs to set time and dollar limits on the ITAs is useful because it permits local boards to determine the balance between the number of participants served and the cost per participant. Some local boards require that participants use the lowest-cost provider when there are alternatives, but others do not. A case could be made for requiring the lowest cost provider for a particular program, but it can also be argued that local boards are in a better position to determine if the programs offered are truly equivalent.

States in the study sample often left decisions on implementing ITAs to the local boards, which usually used a guided choice approach for customer choice. The local boards commonly established time and cost limits, but there were many variations. Study results indicated that choice was limited either because many providers did not list their programs on the ETP or there were a limited number of providers in the state.

Maryland provides an example where customer choice is limited by the reluctance of providers to sign up for the ETP. Both local areas visited for the study use a guided choice approach to ITAs. The local programs use alternatives to ITAs. Baltimore, for example, has several customized training programs and would like to expand their use, as they commonly have high placement and wage rates.

Michigan had already implemented a consumer-oriented voucher system for work-related education and training programs prior to WIA, so adaptation to the WIA requirements was not difficult for the state's WIBs. Michigan's ITA cap is determined locally, and it generally ranges between \$1,000 and \$3,000 for individuals whose income is less than seventy percent of the Lower Living Standard Income Level and who meet certain other requirements. Staff reported that some training providers have established fees for their programs at the ITA cap for their local board. This phenomenon, where the ceiling becomes the floor, is a potential abuse in areas where there is not sufficient competition among providers.

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<sup>52</sup> See the MPR/SPR report by D'Amico, Salzman, and Decker (2002) for results to date.

<sup>53</sup> See Barnow (2004) for a review of the evidence on the effectiveness of alternative training strategies. Isbell et al. (2000) reviews the evidence on customized training.

Missouri local boards generally limit the reimbursement available through their ITAs, although the state specifies that training allocations must be made on a case-by-case basis. In interviews, Missouri staff stressed the importance of matching participants with programs where they are likely to experience labor market success. Staff of the local boards use aptitudes and interests to guide participants into appropriate choices.

In Florida, local boards have the option of setting dollar and time limits for ITAs. Local boards almost always use a guided choice approach to the ITAs. Local officials in Florida expressed concern that when they permit participants to enroll in long-term training programs, some of their training funds will be committed but not spent. Thus, it sometimes appears that they are under spending even though the funds are fully allocated. These officials would like to see the system modified so that they can fund programs expected to last more than one year by placing funds for the out years in an escrow account to assure continuous funding for participants.

Texas started slowly in its use of ITAs, in part because the state initially interpreted WIA more as a work-first program. When the state shifted to a business-oriented, demand-driven system, interest in training and ITAs increased.<sup>54</sup> Local workforce investment areas can establish their own ITA caps, and they vary significantly. ITA caps in Texas range from \$3,500 in one local workforce investment area to \$10,000 in another. As in Michigan, some Texas officials reported that vendors sometimes price their programs at the local ITA cap.

Utah uses a guided choice approach for its ITAs. State officials reported that their major challenge in the use of ITAs is a lack of sufficient training providers.

***Performance standards and incentives.*** Performance management has been an important aspect of workforce development programs for many years. The Comprehensive Employment and Training Act (CETA) program included a limited performance management system in its later years and the JTPA program included a comprehensive performance management system. WIA modified JTPA's performance management system in several ways. Under JTPA, only local areas were subject to performance standards, but under WIA the states have standards, as well. Under JTPA, local standards were adjusted by a statistically based equation to hold local areas harmless for local economic conditions and the characteristics of participants served, but under WIA the state standards are determined through negotiations, and adjustments are only possible if an appeal is filed and approved.<sup>55</sup> Finally, under JTPA, performance was initially measured at the time of termination and later thirteen weeks after termination, but under WIA performance is measured twenty-six weeks after termination from the program.

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<sup>54</sup> This experience is borne out by unpublished figures from the Texas Workforce Commission and independent analysis conducted by King et al. (2003) for the ADARE Project.

<sup>55</sup> States determine how local standards are set. Most states follow the federal approach and set local standards through negotiations.

There are a total of seventeen core performance measures for WIA. For adults, dislocated workers, and youth ages nineteen through twenty-one, the core measures are:

- The entered employment rate;
- Employment retention six months after entry into employment;
- The earnings change from the six months prior to entry to the six months after exit; and
- The obtained credential rate for participants who enter unsubsidized employment or, in the case of older youth, enter postsecondary education, advanced training, or unsubsidized employment.

For youth between the ages of fourteen and eighteen, the core performance measures are:

- Attainment of basic skills and, as appropriate, work readiness or occupational skills;
- Attainment of a high school diploma or its equivalent; and
- Placement and retention in postsecondary education and training, employment, or military service.

There are also customer satisfaction measures for both participants and employers.

All states and local areas in the study sample expressed concerns about the WIA performance management system. Most officials interviewed indicated that the WIA system is a step backwards to the approach used under JTPA as follows:

- They decried the absence of a procedure to adjust for characteristics of participants served and local economic conditions; state and local officials stated that failing to adjust for differences in these factors means that states and local areas are not placed on a level playing field.<sup>56</sup>
- State officials expressed concern that the USDOL ETA regional office officials did not enter into negotiations with state officials; they all indicated that the federal officials did not negotiate on what the state standards should be, citing pressure from the federal government to meet its standards.
- Officials also said they were dissatisfied with the definitions of who was considered a covered system participant and when participants were terminated, which they considered vague. This vagueness made it possible for the local workforce investment areas to engage in strategic decision-making about whom

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<sup>56</sup>Lack of adjustment for participant characteristics may increase incentives for workforce investment areas serving difficult populations to engage in “creaming,” where they serve eligible individuals more likely to do well on the performance measures instead of those with greater labor market barriers.

they enrolled and when they considered someone an exiter in order to enhance their measured performance.

- Officials also expressed concern that WIA had too many performance measures, with seventeen for adult, dislocated workers, and youth.

Interestingly, more than half the states in the study sample — Florida, Indiana, Oregon, Texas, and Utah — added more performance measures, which makes the assertion that there are too many performance measures questionable. Often, however, these added measures were to provide state and local staff with either more systematic measurement of workforce performance or more immediate information for managers regarding how participants were faring with program participation (see O’Shea et al., 2003a, 2003b).

The reauthorization of WIA could provide an opportunity to change the performance management system for the program.<sup>57</sup> Lessons can be learned from the states’ criticisms of the current system as well as the actions they have taken to enhance the WIA performance management system. In the interest of fairness and to avoid incentives for creaming, where they serve eligible individuals more likely to do well on the performance measures instead of those with greater labor market barriers, an adjustment mechanism should be added to the system. The regression model based adjustment approach used under JTPA is one possibility, but even a subjectively established adjustment procedure would be an improvement. Moreover, the concept of using negotiations to set standards should not be precluded when an adjustment model is used. The adjustment model could be used to develop a starting point, and negotiations to determine the final standard. For the negotiations to be meaningful, however, a more systematic approach should be used so that both sides believe the system is fair.<sup>58</sup>

The definitions of WIA entry and exit as well as the boundaries of the different service categories are currently too vague to form the basis of a nationally uniform performance management system. Several states in the research sample have begun developing “system measures,” which capture performance for entire labor market areas rather than for a specific program such as WIA. State efforts to develop measures that reflect, “return on investment” should also be encouraged. Although incorporating costs into performance management is important, work should proceed with caution because

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<sup>57</sup> Refinement of performance measures will need to take account of the common measures developed by the Office of Management and Budget for job training and employment programs. The four common measures for adults are entered employment, employment retention in the second and third quarters after first employed, earnings increase from the quarter prior to participation to the first quarter after exit, earnings increase from the first quarter after exit to the third quarter after exit, and efficiency measured as the program appropriation divided by the number of participants. For youth, the measures are placement in employment or education, attainment of a degree or certificate, literacy and numeric gains, and efficiency measured as the program appropriation divided by the number of participants. In Michigan, the Upjohn Institute is developing regression adjustment models for the state.

<sup>58</sup> John Baj at Northern Illinois University’s Center for Governmental Studies has devised a simpler alternative to regression-adjustment models based on comparisons to similar states to assist states and localities in conducting negotiations as part of the ongoing ADARE Project. For more information, see: [www.fred-info.org](http://www.fred-info.org).

limits on follow-up data and imperfect information can cause such measures to provide misleading information.

The appropriate follow-up period for performance measures should also receive renewed attention. The twenty-six week follow-up period in WIA permits the performance management system to do a better job of capturing longer-term program effects, but this is at the expense of information timeliness. Reliance on UI wage record data results in information delays of up to nine months. Thought should be given to ways to accelerate data collection and/or using shorter-term measures in addition to or instead of the longer-term measures so that more timely feedback can be provided.

Evidence of strategic behavior or “gaming” to improve measured performance was found in a majority of the states in the study sample. This does not mean that these states were doing anything contrary to the WIA law or regulations, only that they were modifying their behavior to improve measured performance. Some local areas indicated that in response to the performance management system they took steps to improve their measured performance. Local areas employ creaming and strategic behavior when recording individuals’ enrollment in and/or program termination.

Maryland’s state board was concerned that the current system of measuring performance for individual programs does not permit the state to gauge performance for the state as a whole. To deal with this issue, the state developed a “system report card” with nine measures that apply to an entire labor market area rather than a specific program: the credential rate, the high school dropout rate, the college readiness rate, investment per participant, the self-sufficiency rate, the One-Stop Career Center usage rate, customer satisfaction, job openings by occupation, and board effectiveness.

Florida has been a leader in exceeding performance requirements of federal programs. Legislation enacted in 1996 required the state to develop a three-tier performance management system for its programs. Tier three focuses on federally mandated measures; Tier two measures are grouped by program and target group and provide measures appropriate for specific population subgroups. Tier one measures are broad economic measures applicable to almost all workforce development programs. The state also developed a “Red and Green Report” that compares regions on a number of short-term performance indicators based on administrative data; regions in the top quarter on a measure are shown in green, and regions in the bottom quarter are marked in red.

Texas is another state with a strong history of performance management. The state now has thirty-five performance measures for its workforce development programs. Texas measures performance on a monthly basis, and the Texas Workforce Commission has a committee that meets on a monthly basis to address performance problems. As this report was being prepared, Texas was considering implementation of a tiered performance management system.

Oregon is in the process of implementing a set of uniform, system-wide performance measures for its workforce development system. These thirteen measures

will apply to all state agencies that are partners in the system. Oregon officials view the state system-wide measures as important for building an integrated system. As the study was being conducted, the state was requesting a waiver from the USDOL to use the state measures for reporting under WIA.

Indiana uses three system-wide measures to award WIA incentive funds: customer satisfaction, earnings gains, and credentials acquired. Similar to Oregon, Indiana submitted a waiver request to the USDOL to use its system-wide measures in place of the WIA performance measures; the request was denied.



## IV. Conclusions and Challenges

In this section, conclusions are presented about the implementation of and service delivery under WIA, based primarily on fieldwork in the study's eight states, sixteen local areas, and more than thirty One-Stop Career Centers. Also offered are challenges to the nation's workforce investment system. Conclusions draw upon the knowledge that the field observer network has accumulated in this area.

***States and localities in the study sample have embraced newly devolved authority and responsibility for workforce investment under WIA, giving rise to an increasingly varied workforce development system across the country.*** As with welfare, health, education, and other policy areas, states and local areas — led by governors, mayors and county executives, as well as legislators and state and local workforce administrators — have served as “laboratories of democracy,” experimenting with new ways of doing business in workforce investment. As noted, a number of the study states had been in the vanguard of workforce policy reform, some of them pioneering service delivery approaches, governance reforms, and market-oriented mechanisms before WIA introduced and encouraged such changes nationally. Among the eight study states, efforts in Florida, Michigan, Texas, and Utah stand out.

These states continued with their efforts during the early years of WIA's implementation. The result is a varied landscape of policies and programs that appears to “work” within particular environments, contexts, and traditions. In the context of WIA reauthorization, this experience suggests that federal policy should generally support provisions that support state and local flexibility, including consolidation of funding streams, expanded use of waivers, and enhanced service flexibility.

***The current approach to measuring and managing performance under WIA does not fit well with the intergovernmental approach to U.S. workforce policy that has evolved in recent decades.*** State and local officials and One-Stop Career Center staff were nearly unanimous in expressing displeasure with performance measurement and management under WIA, often harking back to what was done under earlier workforce programs like JTPA for more promising practices. The predominant view was that prior to WIA, program participation and outcome data were of higher quality, performance standards negotiations processes were more balanced between the federal and state governments and between the states and local WIBs, and there was more emphasis on managing programs for improved results as opposed to the achievement of what tended to be viewed as arbitrary numeric goals.

One concern stems from the absence of consistent approaches to deciding when a customer becomes a participant or a former participant (exiter). Another has to do with the absence of a performance adjustment process to hold states and areas harmless for serving harder-to-serve populations and operating in economically distressed areas; for example, the JTPA regression adjustment model that was used for much of the 1980s and 1990s was perceived by most state and local officials interviewed as a good strategy to discourage creaming and to level the playing field between areas with different economic

conditions. Most state and local officials also complained that relying on UI wage record data to capture labor market outcomes leads to delays in measuring results and to having data that are not useful for day-to-day management. A number of states in the sample — including Florida, Oregon, Texas, and Utah — are recognized leaders in the design and use of measures that gauge the performance of the workforce system as a whole, as well as more comprehensive performance management approaches.<sup>59</sup>

Improvements to WIA’s data collection and reporting mechanisms and its approach to performance measurement and management are needed. Under the intergovernmental system that has evolved for workforce investment, tightening up the accountability system goes hand in hand with granting governors and WIBs discretion and flexibility to design their own programs. Policymakers can be “loose” in allowing states and localities to shape their service strategies to meet what they perceive as the needs of their particular labor markets and target populations, but they should be “tight” in terms of specifying the measures and assuring that the measures capture performance in an accurate and timely manner. This approach is in accord with best practice in both the public and the private sector, as characterized by Peters and Waterman (1982) and Gaebler and Osborne (1992).

WIA reauthorization proposals address a number of the concerns stated above. In the fall of 2002, OMB developed a set of “common measures” for use with many federal workforce programs serving adults and youth, including: employment, retention, earnings increase, and efficiency for adults; placement in employment or education, attainment of degree or certificate, literacy and numeric gains, and efficiency for youth. Staff from federal agencies developed these measures further in 2003. Both the House and Senate bills the 108th Congress introduced in 2004 mandate the adoption of most of these “common measures” to replace WIA’s core indicators, though there are differences between them. H.R. 1261 replaces the attainment of credentials with the efficiency measure, while S. 1627 modifies the earnings measure but does not include the efficiency measure. USDOL also has internal efforts underway to tighten data collection and reporting (i.e., the WIA Standard Reporting Data system or WIASRD), as well as to provide support for state-based projects, including an effort led by Washington State with the National Governors Association for the creation of integrated performance information systems for workforce investment programs. In July 2004, USDOL invited comments on a proposed new comprehensive management information system that would cover twelve programs, the ETA Management Information and Longitudinal Evaluation (EMILE). The Labor Department is also funding work on alternative approaches to performance adjustment, including traditional regression modeling as utilized under JTPA and a less statistically oriented method of benchmarking performance to comparable local WIBs.

***Leadership — whether from governors, legislatures, the private sector or other actors — makes a difference in workforce policy.*** Although there is no solid empirical evidence to demonstrate that effective leadership results in positive impacts,

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<sup>59</sup> See reports prepared for the National Governors Association and USDOL ETA by O’Shea et al. (2003a, 2003b).

policymakers, program administrators, and others who were interviewed for this study said that this is important.

In a number of the sample states, legislatures and governors were ahead of the policy curve early in the process, shaping their states' workforce investment systems, fostering an enhanced role for employers and achieving a more demand-driven workforce system. Systems of the kind envisioned in the WIA legislation depend more on the type of role that employers play than on their numbers. Areas that have a strong employer role — ranging from leadership in governance to curriculum design to the provision of training — tend to be those in which employers play a substantive role, often associated with the adoption of sectoral or cluster-based strategies for economic and workforce development. Research is still emerging on the effectiveness of sectoral strategies, but evidence to date supports this observation (for example, see Giloth, 2004, and Kazis et al., 2003).

***The separation of workforce policy development, program administration, and service delivery functions that has been made explicit under WIA embodies what we view as sound management and administrative principles and, where it is being well implemented by states and localities, is contributing to the effectiveness of workforce investment programs.*** Several study states (e.g., Texas) separated these key functions years prior to the implementation of WIA as they reformed their workforce systems in ways that have survived changes in governors, legislative leadership, and political parties. Other study states (e.g., Maryland) allowed local government agencies responsible for program administration to deliver services and they were able to exceed their negotiated performance standards as well.

***States and local areas with more integrated workforce investment programs — those where the array of programs are under common control — provide services more seamlessly with less fragmentation and duplication.*** Policymakers and administrators can encounter criticism when they make decisions to retain traditional program structures reflecting categorical federal funding streams (i.e., the “silos”), consolidate the programs under common administrative control, or integrate service delivery by administrative function. These issues arise at the state level as well as in the WIBs and One-Stop Career Centers locally. These observations suggest a service/control continuum along which states and local areas might be arrayed. Within the study states, Florida, Texas, and Utah are on the consolidation/integration end of such a continuum, and Maryland and Missouri on the other, more traditional end.

Utah represents a special case, operating as a single statewide WIB and delivering most workforce and many related services by relying on functionally organized state staff. Of all sample states, Utah comes closest to delivering seamless services.

***Both state and local officials indicated that current and anticipated funding levels for workforce investment services, including WIA, the Wagner-Peyser Act, and related programs, are not sufficient or sufficiently flexible to meet needs.*** Funding levels have declined, both absolutely and in inflation-adjusted terms, despite the dynamic

nature of labor markets. It is unlikely that efficiencies realized through innovations such as Internet-based job search and One-Stop Career Center service delivery can make up for these reductions.

***One-Stop Career Centers are best viewed as places or service delivery mechanisms, rather than programs, and are the key to providing seamless, comprehensive services.*** As such, it is important that all of the principal workforce partners — especially WIA, ES, and TANF — be represented at the Centers along with effective education and training referral. Practice varies on both counts. Some programs do not appear to be a good “fit” for One-Stop Career Centers, for example, Unemployment Insurance, due to the growth of claimant call centers, veterans’ programs because of limitations on how the staff are used, and Vocational Rehabilitation due to mission and target group mismatches.

***There is no single best way to operate a successful One-Stop Career Center. Rather there are a number of differing providers, philosophies, and orientations.*** There is variation in operators, operating styles, and orientations — from strong work-first in Lansing, Michigan, to a balance of “human capital development” and work-first throughout Utah. The key to success appears to be how well the One-Stop Career Centers are managed and operated, not who operates them or their program orientation.

***One-Stop Career Centers function best with stable infrastructure funding.*** USDOL supported the early implementation and operations of the One-Stop Career Centers through discretionary national Wagner-Peyser Act grants to states and localities, but they must now carve out their support from ongoing programs and partners. The negotiation of One-Stop Career Center operating and finance agreements can divert resources from the provision of much-needed services, a phenomenon that is only going to worsen with declining resource levels. Moreover, instead of increasing cooperation among partners, the requirement to negotiate infrastructure funding can lead to increased fighting and resentment.

***Federal policy has become more balanced and flexible regarding services and program orientation than in the early days of WIA implementation.*** Recent research on workforce service strategies suggests labor force attachment approaches yield employment and earnings impacts for some groups in the near term; however, over the longer run (three to five years), human capital development in the form of OJT and occupational skills training tend to outperform them (see Barnow, 2004; King, 2004; and Martinson and Strawn, 2002). States and local WIBs appear to be increasingly cognizant of this and have instituted more balanced strategies.

***A number of new market mechanisms introduced by WIA, including ITAs and, to a lesser extent, provider certification processes, appear to be working better than expected.*** Despite early difficulties with implementing the ITA and eligible provider certification processes, for the most part the states and local areas studied have now incorporated these features into their policy frameworks and day-to-day operations for adult and dislocated worker programs. In part, this may reflect low demands for training

services in the first few years of WIA implementation, but it may also reflect the experience that some of the sample states had with similar approaches before WIA. Based on the field research, leaders of many local boards and One-Stop Career Centers appear to be pursuing a “guided choice” approach to ITAs. More variation was found among the states in the sample in how well the eligible provider list requirements functions. There is widespread support for the concept, but the requirements for its operation were said to be overly rigid.

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The authorization period for the WIA program was too short for conducting a more rigorous impact evaluation or cost/benefit analysis, although both are desirable for determining the value of the program. WIA went into effect in 2000; in 2003 reauthorization discussions began. This is long enough to get an idea about how the program is working, but it is too short a time to study program impacts.

When the Workforce Investment Act of 1998 is reauthorized, this research suggests that the system needs to continue to deal with a number of challenges.

*Challenge #1. Balancing accountability and flexibility under a broad-based federal grant-in-aid program such as WIA.*

In a system that is federally funded and state and locally administered, states and local areas are granted the flexibility to operate the programs as they see fit to meet their own goals and objectives. At the same time, the federal government retains the responsibility for making the lower levels of government accountable for their actions. The challenge is finding the right mix of flexibility and accountability so that an accountability system tailored to achieve federal goals does not thwart state and local governments from addressing what they see as their own needs.

*Challenge #2. Maintaining cooperative federal-state-local relationships on an ongoing basis for monitoring and overseeing local WIB and One-Stop Career Center activities.*

Under WIA, most of the funds flow from the federal government to the states to the local workforce investment areas to the One-Stop Career Centers and finally to the service providers. There are a number of advantages to giving the states and localities more authority over the funds, but the current system requires that each level of government have specific authority and oversight responsibilities. The challenge is to find the right balance among the federal, state, and local levels of government to assure that the federally financed system is appropriately overseen. The appropriate mix of authority requires that each level of government has an appropriate voice and that local programs face consistent requirements from the state and federal levels as well as an appropriate amount of oversight.

*Challenge #3. Assuring that reporting and performance requirements do not adversely affect customer selection, services provided, and outcomes.*

Performance management has helped align the interests of state and local programs with those of the federal government, which has funded the programs, and enabled identification and improvement of low performers. Unfortunately, research indicates that performance management systems sometimes inadvertently lead to creaming (denying services to hard-to-place groups), undue emphasis on short-term services, and strategic behavior by government agencies. An ongoing challenge is to strike the right balance in the performance management system so that good behavior is identified and rewarded while inappropriate or ineffective behavior is discouraged. In addition, performance management requires that timely and accurate data be collected. A further challenge is to balance the burden of data collection, timeliness, and accuracy in measuring the outcomes.

*Challenge #4. Balancing the effects of UI call centers and online claims processing with the role and effectiveness of One-Stop Career Center services.*

Unemployment Insurance is a mandatory One-Stop Career Center partner. However, as already discussed, in most Centers the only presence of UI is a dedicated telephone that links claimants to the call center. If UI is truly to be a partner in the One-Stop system, the tradeoffs between UI efficiency and the concept of locating all appropriate services in the One-Stop Career Centers need to be considered, as well as more fundamental issues such as the costs and benefits of the call center approach from the perspectives of claimants, the UI system, the workforce investment system, and all of society.

*Challenge #5. Balancing the goals of universal access and serving those most in need.*

One of the major changes resulting from WIA was extending workforce investment services to all customers. There are clearly a number of advantages to having universal access: eliminating stigma for individuals seeking work, making the One-Stop Career Centers more attractive sources of workers for employers, and providing valuable services to the entire working population. However, the increase in the population to be served was not accompanied by an increase in resources. States and local programs must decide how to balance the increased potential customer load with the needs of the most disadvantaged. Although the statute indicates that preference for intensive services and training should be given to the poor if there is excess demand for training, the statute does not provide guidance on the appropriate mix of core services for the general population versus intensive services and training for the disadvantaged. States and local governments must decide how to balance these competing interests.

*Challenge #6. Determining proper roles for business in workforce programs and how to achieve and sustain them.*

Finding the appropriate roles for business has been a challenge since the earliest days of workforce investment programs. Employers are customers seeking qualified candidates for open positions and training for current employees, and they are managers participating in system oversight through state and local WIB membership. Employers are also sources of information about where the economy is headed, what specific and general skills are needed, and how a complex workforce system should be organized and administered at the state and local level. This study suggests that the employer role envisioned in the WIA legislation and promoted by the U.S. Department of Labor is yet to be achieved. The challenges facing the system are finding the right incentives to get employers to bring their knowledge to the workforce system, refining the approaches used to attract them, and keeping them actively engaged once they are in the system.

*Challenge #7. Designing One-Stop Career Centers so their orientation, management structures, and layout for customer flows maximize outcomes.*

Although some One-Stop Career Centers were established in the 1980s, most are fairly recent. The challenges that the Centers face include such issues as optimal layout and customer flow, the efficacy of alternative types of management structures, dividing funding for infrastructure among the partners, and, most of all, appropriate incentives for getting WIA's seventeen mandatory partners to work together toward the same goal. Several of the sample states have resolved this issue by placing many funding streams under the direct control of the workforce agencies.

*Challenge #8. Effectively integrating workforce services at One-Stop Career Centers and in other locations.*

Integrating services among the various workforce programs goes beyond co-locating them. It implies common intake and assessment forms, avoiding duplication of data collection, and seamless provision of services. Several of the states in the research sample, such as Utah and Florida, have successfully integrated their service delivery systems, but establishing such systems requires a strong commitment from federal, state, and local governments and overcoming turf issues.

*Challenge #9. Developing return-on-investment (ROI) measures as an important component of workforce performance management systems.*

Since JTPA referred to workforce programs as investments, there have been efforts to treat them as an investment and measure the return on support for the programs. Although this is a straightforward concept, implementing ROI, even at the national level, is quite difficult for a number of reasons. ROI calculations require estimates of the impact of the program on outcomes of interest, particularly earnings. This, in turn, not only requires obtaining earnings information for five or more years after program participation, but also estimates of what earnings would have been in the absence of participation. It is well established that the best way to obtain such information is through a classical experiment where eligible individuals are randomly assigned to receive the service or denied access. Classical experiments have been used successfully for

evaluations of the Job Corps and JTPA, but they are time consuming and expensive. Another complication is, ironically, that recent efforts to better coordinate and integrate programs have made it difficult to identify program costs associated with a participant. Some of the resources provided to customers at One-Stop Career Centers are likely to have been paid for by other customers, and in some cases individuals are co-enrolled in other programs. Currently, WIA does not require states and local programs to track costs at the individual level, and doing so would be difficult or impossible without arbitrary assumptions. At the state and local level, the problems are magnified. It is not clear that states and localities can afford to undertake random assignment experiments locally or measure costs in the detail required for a cost-benefit analysis. Thus, proxy measures based on national estimates and procedures might have to be used. None of these points is made to argue against undertaking efforts to measure ROI; rather, the intent is to encourage the system to take account of the pitfalls and move deliberately into this area.



## Abbreviations Used

ADARE	Administrative Data Research and Evaluation
AFDC	Aid to Families with Dependent Children
ALMIS	America’s Labor Market Information System
ARA	Area Redevelopment Act
AWI	Agency for Workforce Innovation – Florida
BLS	Bureau of Labor Statistics
CATF	Capital Area Training Foundation – Austin, Texas
CCI	Community College of Indiana
CCWD	Department of Community Colleges and Workforce Development – Oregon
CLASP	Center for Law and Social Policy
DCD	Department of Career Development – Michigan
CETA	Comprehensive Employment and Training Act
DED	Department of Economic Development – Missouri
DBED	Department of Business and Economic Development – Maryland
DHR	Department of Human Resources – Maryland
DLLR	Department of Labor, Licensing, and Regulation – Maryland
DWD	Department of Workforce Development – Indiana
DWD	Division of Workforce Development – Missouri
DWS	Department of Workforce Services – Utah
EDWAA	Economic Dislocation and Worker Adjustment Assistance
EEA	Emergency Employment Act
EMILE	ETA Management Information and Longitudinal Evaluation
ES	Employment Service
ETP	Eligible Training Provider list
EWTF	Employer Workforce Training Fund – Oregon
FETPIP	Florida Education and Training Placement Information
FSD	Family Support Division – Missouri
GED	General Equivalency Diploma
GWIB	Governor’s Workforce Investment Board – Maryland
ITA	Individual Training Account
JTPA	Job Training Partnership Act
LMI	Labor Market Information
MDCD	Michigan Department of Career Development
MDRC	Manpower Demonstration Research Corporation
MDTA	Manpower Development and Training Act
MOU	Memorandum of Understanding
MWDA	Maryland Workforce Development Association
NAFTA	North American Free Trade Agreement
OJT	On-the-job training
OLMI	Office of Labor Market Information – Michigan
O*NET	Occupational Information Network
OWIB	Oregon Workforce Investment Board
PRWORA	Personal Responsibility and Work Opportunity Reconciliation Act
RIO	Project Reintegration of Offenders

ROI	Return-on-investment
SESA	State Employment Security Agency
SOC	Standard Occupation Code
TAA	Trade Adjustment Assistance
TANF	Temporary Assistance for Needy Families
TOC/OWA	Oregon Consortium/Oregon Workforce Alliance
TWC	Texas Workforce Commission
TWIC	Texas Workforce Investment Council
UI	Unemployment Insurance
USDOL ETA	U.S. Department of Labor Employment and Training Administration
WFI	Workforce Florida, Inc.
WtW	Welfare-to-Work
WIA	Workforce Investment Act of 1998
WIASRD	WIA Standardized Record Data
WIB	Workforce Investment Board
WPRS	Worker Profiling and Reemployment Services

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## Appendix A State Updates

Policy and program implementation at the state and local level is inherently dynamic. Change may well be the only constant. This appendix includes updates on developments in WIA administration in Florida, Indiana, Maryland, Michigan, Missouri, Oregon, Texas, and Utah since field research for this project was completed in 2002. The information in this section was gathered from public documents and conversations with state officials.

***Leadership and Governance.*** As noted earlier, five of the study states, Indiana, Maryland, Michigan, Oregon and Utah, have a new governor.<sup>60</sup> In two of the study states, Maryland and Michigan, the new governors are from different political parties than their predecessors. Below is a brief overview of leadership and governance under the new executives:

- Indiana — Governor Joe Kernan’s office and the Department of Workforce Development (DWD) continue as leaders in Indiana’s workforce development system. The legislature remains a minor player. The local Workforce Investment Boards (WIBs) remain autonomous in both operating processes and decision-making, while state officials are still mandatory participants on local WIBs.
- Maryland — Governor Robert Ehrlich and his appointees grant a great deal of discretion to the state’s twelve local WIBs. The governor’s office under Ehrlich’s leadership is becoming more involved in workforce issues. For example, the lieutenant governor moderated a panel at the recent U.S. Department of Labor Workforce Innovations Conference.
- Michigan — Governor Jennifer Granholm has made a number of changes to Michigan’s workforce development systems, focusing specifically on linking education, workforce, and economic development, as well as providing seamless service delivery to Michigan residents.
- Oregon — Oregon’s economy has been the impetus for many changes made by Governor Ted Kulongoski’s administration, which have focused on aligning WIA with economic development. For example, the governor and his workforce policy transition team spearheaded the development of the Employer Workforce Training Fund (EWTF). The EWTF was established by Executive Order to support the retention and growth of living wage jobs, a skilled workforce, and competitive businesses in Oregon. Involving the business community has been

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<sup>60</sup> Changes in executive leadership occurred in 2003 as follows: Governor Joseph Kernan (D) replaced Governor Frank O’Bannon (D) in Indiana; Governor Robert Ehrlich, Jr. (R) replaced Parris Glendening (D) in Maryland; Governor Jennifer Granholm (D) replaced Governor John Engler (R) in Michigan; Governor Ted Kulongoski (D) replaced John A. Kitzhaber, M.D. (D) in Oregon; and Governor Olene Walker (R) replaced Governor Michael Leavitt (R) in Utah.

another focus of the new governor. The administration's effort to re-involve the Oregon Workforce Investment Board (OWIB) included filling a large number of business vacancies on the OWIB. Business members have been recruited from industries that are targeted as economic development clusters (e.g. wood products and high tech software development). OWIB was very involved in development of the state's incumbent worker training fund initiative. They have also renewed efforts to increase business recognition of and access to the workforce system through statewide branding and marketing efforts.

- Utah — Governor Olene Walker continues a tradition of strong executive leadership on workforce issues in Utah. Governor Walker was directly involved in the implementation of WIA as lieutenant governor and remains engaged in important workforce initiatives. While Utah's workforce development systems have always maintained a strong employer focus, the state has made efforts to link education and training to economic development by furthering coordination between workforce agencies and educational institutions. Additionally, the state has developed an industry sector approach to workforce development.

**System Administration.** Six study states have made significant changes to state and local administrative structures. These changes include merging state agencies responsible for workforce development and related efforts; transferring responsibility for TANF to the state workforce development agency; changing state board members and committee structures; transferring program responsibility to local WIBs; redeploying staff; and creating system links to higher education.

- Maryland — Maryland's new governor has made several organizational changes. When site visits were undertaken, the Governor's Workforce Investment Board (GWIB) was an independent agency that reported directly to the governor. The GWIB is now part of the Department of Labor, Licensing, and Regulation (DLLR), the same agency that houses WIA and other workforce related programs. The executive director of the GWIB and the assistant secretary for Employment and Training both report directly to the secretary of DLLR. The organizational change has eliminated the previous tension between GWIB and DLLR.
- Michigan — In December 2003, the Department of Labor and Economic Growth was created, merging the Department of Consumer and Industry Services with functions of the old Department of Career Development, the Bureau of Workers' and Unemployment Compensation and several other entities, such as the Michigan Economic Development Corporation. The Michigan Works! Service Centers are still in place and have focused efforts on providing training to individuals, employers, and educators.
- Missouri — One of the more significant changes in Missouri's workforce development has been the transfer of employment and training services for TANF clients to the Division of Workforce Development (DWD), in the Department of Economic Development, the state's WIA agency, leading to an increase in the

share of welfare recipients receiving services through DWD. Previously, employees of the Family Support Division (FSD), which administers the state's TANF program, provided these welfare services.<sup>61</sup> The shift was implemented in July 2003, and now the services are funded through the local WIBs and are generally provided by the organizations that serve WIA customers.

- Oregon — The governor made the re-involvement of the Oregon WIB in policy issues a priority. Staffing responsibility for the Oregon Workforce Investment Board (OWIB) was transferred from the governor's office to the Department of Community Colleges and Workforce Development. With this change, a new committee structure for the OWIB was adopted, and efforts were made to steer the board to work on policy initiatives.
- Texas — Both the Texas Workforce Investment Council (TWIC), the state WIB, and the Texas Workforce Commission (TWC), the state workforce development agency have undergone structural changes since 2002. TWIC membership was altered. Instead of agency commissioners who have varying degrees of authority, the TWIC now consists of the executive directors of agencies, creating a board composed of members with similar powers.

TWC transferred funding, staff, and program responsibility for Trade Adjustment Assistance (TAA) and Project Reintegration of Offenders (RIO) to local boards in 2003. Since then, TWC has done the same for Wagner-Peyser Act services and Veterans' services. Program personnel are still TWC employees subject to TWC human resource policies and procedures, including wages and benefits. Some local WIBs report that this reorganization has hampered state/local communications as lead staff and responsibilities have changed frequently.

- Utah — Many Department of Workforce Services (DWS) WIA staff members had been stationed in the Temporary Placement Office for homeless services and the Magna Satellite Office near Salt Lake City. Since the conclusion of field research, these offices have ceased operations, and the DWS staff have been redeployed to permanent full-service Employment Centers.

Utah emphasizes better integration of employment-education initiatives. One example is the *careers.utah.gov* website. This site, while primarily an employment tool, also provides links to important information regarding education and training opportunities in Utah.

**One-Stop Career Center Organization, Operations, and Services.** Most study states and local areas have made changes to service delivery in their workforce development systems. These efforts include using technology to deliver employment-related services; co-locating new programs in the One-Stop Career Centers; increasing

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<sup>61</sup> Since 2002, the Division of Family Services has been renamed the Family Support Division.

services integration; and placing more of an emphasis on training. Select service delivery changes in study states are noted below:

- Florida — The state is focusing on electronic self-service. This “no-stop” effort includes making all One-Stop Career Center services available on the Internet. Additionally, at the time field research was conducted, the delivery of core services varied locally. Now, it also varies across local One-Stop Career Centers as Center operators contract out work. Veterans’ programs now fit better as a partner in the One-Stop Career Centers because the USDOL has given states more flexibility in how positions are staffed; for example, a position may be split among several workers so each may spend part of his or her time working on other assignments.
- Indiana — A cooperative venture managed by the Department of Workforce Development (DWD) and the Indiana Department of Education called “Finishing First” has led to the placement of adult basic education services in WorkOne Centers. WorkOne Centers in Bloomington and Evansville have been expanded to include vocational rehabilitation services. In 2003, DWD utilized the FaithWorks program to foster better relationships with community and other faith-based organizations. FaithWorks’ goal is to link community and faith-based organizations to needy families using the WorkOne Centers.
- Maryland — The state is moving toward complete integration of Wagner-Peyser Act and WIA funded activities. Accordingly, Wagner-Peyser Act staff at the One-Stop Career Centers can no longer be distinguished from other Center staff. Although Wagner-Peyser Act staff have increased their presence at the One-Stop Career Centers, there are still some local WIBs in Western Maryland where they do not play a major role in delivering core WIA services. Co-location of Wagner-Peyser Act staff was expected to be completed by fall 2004.

Under the previous administration, there was no state orientation toward work-first or human capital development; this decision was left up to the local WIBs. Although the decision is still up to the local boards, the state has expressed interest in using WIA to provide training when it is needed. Additionally, the relationship between WIA and TANF is still left to each local WIB. Discussions are taking place at the state level to explore other arrangements.

- Missouri — Efforts to improve articulation between training and employment services have continued. One recent initiative works with employers and community colleges to provide “career pathways” for clients. The program involves colleges providing short-term training designed to meet the skill needs of firms. To date, efforts have been most successful in the health care and biotechnology fields.
- Oregon — Oregon is completing the transition to Unemployment Insurance (UI) call centers. One center has opened in Eugene. Other centers are expected to open

soon in the Portland and Bend areas. The transition to call centers creates challenges and opportunities for co-location in the WIA One-Stop system. In some regions, UI personnel have been in the same physical location as the WIA One-Stop (although they would not typically be directly available to the public there). When they are removed, this may reduce the Employment Department's ability to support that site. In other locations, however, Employment Department Employment Services staff may have been located together with UI staff in a location separate from the WIA One-Stop. The removal of the UI staff may be an impetus to then co-locate the Employment Services staff with the WIA One-Stop Career Center.

- Utah — Utah's Department of Workforce Services (DWS) stresses seamless service delivery. DWS continues to design, develop, and oversee the implementation of standard operating procedures at the Employment Centers. This "franchising" model, in use since 1998, ensures that customers receive the same type of service at all locations. In the summer of 2002, on-site childcare services for job seekers were piloted successfully in several locations. Several additional Employment Centers now offer the service. Also in 2002, WIA-inspired business services such as workforce information, economic development linkages, and traditional labor exchange services were centralized in the Salt Lake City Employment Center. Since that time, the Provo Employment Center has developed the capacity to provide these services as well.

Utah is developing a case management and industry-sector approach to workforce development. The goals of this program are to provide a well-trained workforce for identified growth industries and related occupations and to move customers who are either unattached or poorly attached to the workforce into careers in growth industries. Rather than simply helping jobseekers secure a job placement, the program focuses on finding jobs that can lead to careers. Employment counselors and customers will be provided tools for making informed career decisions and understanding the current and future labor market. Additionally, DWS research analysts are building relationships with trade associations to monitor the needs of specific industry sectors. DWS business consultants are reaching out to business clients in identified industry sectors to establish working relationships that benefit Utah, the business, and the individual customer.

**Market Mechanisms.** Most study states continue to work on WIA performance measure related issues. Four study states, Florida, Michigan, Oregon, and Texas, are participating in the Integrated Performance Improvement Project led by Washington State and convened by the National Governors Association. This project seeks to develop systems-level performance measures for state workforce development systems. This has produced a draft "blueprint" of measures that is being rolled out in a series of meetings for states. Florida's efforts are showcased in the blueprint. Noted below are additional state updates:

- Indiana — The state continues an incentive award system for local WIBs that began in October 2002. Each WIB is awarded \$1,000 for each of the seventeen WIA performance measures that it meets each year. Incentive awards are also being used in vocational and technical education areas.
- Maryland — The state has put previous system standards on hold, as current officials believe they may not be adequate measures of system performance. The current administration has formed a new unit to focus on performance.
- Michigan — Michigan has been actively involved in developing regression models for adjusting performance levels for its local WIBs, relying on consultants from the W. E. Upjohn Institute for Employment Research in Kalamazoo and the Corporation for a Skilled Workforce in Ann Arbor.
- Missouri — The Division of Workforce Development (DWD) evaluates clients based on achieving economic self-sufficiency. The Self-Sufficiency Standard for Missouri, updated annually and designed to indicate the level of income necessary to meet basic living expenses, will serve as an important tool in evaluating program success. In addition, DWD has begun using the Performance ScoreCard, a comprehensive system of measures for evaluating Missouri's workforce development system. The Performance ScoreCard comprises ten measures, including those related to market share and client satisfaction, employment, and earnings.
- Texas — In 2002, Texas suspended the initial regression models used for WIA performance modeling due to perceived data anomalies. The model had relied on JTPA data for the state, but was producing counterintuitive results as WIA data were utilized. Additionally, as part of the effort to move from program-driven services to employer-driven services, TWC has instituted a series of employer-based measures for local boards.

***Information Technology.*** Since study state site visits were completed, most states have implemented new information management systems or augmented existing systems. Indiana, Maryland, Oregon, and Utah are close to finalizing or have brought new systems on line. Missouri and Texas have made improvements to their existing systems.

## **Appendix B**

### **Federal Workforce Policies and Programs: A Four-Decade Review**

While the United States has had some form of workforce development policies, including those addressing military manpower and defense production demands during the two world wars, and vocational rehabilitation needs starting in 1917, modern “manpower” policies first emerged nationally in the early 1960s with the passage of the Area Redevelopment Act (ARA) of 1961 and the Manpower Development and Training Act of 1962 (MDTA).<sup>62</sup> As indicated in the table below, these early efforts were rapidly succeeded by several important pieces of legislation, including the Economic Opportunity Act of 1964, which established the Job Corps program, among others, as part of President Lyndon B. Johnson’s Great Society initiative. The first “comprehensive” manpower legislation, the Comprehensive Employment and Training Act (CETA), was enacted during the Nixon Administration in 1973.

#### **Major Federal Workforce and Related Legislation, 1961 to Present**

1961	Area Redevelopment Act (ARA)
1962	Manpower Development and Training Act (MDTA)
1963	MDTA Amendments (Summer Youth Employment Programs)
1964	Economic Opportunity Act (In-and Out-of-School Youth, Job Corps)
1971	Emergency Employment Act
1973	Comprehensive Employment and Training Act (CETA)
1974	Trade Act
1976	Vocational Education Act
1978	CETA Amendments
1982	Job Training Partnership Act (JTPA)
1984	Carl D. Perkins Vocational Education Act
1985	Food Security Act (with Food Stamp Employment and Training programs)
1988	Economic Dislocation and Worker Adjustment Assistance Act (EDWAA)
1990	Carl D. Perkins Vocational Education and Applied Technology Act
1992	JTPA Amendments
1993	North American Free Trade Act (NAFTA)
1994	School-to-Work Opportunities Act, Goals 2000: Educate America Act
1996	Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA)
1997	Balanced Budget Act Amendments (including Welfare-to-Work)
1998	Workforce Investment Act, Carl D. Perkins Vocational Education Act
2000	Trade Adjustment Assistance Reform Act

<sup>62</sup> For an extended review of these policies and programs, see: Barnow (1993); Clague and Kramer (1976); and Mangum (2000).



## **A. Ever-Changing Policies**

A common thread in federal workforce policy is that it is ever changing. It has vacillated between providing opportunities and access for the least advantaged to offering readjustment assistance for displaced and more experienced workers. Such shifts have often occurred within a few years. In the early 1960s, the primary mission of U.S. workforce policy under ARA was to assist depressed groups and areas that had been bypassed by economic progress; however, it shifted almost immediately under MDTA to help workers displaced from skilled jobs due to technological change (then referred to as “automation”). By the mid-1960s, the federal policy’s focus under the Economic Opportunity Act was almost exclusively on providing economic opportunities for the poor. With passage of the Emergency Employment Act and, in part, CETA in the early 1970s, federal policy again stressed direct job creation and training for various groups, including those who were somewhat less disadvantaged. In the 1980s, JTPA and the Economic Dislocation and Worker Adjustment Assistance Act (EDWAA) continued to emphasize occupational skills training and more immediate labor force attachment for dislocated workers and the poor.

## **B. Funding Trends and Evolving Funding Mechanisms**

Funding for workforce policy also fluctuated widely over time. From modest support for education and employment and training services in the early 1960s, annual real (inflation adjusted) expenditures grew rapidly in the 1960s, peaked in the late 1970s, and then declined. The biggest jump in expenditures occurred during the 1970s, as USDOL mounted a major public service employment initiative under CETA. Real workforce spending per labor force member peaked in the late 1970s and early 1980s at less than \$250 (in 2001 dollars) and has hovered near \$50 in the last few years, a level roughly one-quarter that of two decades earlier despite an increasingly dynamic and uncertain labor market.

At the same time, public support for education and training has changed dramatically over the years, with the share of grants and student loans increasing rapidly as part of a highly significant shift from place- to people-based funding for such services (see King, 1999). Federal spending on education and training programs was approximately equal to spending on student aid in 1970; by 2000, spending on student aid was five times what was spent on education and training.

Workforce resources have been allocated differently also. Early workforce efforts provided direct federal funding to local areas and groups on a competitive basis, but under CETA, JTPA, and other programs had settled into a formula-allocation basis, whereby states and local areas automatically received funding using distribution formulas based on need that were contained in the authorizing legislation. The federal/state funding mix and the split of funds between states and local areas also have varied depending on the program. For example, cities and counties were the major recipients under CETA in the 1970s, while states were accorded a larger share of the funds under JTPA and WIA — as they had always had under education programs — in the 1980s and

1990s. In addition, JTPA and WIA in comparison to CETA provided increased authority to states.

### **C. Changing Governance and Administration**

Governance and administrative structures for workforce development programs have also changed over time. Federal direction and control was strong in the early 1960s. Funds flowed directly from the federal agencies to local programs and providers with substantial direction as to how — and on whom — funds should be spent. Over the next three decades, policymakers devised a hierarchical structure for governing and operating workforce programs, initially favoring cities and counties under CETA, and subsequently giving states a stronger role in JTPA, and later WIA. Governance of welfare employment programs also shifted more to governors in the 1980s and 1990s, while education related programs remained largely a state responsibility in line with U.S. tradition.

There have been several variations also at state and local level. Governors and legislators often substantially restructure the governance of their state workforce programs, shifting them from agency to agency, even attempting workforce and education program consolidations. They have also experimented with various state/local policies and programs over time, described below. No clear consensus has emerged on the best way(s) to structure workforce governance or administration, though Congress sometimes specifies governance and administrative structure in detail. The Wagner-Peyser Act's mandate that state merit staff deliver labor exchange services is one example.<sup>63</sup> Widely varying arrangements continue at the state and local level.

### **D. Changing Target Populations**

The populations targeted for services under the various programs have fluctuated as well. In the early 1960s, programs focused on those displaced by technological change or bypassed by economic progress. This shifted in the late 1960s and early 1970s to the economically disadvantaged before the focus shifted back to dislocated workers in the 1980s and 1990s, along with a focus on welfare recipients and non-custodial parents. WIA now stresses service to the “universal customer” — something for everyone — as well as explicitly naming employers as customers.

### **E. Changing Service Mix**

Early manpower programs such as MDTA emphasized occupational skills training and on-the-job training (OJT) strategies to assist individuals in their efforts to find a job. In the mid to late 1970s, this shifted to reliance on direct job creation through public service employment, before returning to a mix of job training and labor force

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<sup>63</sup> "The requirement that Wagner-Peyser Act services be provided by State merit staff employees derives from sections 3 and 5(b)(1) of the Wagner-Peyser Act," according to the *Federal Register*, Vol. 65(156), August 11, 2000. Several states (e.g., Michigan, Texas) have challenged this provision and attempted to provide such services through other modes. Colorado, Michigan, and Massachusetts have been relieved of this requirement in part through a USDOL ETA “demonstration.”

attachment — work-first programs for welfare mothers and others — through welfare employment and workforce programs in the 1990s.

Throughout this period the Employment Service operated as a separate program that provided labor exchange services to employers and job seekers. Although the Employment Service mission has not changed significantly over the past 40 years, the decline in resources has led to a shift from individually based services to more self-service opportunities.<sup>64</sup>

## **F. Shifting Service Delivery Structures and Modes**

Workforce services have been delivered through varying arrangements. Initially, community-based organizations and local governments provided federally funded training and support services directly to participants, though labor exchange services were the clear domain of state merit system employees in the Employment Service. Manpower programs experimented with the forerunner of today's One-Stop Career Centers in the late 1960s with the Concentrated Employment Pilots, though it was not until the mid-1980s that efforts to create "One-Stop shopping" and "single points of contact" began to re-emerge in mainstream workforce programs.<sup>65</sup> Welfare reforms in the 1980s encouraged governors to experiment more broadly with service delivery for welfare recipients, traditionally a major target population for workforce programs. This experimentation — involving public and private organizations and new modes — influenced states as they considered workforce service delivery alternatives, as well as the emergence and availability of new technologies such as online application, distance education, and others.<sup>66</sup>

Today, workforce service delivery takes many forms and involves a much wider array of actors than ever before, ranging from the traditional public provision to a mix of private for-profit, nonprofit, faith-based, and public provision. Although One-Stop Career Centers are now at the core of service delivery process under WIA, arrangements do vary.

## **G. The Continuing Search for an Appropriate Employer Role**

Workforce policy has been searching for an appropriate role (or roles) for employers and the private sector since the first "modern" programs were created over forty years ago. Employers have been the targets of job placement efforts by all programs, but they also have been invited to assist in designing and shaping training curricula, to participate in customized training efforts, and to provide the training in OJT. In addition, employer advisory committees have been traditionally involved at the state

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<sup>64</sup> Balducchi and Spickard (2003) discuss the evolution of the Employment Service.

<sup>65</sup> Wisconsin was one of the earliest states to set up One-Stop Career Centers for workforce programs in 1985, while Pennsylvania launched a single point of contact initiative at about the same time. Both are alluded to in the JTPA Advisory Committee's 1989 *Working Capital* Report to the U.S. Secretary of Labor.

<sup>66</sup> For more on technology-based approaches to workforce service delivery, see Glover et al. (2002) and National Governors Association Center for Best Practices (2001).

and local level in Wagner-Peyser Act labor exchange programs and vocational education (e.g., in community and technical colleges).

In 1977, the Private Sector Initiative Program began to introduce an oversight and administrative role for employers, based on an effective Chicago model. In 1978, CETA reinforced this role with the creation of Private Industry Councils, an approach that continued under JTPA. WIBs under WIA are a direct legacy of this approach. Finally, over the 1990s, sectoral or cluster-based initiatives in which employers in particular sectors including health care, construction, and hospitality — who collaborated closely with local workforce boards, community colleges, and others — began to occupy pivotal roles in shaping job access and skills training offerings. They also explored changes to wages and working conditions to reduce human resource costs by maximizing retention and minimizing turnover of critical occupations.<sup>67</sup>

## H. Evolving Accountability System

Accountability in the early days of U.S. manpower programs was simple and immediate: programs or projects either met their federally contracted numbers and received another round of funding, or they did not.<sup>68</sup> As programs multiplied and evolved throughout the 1960s and 1970s, workforce resources flowed to cities, counties, and states by allocation formula, with inadequate attention to performance or management. This changed with the advent of the first Congressionally mandated performance standards in the 1978 CETA Amendments. Performance standards for job training programs were fully implemented in the early 1980s under JTPA, and the movement to more structured accountability in these intergovernmental service delivery systems subsequently spread — with varying degrees of success and widely different emphases (e.g., outcomes v. process) — to such related efforts as the Employment Service (1983), Food Stamp Employment and Training (1985), career and technical education (1990), and TANF work programs (1996).

Currently, national attention is focused on the design and use of more “systematic” or “comprehensive” approaches to accountability, a shift that was given a boost by the 1992 JTPA Amendments and an influential National Governors Association multi-state project (see Trott and Baj, 1996). A core of states from this study — including Florida, Oregon, Texas, and Utah — have been in the vanguard of the enhanced measurement and management systems’ movement, and many of the others, including Maryland and Missouri, have been devoting considerable effort to do so, as well.<sup>69</sup> As discussed below, WIA is an important factor in the environment for this emerging trend.

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<sup>67</sup> For more on employers and their role in workforce programs, see Kazis et al. (2003). Sectoral initiatives are explored in Giloth (2004).

<sup>68</sup> For detailed discussions of accountability in workforce and other programs, see Forsythe (2001).

<sup>69</sup> O’Shea et al. (2003a, 2003b) examine these efforts and profile ten leading-edge states. In addition, National Governors Association is currently engaged in a project with a handful of states — including Florida, Michigan, Montana, Oregon, Texas, and Washington State — for USDOL ETA to develop a “blueprint” for states to use in creating Integrated Performance Information (IPI) systems spanning the major federal and state workforce programs; see Saunders and Wilson (2003) for more on the IPI project.

## **I. Continuing Devolution to States and Local Areas and to Families and Individuals**

Early manpower programs were federally prescribed and controlled, with the exception of education-related programs that were funded with larger shares of state and local funds and followed traditional state responsibility lines.<sup>70</sup> With the passage of CETA as one of the first major block grant programs in 1973,<sup>71</sup> authority and responsibility were substantially decentralized and decategorized, providing states and localities greater discretion. This trend continued — with an occasional hiatus (e.g., the 1992 JTPA Amendments) — with JTPA in 1982 and WIA and Perkins in 1998.

As stated, the trend toward greater devolution in workforce and education policy areas also extends beyond what Nathan and Gais (1999) call first- and second-order devolution — referring to federal/state and state/local devolution respectively — to third-order devolution, which involves greater decision making and engagement of private for-profit and nonprofit entities and labor market intermediaries (e.g., Giloth, 2004), as well as families and individuals. The shift toward people- over place-based funding, and putting greater responsibility for workforce development financing and arranging directly into the hands of individuals is a highly significant feature of devolution.

## **J. WIA: The Latest Generation Workforce Program**

The Workforce Investment Act represents the latest generation of U.S. workforce development policies and programs. The major themes and some key points worth noting are that WIA:

- Embodies a broad workforce policy mission, ranging from improving the quality of short-term labor exchange activities between employers and job seekers to enhancing workers' skill development and contributing to economic development over time;
- Creates new funding mechanisms for training in the form of ITAs, voucher-like mechanisms;
- Introduces new elements to the workforce programs' governance and administration by encouraging the separation of policy development and oversight functions for adult and dislocated worker training from administration and service delivery;
- Adopts the “universal customer” as its target population for service, moving beyond the traditional emphasis on the economically disadvantaged and dislocated workers to embrace employers as customers;

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<sup>70</sup> Barnow (1993) and King (1999) discuss federalism issues in workforce development programs at length.

<sup>71</sup> The Emergency Employment Act of 1971 (EEA) was actually the block grant program but its purpose and scale were more limited. National, state, and local experience under EEA was instrumental in giving rise to CETA two years later.

- Features a broad range of possible services (i.e., core, intensive, and training) coupled with new sequencing-of-services provisions;
- Establishes One-Stop Career Centers as the core of local workforce service delivery; and
- Institutes shared accountability across multiple workforce funding streams (e.g., WIA, Adult Education) and the use of informed choice of training providers based on performance via Eligible Training Provider lists and ITAs, thus reinforcing the trend to devolve responsibility for workforce decision making to individuals and their families.

How these distinctive elements of WIA ultimately will fit within the longer-term workforce policy context is the focus of the Rockefeller Institute's eight state study.