

Introduction

Over the past two decades, the emergence of a fundamentally New Economy has restructured jobs and the labor market itself.¹ In response, there has been growing recognition among policymakers of the need to overhaul the nation's system of employment and training. The Progressive Policy Institute (PPI) has been at the forefront of this effort, calling early on for a new "GI Bill" for workers, and more recently, for the development of "Regional Skills Alliances."²

Predictably, the road to reform has been long and bumpy, with many compromises along the way. But finally, in August 1998, President Clinton signed the Workforce Investment Act (WIA) which provides states and localities with an opportunity to construct a coherent, modern, and effective system of labor exchange and workforce development.

Clearly, however, the promise of WIA will only be realized if federal, state, and local leaders take advantage of the opportunities in the Act. Further, it will be critical for policy makers to recognize that simply recreating public programs in isolation from the burgeoning private sector training, reemployment, and labor exchange system is a recipe for failure. Given limited resources, localities, states, and the U.S. Department of Labor would be wise to build on the plethora of new private sector initiatives, particularly web-based ones, that promise to fundamentally reshape the labor marketplace. The public role should be clearly defined as ensuring access for every citizen. In addition, to be effective states and localities must

turn their attention from the supply side of the labor market to the demand side and enter into close, long-term partnerships with employers.

Unfortunately, many states and local areas appear to be floundering in their effort to implement WIA. Some of this is simply because of the magnitude of the task. However, the states that are having the greatest trouble have been unable to forge a clear common vision and set specific priorities. The problem is further exaggerated at the local level where One Stop Career Centers try with meager resources to be all things to all people, or more often, are simply driven by the imperatives of whichever funding stream looms largest.

This is the key task facing policymakers: to establish a vision for the Workforce Investment Act that is both bold and concrete—that can serve as a useful guidepost for the folks on the ground who will give life to WIA. This vision must be rooted in the changed realities of the labor market, respectful of the limitations and responsibilities of the public sector, truly linked to and complementary of private sector efforts, and uncompromising in its commitment to ensure that all Americans have a gateway to success in the New Economy.

This paper serves as a guide to state and local policy makers for implementing WIA. It first describes the law and the tools it provides, discusses the key challenges state and local areas face, and finally, offers promising strategies for creating a New Economy employment and training system.

Facts About the Workforce Investment Act

What are the Guiding Principles of the Workforce Investment Act?

The new law is based on four key principles:

- **Integrating services** through co-location of multiple agencies and programs at One Stop centers and through other forms of linkage among those programs.
- **Universal access** to a set of basic workforce development services.
- **Providing individuals with choice** by giving them the decision making power over training funds through the use of vouchers, and by providing them with the information they need to make informed decisions.
- **Greater accountability** for program outcomes, and a commitment to continuous quality improvement.

What Are the Basic Facts of the Legislation?

The Workforce Investment Act has five loosely related sections. Together they replace the Job Training Partnership Act (JTPA), a program that served disadvantaged adults and youth and dislocated workers. WIA mandates that its services

be delivered through a “One Stop” system that serves all Americans; amends the Wagner-Peyser Act to require the employment service/job service activities be part of the One Stop system; and reauthorizes a variety of programs including adult education and literacy programs, Rehabilitation Act programs, the Job Corps, veterans programs, and youth opportunity programs, again mandating that these link to the One Stops.

In all, WIA requires 19 federal programs to join as partners in the new system and suggests that an additional five be included as well. The required partners are mandated to make a set of basic services—called “core services”—available at no cost to all Americans through the One-Stop system (These are principally labor exchange services such as assessment, job search assistance, and information and referral).

Under Title I of the Act, 85 percent of adult and youth funds and 60 percent of dislocated worker funds are allocated to local areas by means of a formula. And whereas JTPA required that funds for adults be targeted to the poor, WIA removes any income criteria for this funding stream, with the exception of youth.

Who Will Implement the Act?

Most of the real work of implementing WIA will occur at the local level, including much of the policy making. WIA has vested considerable responsibil-

Workforce Investment Act

Title I replaces the Job Training Partnership Act and, following JTPA, has separate funding streams for adults, dislocated workers, and youth. Title I authorizes the new workforce investment system as well as a number of national programs—the Job Corps; Native American programs; migrant and seasonal farm worker programs; veterans' Workforce Investment programs; Youth Opportunity grants for high-poverty areas; technical assistance efforts to states and local areas; demonstration, pilot, and other special national programs; program evaluations; and National Emergency Grants (mostly for large layoffs and plant closings).

Title II reauthorizes Adult Education and Literacy programs for fiscal years 1999-2003.

Title III amends the Wagner-Peyser Act to require that employment service/job service activities become part of the One Stop system and establishes a national employment statistics initiative. It requires linkages between WIA and two special trade-related dislocated worker programs: Trade Adjustment Assistance and North American Free Trade Agreement Transitional Adjustment Assistance programs.

Title IV reauthorizes Rehabilitation Act programs through fiscal year 2003 and links these programs to state and local workforce development systems.

Title V contains general provisions including authority for the states to develop unified plans covering several workforce development programs.

ity and authority in local Workforce Investment Boards (WIBs), with majority representation by the private sector. Together with local chief elected officials, WIBs make many of the decisions that will determine who will get services, how services will be delivered, and what standards of accountability are imposed in their local area. And to do this properly, WIBs need to ensure that their planning process is inclusive and includes public participation from all affected parties.

That said, states also have a critical role: ensuring that the right parties are brought to the table, setting the broad policy agenda, ensuring the success of that agenda through the development of meaningful performance standards, and developing the technological infrastructure central to the success of WIA. Each requires firm and clear-eyed leadership at the top. Therefore, WIA also ensures that governors and state Workforce Investment Boards have an important role.

What "Tools" Does the Act Provide?

WIA incorporates a number of new approaches that can be seen as new "tools" states and local areas can use to transform their workforce development systems. These include:

- **One Stop Career Centers:** One Stop Career Centers are the "hub" of the new system. Each local area is required to have at least one comprehensive One Stop that provides universal access to a wide array of job training, education, and employment services. Importantly, one of their core functions is to provide consumers with the information they need to make informed career development decisions.
- **Individual Training Accounts:** WIA promotes individual responsibility and customer

choice through the use of “Individual Training Accounts” (ITAs), or vouchers, that allow adult customers to “purchase” the training they determine is best for them. Under JTPA, much of the training was purchased in “bulk,” restricting the training options available to customers.

- **Service Provider Accountability:** While WIA opens the whole training marketplace to its customers, it also puts consumer protections in place. The legislation mandates that providers of education and training meet certain standards and receive a formal stamp of approval from the state. Providers also must provide performance information (e.g., placement rates, wage levels) to the One Stops so that customers can effectively evaluate the quality of each program.
- **Incumbent Worker Training:** Reversing years of prohibition against using federal funds to train employed workers, WIA allows states to train incumbent workers without restriction and local areas to train the working poor.
- **Youth Councils:** WIA places new emphasis on youth, eliminates the separation between funding for year-round activities and funding for summer activities, and establishes special youth councils as a subgroup of each local governing Workforce Investment Board. WIA also emphasizes preparation for postsecondary educational opportunities, strong linkages between academic and occupational training, and effective connections to intermediaries with strong links to employers. Overall, these changes open the door to a better-integrated system of services for at-risk youth.
- **Performance Management:** While the JTPA made important strides in the direction of accountability through performance measurement and management, WIA moves further in this direction. In addition to explicit performance management tools with more teeth in them, WIA implicitly offers states a whole new approach to managing their workforce devel-

GOVERNANCE

I. State Workforce Investment Boards

Appointed by the Governor

- Two Members of each chamber of the State Legislature
- Representatives appointed by the Governor, including:
 - Business (majority)
 - Elected officials
 - Labor organizations
 - State agency heads
 - Individuals with experience in delivering programs

II. Local Workforce Investment Boards

Appointed by local Chief Elected Official.

- Majority must be business representatives
- Also representatives of:
 - Education providers
 - Labor organizations
 - Community-based organizations
 - Economic development agencies
 - One-Stop program partners

III. Youth Councils

A subgroup of the local WIB and appointed by the WIB

- Members of WIB
- Representatives of:
 - Youth service agencies
 - Local public housing authorities
 - Parents of at-risk youth
 - Youth
 - Jobs Corps
 - Others

opment systems. By allowing (and encouraging) states to develop unified plans covering many employment and training programs, WIA creates the possibility of setting broad goals for an entire system—goals and measures that cross programs and agencies. By placing special emphasis on performance measures, WIA also reminds states and local areas that these may be the most powerful tools at their disposal to drive programs to achieve desired outcomes.

What Is a One-Stop?

The Workforce Investment Act uses the term One Stop in two different ways: 1) as a *place* where individuals and employers can come for information and services, and 2) as a *system* of seamlessly connected programs that offer an even wider array of services.

WIA requires at least one “comprehensive” One Stop Center in each local area, a place that provides access to all required “core services” (described earlier).

One Stop operators are most often a partnership of public organizations, both state and local. In some cases, the partnership includes non-profits and even for-profit firms as well. Employees of the employment service must provide the labor exchange services of the One Stops. In some local areas, operation of the One Stops is competitively bid out, often to these public partnerships. In others, it is “sole-sourced” to public agencies.

did support its promise with adequate funding, WIA does not.

- Second, despite its rhetoric, WIA does not eliminate the stove-piped programs and funding streams of the present system. Although it mandates coordination and seamless service, more or less the same programmatic stovepipes continue to exist—each with its own regulations, performance standards, and reporting requirements. This makes it difficult to effect real integration at the street level where it matters.
- Third, WIA fails to squarely come to terms with the rapidly changing—overwhelmingly private—system of labor exchange and career services in this country. To an important degree, the drafters of this legislation can hardly be faulted for this failure. The changes occurring in labor exchange—many of them based on the explosive success of the World

Challenges States and Local Areas Face in Implementing the Act

States and local areas face four major challenges in implementing WIA:

- First, and perhaps most important, funding for the Workforce Investment Act is extremely modest. In constant dollars federal funding for workforce training declined by 8 percent from 1983 to 1998, while the size of the workforce has increased 29 percent. This lack of financial commitment threatens to vitiate critical components of the reform. For example, what does it mean to empower workers with the decision making authority over training dollars if these funds are so limited that either each voucher will be virtually worthless or so few will be distributed as to have no impact on the economy? Similarly, what difference does it make if the Act permits states to develop incumbent worker programs if the funds are too limited to support such programs? Unlike the GI Bill, which

Required and Optional One Stop Partners

Required Partners

All the programs authorized under WIA, as well as welfare-to-work programs; postsecondary vocational education activities under the Carl D. Perkins Vocational and Applied Technology Education Act; employment and training activities of the senior community service; Community Services Block Grant program; the Department of Housing and Urban Development; and programs authorized in state unemployment compensation laws.

Optional Partners

TANF (welfare) programs; employment and training programs authorized by the Food Stamp Act of 1977; work programs authorized by the Food Stamp Act; programs authorized under the National and Community Service Act of 1990; and other appropriate programs.

The Online Job Search

Searching for a job has become substantially more convenient with the advent of the Internet. Quite plausibly, a person could go from searching for a job to being offered a letter of intent without ever having to use the postal system—all of it can now be done quite efficiently and effectively online. In the last few years, since employment search engines have emerged on the Internet, the services and capabilities have substantially improved at little or no cost to the user. The web sites maintain massive databases of job announcements for job seekers, as well as resumes for employers to view. By narrowing a search, a job seeker can in most cases view jobs according to field (and sometimes sub-field), keywords, location, pay, and date of announcement. Several all-encompassing job search engines have developed means of querying not only their own databases, but the databases of other sites—usually newspapers, organizations, and companies—and returning the results in one centralized form to the user.

All job search engines allow the job seeker to enter a job type and review all recent announcements. The more powerful search engines such as Careerbuilder.com and Monster.com allow the user to narrowly define the job search, even down to a handful of companies. Careerbuilder.com, Monster.com, and Jobs.com, among others, allow the user to create a personal search agent (PSA) by answering a variety of questions, inputting their resume information, and defining the type of job they are searching for. The PSA can be viewed by accessing a password-encoded web page or can be configured to automatically search for jobs, at regular intervals, matching the user's profile and e-mail the results to the user. As an added convenience, some websites give users, free of charge, an e-mail address to use in checking the PSA messages.

A job seeker can also access a variety of resources pertaining to employment. Careerbuilder.com offers a service through Brainbench.com which will certify a user's knowledge of computer-related issues online—this is especially useful in an era when computer skills are a necessity in most workplaces. The websites offer advice from "career experts" on all manner of things related to finding, keeping, and excelling in a career; Monster.com offers 1,500 pages of advice for targeted career fields. Online forums connected to job search sites also allow users to post questions and answers on a variety of career items. Salary calculators allow job seekers to estimate salaries in various career fields, and determine standard of living difference between locations, as well as figure out relocation costs.

While several all-encompassing job sites exist, there is an even greater number of field-specific search engines, such as Computerjobs.com, Hospitaljobsonline.com, and Idealist.org (jobs in the nonprofit sector). Freeagent.com caters to the free lance worker in a variety of fields from information technology to administration. The Internet and job search engines offer employers a more effective way to disseminate job announcements and job seekers a more efficient way of distributing resumes, cover letters, and portfolios.

Wide Web—were difficult to anticipate even two years ago. Nonetheless, these changes raise the question of the public role in an entirely new way. For example, does it make sense for the Department of Labor (DOL) and the states to build a public information technology infrastructure (such as America's

Jobs Bank and America's Talent Bank) that competes with the private job and resume posting systems, such as the Monster Board and Careerbuilder.com? In fact, free web-based career services of all kinds have emerged (see box, *The Online Job Search*, above). Are professional and technical job seekers ever likely

The Promise of the Workforce Investment Act

to use the public system? If not, is there some niche market for the public sector? Or is it the role of the public sector to ensure access to the private system? And how would that role best be fulfilled—individually by each WIB or collectively through U.S. Department of Labor or collaboration among the WIBs?

- Finally, WIA implementation is occurring in the context of an even more sweeping change in public policy: welfare reform. In many areas, One

Stop systems are torn between the mandate to begin to serve a broader population and the need to find jobs for hundreds of welfare recipients. In some areas, One Stops have become glorified welfare offices, ghettoizing both the public system and its intended beneficiaries even further. This is a real tragedy since welfare reform offers a significant opportunity to begin to address, in coordinated fashion, the needs of the broad range of workers who face barriers to labor market success.

Creating a High-Performance Employment and Training System

Despite these challenges and constraints, WIA does offer states and local areas the chance to pursue strategies to reinvent their public labor market institutions so as to make them more relevant to the needs of the New Economy. To fail to meet this challenge is not only a lost opportunity but may endanger future public and political support for these kinds of programs.

Below we present the thirteen most promising strategies for creating a high-performance employment and training system:

1. Don't compete with the emerging private sector labor exchange system; be a portal to it.
2. Build an integrated system not another new program.
3. Build public-private partnerships to insure a market responsive system.
4. Develop effective state and local governance structures.
5. Make a commitment to good jobs and good wages for all workers.

6. Link WIA and TANF to broadly address the needs of the poor and working poor.
7. Build a system of lifelong learning.
8. Create a comprehensive youth development system for low-income youth.
9. Use information technologies to automate services and improve quality.
10. Build a system that matches the geography of the labor market.
11. Take quality seriously.
12. Take maximum advantage of the new federal flexibility.
13. Increase funding for WIA.

1) Don't compete with the emerging private sector labor exchange system; be a portal to it

One of the characteristics of the New Economy—that distinguishes it from the economy of a generation ago—is the number of times an individual

worker is likely to change jobs, and even careers. This labor market churning raises the importance of effective mechanisms of labor exchange. But there is no reason these mechanisms should be public and, indeed, the private sector has been rising to the challenge by offering a plethora of new ways for workers to find jobs and employers to find workers. These range from web-based labor exchange “marketplaces” to the changed role of temporary placement firms (see box, *The Online Job Search*, p.9). With unemployment nationally now at only four percent, one might argue that these private mechanisms are doing a fine job.

So what is the problem from the perspective of public policy? Why have a public program such as WIA at all? One problem is that the private labor market is not working well for whole categories of workers. Nor is it meeting important needs of many employers.

For some workers, the problem is that they cannot find the good jobs. Often this is because hiring is done through networks from which these workers are excluded. In other cases, the problem is because they do not know how or are unable to access available job listings or career services such as skills assessment and job search skills.

But for many workers the problem is not just finding a decent job but qualifying for or retaining one. These workers need education, training, and/or intensive support services to be successful in the labor market.

Given very limited resources, then, states and the U.S. Department of Labor would be wise to piggyback on the private labor exchange system where it works, and as appropriate, supplement it where it does not. This would mean that states analyze the emerging private web-based IT infrastructure for its holes or “market failures” and develop the public system to link with the private one and fill in its gaps. It might also mean the more active development of private-public partnerships. Most certainly, it means ensuring that the lion’s share of the public funds is reserved for intensive services, including education and training. And it suggests that states and local areas set clear public goals for the publicly supported portion of this mixed system, goals such as access for all and career and income mobility for those who face difficulty achieving labor market success.

2) Build an integrated system, not another new program

WIA should not only avoid duplication of the private sector, it should integrate—not duplicate—services provided by other public programs as well. In fact, if states and local areas utilize One Stops as simply another new employment and training program, they will miss the boat. They will also miss the point of the legislation if they understand One Stops only as a place. WIA talks about a One Stop system. In this system, One Stops function as the information hub.

As places—and WIA requires one comprehensive One Stop center in each local area—One Stops must provide labor exchange services to everyone and must offer easy access to all programs of the required WIA partners. It is also hoped that other key workforce development programs—such as Temporary Assistance to Needy Families (TANF)—will provide access to their offerings through the One Stops. The promise of the One Stops is that individuals are no longer defined by the categorical program they fit into, but rather each customer comes through the same door and receives a set of services tailored to his or her individual needs.

But One Stops can effectively link programs only if all the relevant agencies are at the table. In too many places around the nation, effective WIA implementation is being sabotaged by the absence of key partners. Governors in particular can go a long way in ensuring the necessary cooperation. In addition, the Department of Labor can support this integration. Unfortunately, DOL has done little to facilitate the required integration with the Employment Service and to pave the way for other mandated partners. This cooperation needs to be more than lip service or empty exercises in consolidation. Agencies with their own agendas, internal cultures, and turf to protect need to come together around a very concrete shared vision and an even more specific set of working arrangements. And elected officials need to ensure that this happens.

States and local areas also need to avoid the trap of setting policy for WIA in isolation from the rest of the state’s programs of education and training. This is important at many levels. In terms of overall performance goals, for example,

it makes no sense to have one kind of mission for WIA and a contradictory one for a program such as TANF. States and local areas need a coherent vision for all their workforce investment programs.

Finally, WIA's resources are sufficiently limited so that decisions about funds allocation should be influenced by what other resources are available for similar activities. In fact, as the WIA legislation suggests, the ability to develop a comprehensive workforce development system depends on the ability of states and local areas to make effective use of funds from multiple programs.

3) Build public-private partnerships to insure a market responsive system

Workforce development programs will remain relatively ineffective unless they reflect the needs of the labor market. One of JTPA's signature features, distinguishing it from earlier manpower development programs, was its insistence on majority private sector representation on the local governing boards (called Private Industry Councils). Unfortunately, in practice, this mechanism was relatively ineffective in engaging employers.

To the extent to which it participated at all, business saw its involvement as a civic or charitable activity rather than an economic one. As such, employer members of these boards rarely represented their own hiring practices and almost never made efforts to shape the system to meet the labor force needs of their companies. Representatives of organized labor similarly tried to represent "working people" in some abstract sense.

WIA envisions employers as customers of the One Stops, co-equal in importance to job seekers. In practice, what this means is that One Stops must begin to turn their attention from the supply side of the labor market to the demand side.

Best practices across the country include in-depth labor market "audits" that identify broad business trends and specific skill needs; sectoral approaches where One Stops and/or local Workforce Investment Boards develop expertise in the needs of a specific industry sector and long-term relationships and support of company and union training alliances within it;³ consolidation of employer outreach for multiple programs into a

single "employer services" unit; partnerships with private employment and training organizations to meet the labor needs of firms; and the development of tailored training programs (see box, *Regional Skills Alliances*, p. 12).

4) Develop effective state and local governance structures

State and local WIBs will make most of the important decisions discussed here. In a very concrete sense, then, the WIA system is only as strong as these Boards. This point cannot be over-emphasized. Local areas that simply re-create the JTPA Private Industry Councils in somewhat expanded form have little hope of developing effective workforce development systems.

But good boards are hard to develop. Authentic private sector involvement won't happen unless the WIBs (and not just their staff) are empowered to make decisions of relevance to the local labor market. WIBs also won't work without meaningful representation from other key stakeholders such as labor, or without the resources needed for good staff work and for the initiatives of the board. This is an area in which states should consider making their own investment.

Perhaps most important, as just suggested, WIBs won't work if employers and unions do not see them as vehicles for solving the particular problems of their labor market and therefore come to the table representing the needs of their companies, industries, and the workers within them. One promising new approach to WIB development builds on the idea of sectoral strategies. Under this approach, employer and labor members of "networks" or "alliances" of firms—often within a given industry sector—that have come together to meet their own labor needs would then represent this alliance on the WIB (see box, *Regional Skills Alliances*, p. 12). The WIB would in effect be a network of sectoral networks. And to the extent to which the included sectors represented a large percentage of an area's employment base, the WIB would be in a position to have real impact on the regional labor market.

In addition, WIBs have the chance to become the key governing and policy body for workforce development in their region, addressing the big picture issues and then directing resources appro-

Regional Skills Alliances

It is becoming clear to many firms and training experts working in the trenches of the New American Economy that if we are going to begin to meaningfully address the skills problem, we have to motivate and assist companies in the same or similar industries to work collaboratively at the regional level to lead this process. One model to do this is Regional Skills Alliances (RSAs).

RSAs are industry-led, public-private partnerships in which employers and public agencies, and sometimes educational institutions and labor unions, pool their resources to identify and train workers for region-wide job opportunities.

In the last several years, a small number of regional and industry-based training alliances in the United States have emerged, usually in partnership with state and local governments and technical colleges.

- As part of the *Wisconsin Regional Training Partnership*, a number of metal-working firms, in conjunction with the AFL-CIO, used an abandoned mill building to set up a teaching factory to train workers with needed skills. The workers learn directly on state-of-the-art manufacturing equipment.
- *In Rhode Island*, with help from the state's Human Resource Investment Council, plastics firms developed a skills alliance. Funds supported a part-time alliance coordinator who worked with firms to assess skills needs and develop curricula. In addition, a share of the funds went to establish a state-of-the-art polymer training laboratory at the local community college which trains workers in an apprenticeship program that guarantees jobs for graduates.
- *In Washington, D.C.*, regional telecommunications firms donated computers and helped set up a program to train public high school students to be computer network administrators. The companies hire students who pass a standard certification exam for \$25,000 to \$30,000 a year.

Through the funding coming from the H1B visa fees, the Department of Labor administers a program to fund such RSAs around the nation.

privately. Rather than run programs, they need to oversee and hold others accountable for service delivery. Most, if not all, WIBs have a long way to go to achieve this vision. But WIA challenges local areas to develop broad, meaningful structures of governance.

5) Make a commitment to good jobs and good wages for all workers

In one very important and often overlooked respect, WIA offers states and local areas a radical new approach to their "second chance" system. In a dramatic shift, WIA no longer bases eligibility on unemployment; instead it says that individuals—even working individuals—are

eligible for the program until they reach the goal of self-sufficiency.

How can states and local areas make use of this new approach?

- **First, they need to focus resources.** By implementing sophisticated self-service systems for use by most customers, time intensive⁴ training services can be reserved for those who need them the most, particularly low-income workers and individuals making the transition from welfare to work.
- **Second, they must define what is meant by a "decent job."** By law, intensive training services can be provided only to those who are unable

to be successful in the labor market on their own (or with the aid of basic labor exchange services). But WIA does not define what is meant by labor market success. States and local areas therefore must set clear benchmarks.⁵

The question of at what level these benchmarks should be set is a tricky one. The reality is that for many workers low wage jobs will be their first possible entry into the labor market. The bar cannot be set so high as to preclude these placements. Unfortunately, under JTPA, however, states and localities failed to distinguish between dead-end, low-wage jobs and entry-level employment that had the potential of providing workers a path out of poverty. Wage benchmarks need to be set at reasonable levels but must also be combined with approaches that retain workers as One Stop customers until they achieve a family-sustaining wage, and that work to identify viable career paths for those who enter the labor market at the low rungs of its ladder.

- **Third, taking the new approach means developing a continuum of services—for before, during, and after someone gets a job.** This is a real break with past practice. In the past, the job of the employment and training system was over once it got a “placement.” States and local areas can continue to do business the old way, but to do so would mean throwing away a golden opportunity. The new WIA regulations encourage a long-term and holistic approach to the problem of moving low-waged workers to self-sufficiency, including the provision of incumbent worker training. Evaluation studies suggest that a holistic approach is the only one that works.

6) Link WIA and TANF to broadly address the needs of the poor and working poor

To be successful in the effort to provide all workers a good job and living wage, states and localities also have to look beyond the relatively meager resources of WIA to the huge, and increasingly flexible, TANF (Temporary Assistance to Needy Families) funding stream. Whereas funding for WIA and the employment Service is approximately \$9 billion annually (and not all of that is for adult programs), TANF and its state

matching dollars are almost \$30 billion annually (for training, as well as income support, child care, transportation, and other services).

New regulations have made TANF an exceedingly important resource. To qualify for education and training under TANF, it is no longer necessary to be on welfare or to be a former welfare recipient; it is only necessary to be working and eligible for services under the state’s eligibility criteria. This change in eligibility provides an enhanced focus on “post-placement” retention and upgrade services. Together these changes focus TANF on working poor families and allow its monies to provide for a wide range of education, training, and support services.

One very exciting possibility is that local areas could begin to work with companies that employ large numbers of low wage workers to develop retention and upgrade strategies for their entire workforce, without being restricted by narrow eligibility requirements. But this kind of example points to the need to tightly link WIA, TANF, and other similar programs. In this case, for instance, if a small percent of the workforce exceed the state’s income guidelines for TANF-funded education services, WIA (or other funds) could be used to support a portion of the effort.

In many states, unfortunately, administration of WIA and TANF remain in separate agencies that poorly coordinate their agendas. Far-sighted states are moving to solve that problem and it is critical that more begin to follow their lead.

7) Build a system of lifelong learning

It is becoming an article of faith that for workers to keep pace with the changing economy, they need to keep learning after they leave the formal system of education. The WIA legislation does not directly raise the challenge of creating a “lifelong learning” system, but if the WIA-supported training programs are implemented apart from this broader context, they will continue to have the marginal success of the JTPA training programs.

Today all workers must learn as they work. Rather than simply revising an under-funded program of education and training for low-wage, low-skilled workers, states can enlist the resources of WIA in a broader effort to design an effective system of adult education and training for everyone.

How could states do this?

- **Use vouchers effectively and creatively.** First, states and local areas need to use vouchers to encourage adults to invest in their own education and training. Much of the training funded through JTPA was “contract” training, that is, JTPA operators contracted with a training provider for an entire course and then sent JTPA participants to it. WIA offers individuals greater flexibility and choice by providing them with training vouchers or Individual Training Accounts (ITAs) that they can use at any approved training institution or vendor, including community colleges. The notion of individual training accounts raises some interesting new options that states could pursue. One is savings accounts for education and training into which individuals, employers, and the state could all contribute. Another is the idea of training “loans”—rather than grants—for higher-income workers. ITAs can also be used for incumbent worker training.

ITAs have a downside, however. In areas where community-based organizations (CBOs) provide training programs tailored to specific high need constituencies, ITAs threaten to destroy a vital part of the provider base. This is because most CBOs do not have pockets deep enough to allow them to operate on a tuition-reimbursement basis. WIA legislation allows local areas to be creative in solving this problem.

One option would be for reimbursements to be made at the beginning of the classes, rather than after completion. In addition, states and local boards need to identify these special providers and make use of the contract exceptions. This would not exempt these organizations from reporting and being evaluated on effectiveness, nor would it protect them from being defunded and decertified if they were doing a bad job. However, it would provide them with stability to keep often effective programs going.

Finally, states and localities need to ensure that CBOs are not unfairly disadvantaged by the certification process. WIA permits many educational institutions to be automatically certified as eligible on the basis of preexisting approval under the Higher Education Act. However, many

effective non-accredited community, union, or employer-based training programs are not eligible for this automatic certification. Therefore, state plans should clearly describe the procedure and standards for certifying providers, and should not create an unfair advantage for pre-certified post-secondary institutions by implementing overly burdensome standards for other programs and institutions.

- **Make sure ITAs have real purchasing power.** Another critical challenge is designing ITAs so that they are worth enough to pay for sufficient education or training to move the learner up the occupational and earnings ladder. Here, of course, the balance to be struck is between valuing each ITA so high that very few individuals can be served, and valuing each so low that it buys a meaningless amount of training. This is a difficult choice, but in the end it makes no sense to spread the funds so thin that they have no impact. Far better to serve fewer customers effectively and thereby build public support for additional investment in the system.
- **Link ITAs to other training and education dollars.** The dilemma of “valuing” ITAs also points back to the importance of linking funding sources together and to developing a system of closely articulated programs. States and local areas that are serious about developing an overall system of “lifelong learning” for adults can develop policies that will link the use of ITAs with other funds for training (such as Pell grants) and that will encourage workers to invest in education and training that can have a real impact on their career opportunities and earnings. For example, vouchers should be able to be used toward degree programs and could be designed so that a worker can access training over time (for example, taking one course up-front and others at night after he or she returns to work).
- **Develop employer-focused and workplace-based training.** Leading edge states and local areas will take advantage of the other kinds of training WIA allows as well: customized training, on-the-job training, and incumbent worker training. All three are “employer-focused” and, as such, are much more immediately responsive

to the realities of the labor market. It is because of this close link to the world of work that many studies have found employer-focused training to be particularly effective. In addition, many people are unwilling or unable to pursue training outside of the workplace, and employer-based training is an effective way to get individuals committed to life-long learning.

There is also an exciting opportunity for coordination between WIA and the increasing amount of funding many states are providing for employer-focused—particularly incumbent worker—training. States should also look to partner with union-based apprenticeship programs.

8) Create a comprehensive development system for low-income youth⁶

As with its adult programs, WIA moves beyond JTPA in its approach to programs for youth. First, it simply places greater emphasis on the needs of low-income, at-risk youth by creating special Youth Councils within each local Workforce Investment Board. Second, learning from years of both research and practice, WIA recognizes that high-risk young people need comprehensive and long-term support in order to succeed in the labor market.

Toward this end, WIA emphasizes: a) connections to academic and workplace standards, b) integration of classroom and workplace learning; c) readiness for post-secondary experiences; and d) long term follow-up and coordinated social service supports. WIA incorporates key strategies established as “best practices,” such as mentoring, community service, and leadership development. WIA also breaks down the silos between year-round and summer funding for youth, facilitating the development of integrated full-year programming. In all these ways, WIA encourages communities to view youth programs as a continuum of services that are accessed over time at appropriate developmental stages.

How can states and local areas effectively use WIA to move closer to this vision? Most importantly, they can take the youth councils seriously and create a genuine forum for the development of youth policy that brings together K-12 and post-secondary education agencies with employers and youth providers. One of the key tasks of these councils is to improve the coordination among youth-serving institutions.

States also can focus some of the WIA funds reserved for statewide activities on youth. For example, these monies could be used to provide technical assistance to local youth boards; provide seed grants, incentive grants, or matching grants to local communities; and/or develop a statewide clearinghouse on effective youth programs. States can also increase their own investment in youth programs and seek greater private sector investment as well.

9) Use information technologies to automate services and improve quality

For WIA to achieve the promise of universal service, there will have to be many doors for customers to come through and many sites at which they receive service—not just one. These various doors and service sites can be linked into a system through the effective use of Internet-based information technologies. In addition, because of resource limitations and the need to focus scarce resources on training, most customers will have to self-serve. That is, whether in the resource rooms of One Stops or from computer terminals in their own homes, most individuals seeking job, career, and training information will have to access it on their own.

Information technologies permit the development of a “virtual” One Stop system. Computer terminals offering much of the information job seekers and employers need can be located anywhere and everywhere—in libraries, schools, community-based organizations, unions, and freestanding kiosks—and access can be made available over the Internet. Automated referral linkages among organizations can also be established to help ensure that customers are not bounced from agency to agency or fall into a bureaucratic black hole.

As such, information technologies must form the backbone of the new labor exchange system even if, as suggested earlier, this IT infrastructure is a public-private meld. The sophistication of the IT system and the quality of the information are the keys to its success—another argument for a public-private partnership.

One Stop systems should take advantage of other kinds of technologies (such as smart cards) as well to increase the efficiency of service delivery and improve its quality. This includes finding new ways

to deliver training (using self-paced computer-based learning, distance learning, and the like) and new ways to apply for benefits and assess career skills (e.g., online, kiosks).

10) Build a system that matches the geography of the labor market

WIA encourages states and local areas to move toward a new geography, one that more accurately reflects the regional economy. Under the Act, this can be accomplished either by changing the boundaries of service delivery areas or by encouraging the development of regional cooperation (and the creation of regional plans) among WIBs.

In the old economy, most jobs were in the urban core. In the New Economy, the fastest job growth is occurring in the suburbs of metropolitan areas, particularly the outer suburbs, while most disadvantaged workers continue to live in the central cities and inner suburbs.⁷ Under JTPA, the urban core, and inner and outer suburbs were often three distinct service delivery areas each governed by its own board. As states implement WIA, they need to be cognizant of the spatial contours of the emerging economy and ensure that the new governance structures reflect and respect this economic geography.⁸

11) Take quality seriously

At the end of the day, however, none of the strategies suggested here will be effective unless states take the issue of quality seriously.

One of the debates swirling around the implementation of WIA was whether or not—in order to improve performance—One Stops should be competitively bid. The U.S. Department of Labor has put much of the debate to rest with a ruling—upheld in federal court—that the Employment Service and its employees must continue to administer the Wagner-Geyser funds that support most public labor exchange services.

Within the terms of this ruling, some areas do intend to bid out part of the operations of the One Stops. In a few cases, a kind of public-private partnership is envisioned; in most cases, those competing for One Stop charters will be consortia of public and non-profit entities.

This kind of competition among consortia of public and non-profit organizations can improve

quality if the process results in groups vying to develop the best programs. However, it is critical to recognize that competition for charters will have a positive effect on quality only if coupled with other more fundamental elements of performance management. After all, competition is no solution if the standards that are set for performance are the wrong ones, are too low, or—and this is a serious issue in our experience—the local WIBs do not have the political will to enforce meaningful performance standards.

There are five critical components of an effective performance management system:

- **Develop a comprehensive performance measurement system based on unemployment insurance wage record data.** As WIA requires, states should take the lead in developing performance tracking systems using their unemployment insurance wage record data. Requiring training providers to track the labor market performance of their graduates can be a costly and difficult to implement proposition, especially for smaller, community-based training providers. Rather, the state should build a comprehensive performance measurement system for all its education and workforce development programs. For example, Florida has an Education and Training Placement Information Program that captures follow-up data on employment, education, military enlistment, incarceration, and use of public assistance for graduates of every public (and many private) education, training, and job placement institution in the state. The data is available at schools, One-Stop Career Centers, and state employment service and training offices. Texas has created a similar reporting system on all public community and technical colleges, and it is working to cover other adult education and training providers. The federal government could put this kind of information on the web, particularly when providers are multi-state.
- **Set high standards that accurately reflect desired program outcomes.** Performance standards drive behavior. We have recently seen a clear example of that in the scandals surrounding standardized testing of K-12 students. Some

teachers were not only basing their curricula on the test, but even helping students cheat on it.

Clearly, however, we have to set standards for public programs so the challenge is how to establish performance measures that create incentives for behavior that produce the outcomes we desire. Step one is to carefully define those outcomes. Step two is to measure the right thing. For example, if the outcome we want to see is improved lifetime earnings for participants, it could be counterproductive to place a lot of emphasis on the numbers of job placements a program made. Why? Because rewarding lots of placements may discourage programs from making long-term investments in individuals since it is likely then that fewer people will be served. It might also encourage programs to serve the most job-ready individuals, rather than those with real barriers to success in the labor market.

In addition, standards need to be set in ways that account for the type of population or type of labor market being served. Groups that work with historically disadvantaged populations will in all likelihood show lower performance outcomes than groups that work with easier to serve populations.

Secondly, standards need to be high enough to be meaningful. If every program easily meets its goals, one has to wonder whether the same outcomes could have been achieved without any public intervention. Though JTPA was performance-based, in general the bar for performance was set low enough that it posed little challenge. The WIA legislation has gone a step further in its emphasis on performance, but it remains for states and local areas to set meaningful standards (in concert with U.S. Department of Labor). There will be an inevitable tendency to set standards as low as possible to protect areas politically, if in no other way. This is one place where both the state and federal governments need to draw the line.⁹

Finally, states can and should develop broad performance measures that span programs and agencies. Doing so creates coherence in the overall workforce development system, focuses it on the achievement of a limited number of

specific policy outcomes, and increases the likelihood that these goals will be achieved. In its earliest inspiration, WIA promised to break down the walls among categorical programs, but as we have seen, the final version of the Act retains these programmatic ghettos, while at the same time, it exhorts locals to build a seamless and universal system. States can provide material support to this effort through the creative use of performance measures.

- **Track program impact over a long enough period to be meaningful.** States also need to be serious about tracking the impact of service interventions over time and changing course on the basis of what works. Evaluations of JTPA have demonstrated that the positive effects associated with short-term interventions wash out over time, whereas the real impact of longer-term interventions becomes more apparent.
- **Provide frontline workers the support they need to do an effective job.** The WIA system is fundamentally a service business. As such, it is only as effective as the skills of its frontline workers. Therefore, one important component of a performance management system is staff training and development and other kinds of technical assistance to those who actually deliver the services. These frontline workers also need to be provided with decent wages and working conditions if they are to be effective in their jobs.
- **Create rewards for success and consequences for failure.** One of the complaints about the public sector is that the penalty-reward structure is such that only extreme failure carries consequences, and success is rarely rewarded. WIA takes a step toward addressing this problem by providing some monetary rewards for meeting performance standards and promises more accountability over all. In practice, this promise will only be meaningful if states and local areas have the political will to put teeth into it.

12) Take maximum advantage of the new federal flexibility

U.S. Department of Labor continues to offer states the option of seeking waivers of federal regulations and even aspects of the law. States should take maximum advantage of this opportunity to tailor programs to the needs of their citizens, and DOL should be flexible in offering waivers. Waivers can target many of the weaknesses of the legislation, including its stovepipe funding streams.

13) Increase funding for WIA

Finally, it is unfair to expect the WIA system to meet the needs for placement and training if it is not given the resources it needs to succeed. More importantly, if we are to ask workers to help usher in the New Economy, we must ensure they have the tools to prosper.

Federal funding for workforce development has declined 8 percent in real dollars from 1983

to 1998, while the number of employed workers has increased 29 percent. Moreover, worker dislocation has gone up. As a result, WIA is so under-funded that many localities are severely limiting the funds devoted to education, training, and other intensive services. If this trend continues it will mean that WIA will fail in its main mission: to ensure that all Americans have a gateway to success in the New Economy.

To ensure that the program can meet the challenges of the New Economy, Congress should expand WIA funding by at least 40 percent (increasing from \$8 billion in FY00 to \$11.2 billion in FY01). In addition, states should commit additional resources to their workforce development systems to supplement and complement the federal WIA monies. Any increased federal funding should be allocated based on performance of the individual states. In effect, states that aggressively take advantage of WIA to craft a New Economy workforce system as we have laid out above would receive a majority of the increase in funding.

Conclusion

The workforce investment act is being implemented at a time of almost unprecedented change in the way business—including the business of workforce development and labor exchange—is being conducted. WIA is also being implemented at a moment of exceedingly strong economic growth.

The pace and uncertain direction of change in the environment is a real challenge and danger to WIA implementation since agility is not one of the public sector's principal virtues. On the other hand, the booming economy makes it much easier for WIA to succeed since tight labor markets offer real opportunities to workers who have traditionally fared badly.

There are no magic bullets and under-funding could cripple the effort. But the fundamental underpinnings of a successful new system are clear: it must have the vision to recognize the emerging shape of the New Economy and the courage to reshape its programs, organizations, and governance structures in response to these changes; it must be based on a new understanding of how labor markets work and a new relationship to private sector labor market institutions and to the employer community; and it must understand that the purpose of public intervention is to ensure equality of opportunity and to maximize the extent to which the New Economy provides all Americans a better life.

Endnotes

- ¹ Robert D. Atkinson and Randolph Court, *The New Economy Index: Understanding America's Economic Transformation*, (Washington, DC: Progressive Policy Institute, November 1998: <http://www.neweconomyindex.org>).
- ² Robert D. Atkinson, *Building New Skills for the New Economy*, (Washington, DC: Progressive Policy Institute, February 1998: <http://www.dlcppi.org/texts/tech/newskill.htm/>).
- ³ The formation of industry-led Regional Skills Alliances that the Progressive Policy Institute has championed is just such a strategy. See *Building New Skills for the New Economy*.
- ⁴ In addition to “core” services, defined earlier, that must be made available to everyone, WIA also mandates “intensive” and “training” services for workers with serious barriers to employment. Intensive services include comprehensive assessment, the development of individual employment plans, career counseling, pre-vocational services, and job search assistance. Training services include both basic skills and occupational skills, entrepreneurial, on-the-job, customized and incumbent worker training.
- ⁵ Currently there are many efforts underway across the country to define what constitutes a decent job. For example, some states and local areas are adopting a “self-sufficiency” standard based on the local cost of living. WIA sets the self-sufficiency “floor” at the Bureau of Labor Statistics Lower Living Standard Income Level (LLSIL) but many states and local areas are setting a higher standard since in many areas the LLSIL does not provide for real self-sufficiency. The most sophisticated of these efforts calculate the actual cost of living in an area for various types of families (called the Family Self-Sufficiency Standard); others are adopting the standard of 125 percent to 150 percent of the LLSIL.
- ⁶ The authors are grateful to the Massachusetts-based Center for Youth Development and Education, at the Corporation for Business, Work, and Learning, for providing information for this section of the paper.
- ⁷ Office of Technology Assessment, *The Technological Reshaping of Metropolitan America*, (Washington, DC: U.S. Government Printing Office, 1995).
- ⁸ Mark Alan Hughes, *The Administrative Geography of Devolving Social Welfare Programs*, The Brookings Institution, Joint Occasional Paper 97-1 of The Center for Public Management and The Center on Urban and Metropolitan Policy (Washington, DC).
- ⁹ One word of caution, however, on setting high standards. In doing so, states and local areas need to ensure that they do not create incentives for programs to “cream.” This can be achieved by creating comprehensive state (and local) standards—in addition to those required by WIA—that emphasize skills attainment, movement to self-sufficiency, and improvements in economic welfare.