

THE WORKING POOR FAMILIES PROJECT

POLICY BRIEF
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Using the Workforce Investment Act to Develop and Foster Innovative State Workforce Policies and Programs

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The Workforce Investment Act (WIA) is the primary federal resource for supporting job training and employment services in the United States. It is designed to help states and localities strengthen the employment skills of the country's low-income adults, dislocated workers, and youth populations, and to do so in the context of addressing the labor market or workforce needs of U.S. employers.

In the ten years since its passage, WIA has come under criticism for its burdensome procedures and seemingly illogical restrictions; most observers agree that it largely has fallen short in its goals of providing more streamlined and better integrated services and comprehensively engaging the private sector. Annual appropriations for WIA services have steadily declined, and it faces an uncertain future as the debate over reauthorization has dragged on for four years.

One WIA provision that has won praise, however, is the flexibility built in to reserve 15 percent of each state's annual allocation for "state-wide activities" to be determined by the governor. Unlike formula-driven WIA funds, states can use this resource, often referred to as "discretionary dollars or funds," to support incumbent workers looking to advance their skills and careers as well as jobseekers not currently employed, rendering these WIA funds a potentially powerful tool in states' efforts to better support low-wage working adults. As is typically the case in programs of this nature, a number of states have used their discretionary dollars—as well as grants for high performance awarded by the U.S. Department of Labor, which are similarly flexible—to good effect, developing new and innovative program models and fostering regional or sector-specific collaborations that leverage other resources in support of low-wage working adults. Other states have not taken advantage of this opportunity.

The Working Poor Families Project (WFPF) supports efforts of state nonprofit organizations to strengthen state policies that can assist low-income workers to achieve economic security and become productive participants in the economy. WFPF encourages state groups to consider how their WIA discretionary dollars are being spent, and to advocate for governors to use these funds to develop innovative state policies that boost the skills and earning power of low-income working adults. This brief highlights how a number of states have invested their WIA discretionary funds to support economic development priorities that both meet labor market needs and create new opportunities for working adults.

THE WORKING POOR FAMILIES PROJECT

Strengthening State Policies for America's Working Poor

Millions of American breadwinners work hard to support their families. But, despite their determination and effort, many are mired in low-wage jobs that provide inadequate benefits and offer few opportunities for advancement. In fact, more than one out of four American working families now earn wages so low that they have difficulty surviving financially.²

Launched in 2002 and currently supported by the Annie E. Casey, Ford, Joyce, and Mott foundations, the Working Poor Families Project is a national initiative that works to improve these economic conditions. The project partners with state nonprofit organizations and supports their policy efforts to better prepare America's working families for a more secure economic future.

For more information:
<http://www.workingpoorfamilies.org>

RESTRICTIONS AND USES

The WIA legislation apportions 85 percent of each state's allocation for Adult and Youth services to local workforce areas within that state, distributed according to a formula. The remaining 15 percent is reserved for a number of required and allowable purposes to be chosen by the governor. Additionally, at least 15 percent, and up to 25 percent, of each state allocation for Dislocated Workers is also reserved for use at the governor's discretion. States are at liberty to combine these reserved funds across categories; in other words, the entirety of the discretionary funding can be spent on Adult or Youth services, if the governor so chooses, though few states seem to avail themselves of this option.³

States are not entirely unfettered in how they can use the discretionary funds, as the law requires that eight activities be supported. One of these, administration, is capped at five percent of the full state allocation. For the other seven required activities, federal regulations clarify that "while there is no specific amount that must be spent for each... it is expected that the State will expend a sufficient amount to ensure effective implementation of those activities." These include rapid response services for workers who are displaced; dissemination of various sources of information about WIA programs; conducting evaluations of programming; providing incentive grants for various activities and high performance; providing technical assistance to the One-Stop delivery systems through which most WIA services are offered; "providing additional assistance" to local workforce areas with unusually high concentrations of WIA-eligible youth; and operating an information system to ensure fiscal and program accountability.⁴

States are required to report to the Department of Labor on an annual basis about their WIA activities, including how they spent their statewide funding. A look at the state annual reports from Program Year 2006,⁵ however, suggests that this mandate is not always closely followed: a few states offered no information about their statewide activities, and some others did so only indirectly. From the reports that are clear about their activities, however, we see that the most common uses of statewide funds are:

- Incumbent worker training (at least 19 states)⁶
- Programs for youth (at least 7 states); and
- Capacity building/technical assistance (at least 14 states).

Two factors that seem to most heavily influence how states expend their discretionary WIA funds are (1) the level of the governor's interest in and engagement with workforce policy, and (2) whether a well-organized workforce advocacy community exists within the state. In states such as Illinois and Washington, as noted below, governors have very consciously expended political capital on workforce issues and have used the resource of WIA discretionary dollars to develop and support cherished initiatives. Elsewhere, unions, advocates, educators and other groups, such as the Indiana Chamber of Commerce, have taken the lead or partnered with state officials to guide how the discretionary funds are spent.

In addition to the discretionary funds, a second funding source that enables experimentation and innovation is the federal incentive award grants made by the U.S. Department of Labor Employment and Training Administration (DOLETA). States become eligible for these grants by exceeding agreed-upon performance levels in the various outcomes measured by DOLETA, including job placement after training and post-placement retention among other categories. The grants can be used "to support innovative workforce development and education activities" authorized under WIA during the two program years subsequent to the award (*e.g.* a grant made in mid-2006 can be used through June 30, 2008). The amount awarded to a qualifying state is proportional to the total funding received by that state under WIA, the Adult Education and Family Literacy Act (WIA Title II) and the Carl D. Perkins Vocational and Technical Education Act.⁷ Below are the ten states that were awarded incentive funds based on exceeding their pre-negotiated performance levels in all three programs for Program Years 2005-2006, and the amount for which they qualified:

1. Arizona	\$1,478,972
2. Delaware	912,966
3. Illinois.....	3,000,000

4. Iowa.....	1,079,834
5. Massachusetts.....	1,500,386
6. Missouri	1,627,366
7. Oregon.....	1,522,101
8. Tennessee.....	1,757,992
9. Virginia.....	1,623,378
10. Washington.....	1,850,193

Qualifying states are at liberty to combine these performance-based awards with discretionary funds already at their disposal, to support allowable programming.

Not every state has chosen to deploy its discretionary monies under WIA to fill gaps left by the restrictions on how formula funds can be used, or to foster innovative education and skill development strategies. In a number of states discretionary funds are sometimes allocated on a project-by-project basis, without any effort to direct investments toward common goals or objectives. And in some places, the funds have been used in ways that may not be most effective or productive. Unfortunately, the federal government does not present detailed information on how states have used these important funds—a gap this brief hopes to help fill.

NOTABLE STATE PROGRAMS

Some states use their WIA discretionary and incentive dollars to develop innovative state policies and programs. These efforts typically seek to address a need or needs within the state economy, helping employers find skilled and reliable employees and bolstering workers' standing in the labor market. We highlight several of these programs below.

ILLINOIS: CRITICAL SKILLS SHORTAGE INITIATIVE

When Illinois Governor Rod Blagojevich won office in 2002, he focused his policy agenda on revitalizing the state's economy, which had been devastated by manufacturing job losses and a "jobless recovery" following the national recession in 2001. In his first year in office, Blagojevich used WIA discretionary funds to support the Critical

Skills Shortage Initiative (CSSI)—a program, in the governor's words, intended to "prepare employees... to take advantage of good jobs in industries with the greatest available positions."⁸ CSSI was a vital component of Blagojevich's "Opportunity Returns" regional economic development plan, which sought to link economic growth with education and workforce services.

Groups within each of ten designated economic development regions were invited to apply for regional CSSI planning grants to convene local stakeholders—business leaders, workforce board members, economic development officials, education and service providers, and other stakeholders. These consortia were then to identify high-need economic sectors, assess what education and support services were currently available to meet the employment needs of those sectors, and develop plans to build pipelines of skilled workers. In a second phase of the project, consortia could apply for training money "to help bridge the gap in training services available."⁹

The first grants were made in 2004. Through November 2006, CSSI had helped develop projects totaling more than \$11 million. Among the most frequently supported industry sectors were health care (12 grants, 54 projects, 2,300 workers served), manufacturing (six grants, 28 projects, 796 Illinois workers served), and transportation, warehousing and logistics (two grants, 13 projects, 256 individuals trained).¹⁰

The state allocated \$240,000 in funding one CSSI project in Southern Illinois to support "foundation skills" training for entry-level workers in the fields of manufacturing, distribution, transportation and warehousing, allowing these workers to advance to better-paying positions that employers were struggling to fill.¹¹ In another instance, a \$135,000 investment in a Chicago community-based non-profit (Instituto del Progreso Latino) resulted in the development of a health care worker training initiative that targets English language learners and facilitates their advancement from pre-training for Certified Nurse Assistant positions to certified Licensed Practitioner Nurses. Through its first three years, the program served over 700 students, and it now receives funding from local

foundations and the Chicago's workforce system.¹²

Not every CSSI project has been as successful, and the state's chosen funding model—providing 100 percent support for initiatives in their first year, 50 percent in the second, and none in the third—left several regions unable to assume project costs as support evaporated. Nonetheless, Illinois is reportedly set to launch a second effort organized along the lines of CSSI this year. Additionally, other states have embraced and refined the model. “The Critical Skills Shortage Initiative led to some different and new regional collaborations in Illinois that weren't there before,” one national workforce expert observes.

WASHINGTON: INDUSTRY SKILL PANELS

Another example of gubernatorial innovation with WIA discretionary funds is found in the Northwest, where Washington used this resource to pilot the well-regarded Industry Skill Panels Initiative. Launched in 2000 under then-Governor Gary Locke, the panels serve specific industries in defined regions of the state, operating as a hybrid of convener, think tank and advocate. After beginning with discretionary WIA funding, skill panels proved a sufficiently valuable investment for the state that Washington legislators moved to support the program as a regular budget item.

Skill panels focus on the workforce needs of their target industries, as determined by the input of employers, trainers and other stakeholders who serve on the panels. This might mean helping to develop proposals to support added training capacity, updating the curricula of current training efforts, supporting economic development investments to improve the industry's competitive positioning, or creating apprenticeships. In Washington, which boasts a highly developed network of community and technical colleges, skill panels typically partner with these workforce-focused educational institutions to develop new training products to train new employees and enhance the earning power of current workers.¹³

Panels provide a collaborative environment for competing employers within an industry that otherwise might not find common cause. They also lever-

age outside resources, matching state-originating funds with support from businesses, foundations, and the federal government: as of June 2004, 19 skill panels had attracted more than \$40 million in additional funding from these sources.¹⁴

Since the start of the program in 2000, the state has helped fund approximately 50 industry skill panels, 15 of which remain active recipients of state funding. The current panels serve manufacturing, energy, homeland security and construction, among other industries;¹⁵ earlier efforts saw health care very well represented. A 2005 report of the Washington Training and Education Coordinating Board cites 12 distinct projects in health care, including 10 efforts that expanded training capacity for nursing programs at colleges across the state.¹⁶

In addition to the value delivered to employers and workers, skill panels seem to have had a systemic impact on workforce development in Washington. The 2005 report characterizes skill panels as “increasingly influencing Washington's workforce development systems...allow[ing] private enterprise to contribute intellectual and financial resources to ensure both workers and employers stay competitive.”¹⁷

INDIANA: 21ST CENTURY WORKPLACE SKILLS INITIATIVE

Unlike the state initiatives discussed above, Indiana's 21st Century Workplace Skills Initiative focuses on raising the skills and productivity of the state's current workforce rather than addressing a current or projected labor market need. It also differs in the reliance upon federal WIA performance awards rather than Governor's Discretionary funds. But like the efforts in Illinois and Washington, this Initiative is rooted in a demand-side approach deeply informed by employers themselves.

A January 2005 report conducted for the Indiana Chamber of Commerce found between 900,000 and 1.23 million employed Indianans “had literacy skills below the minimum standard (as developed by national experts) for successful employment in a knowledge-based economy.”¹⁸ In response, the state funded 10 sites with just under \$1.5 million, mostly

from WIA incentive awards. Four grants were made to employers in manufacturing, four others went to healthcare employers and the final two went to businesses in hospitality and logistics/distribution.

The grants focused on supporting “workforce basic skills”: reading, math, communication, problem solving, critical thinking and facility with computers. In each project, education providers developed a customized curriculum for the workplace that included industry-specific terminology and applications to the company’s actual business. That round of projects served 1,737 employed workers in the state, many of whom subsequently earned promotions and raises.

OREGON: A STATEWIDE CAREER PATHWAYS INITIATIVE

Launched in 2003 by Governor Ted Kulongoski, Oregon’s Pathways Statewide Initiative is a statewide effort focused on supporting the transitions of students across the education continuum and increasing the number of Oregonians with credentials, degrees, and certificates in demand occupations. The Initiative utilizes both WIA discretionary funding, through the Governor’s Employer Workforce Fund, and the federal incentive award grant mentioned earlier, received for four consecutive years exceeding agreed-upon benchmarks for program performance under WIA, the Adult Education and Family Literacy Act, and the Perkins Act. Oregon operates the Initiative through its 17 community colleges, working in partnership with K-12 systems and universities as well as state agencies.

Program participants include low-skilled students such as those transitioning from adult basic education and development education into credit postsecondary programming through the Oregon Pathways to Adult Basic Skills (OPABS) Initiative. The Pathways Initiative also includes programming for students transitioning from high school to postsecondary education. A notable delivery innovation is the practice of “chunking” or modularizing degrees into short-term career pathways certificates (requiring as few as 12 or as many as 44 credits) tied to an occupation in demand in the local labor market.

From 2004 to 2008, the state has awarded more than \$5 million in WIA discretionary and incentive funding to implement career pathways systemic changes throughout the community college system. In addition to drawing down statewide WIA resources, the Pathways Statewide Initiative also leveraged a number of outside funding streams from 2006 through 2008, including state community college strategic reserve funds and local WIA training funds, local TANF vocational education funds, local and state Title II funds and Perkins funds.

CONCLUSION AND RECOMMENDATIONS

Though the Workforce Investment Act as a whole has fallen short of advocates’ hopes that it would usher in a new era of accountable, effective programming responsive to both labor market demand and jobseeker priorities, the 15 percent governor’s discretionary portion of each state’s annual allocation has worked as intended in some states. In these cases, the discretionary funds have proven valuable both as a safety valve within WIA’s otherwise overly determined programming, and as a spur toward the sort of boundary-breaking, innovative programming that transcends a regulatory mindset to help communities solve their workforce problems.

The programs detailed in this brief are not the only examples of states that have put their WIA discretionary and incentive funds to good use. While we regard these efforts as standout examples, other states have used this resource to advance the prospects of low-income working adults through support for incumbent worker training and other avenues. For states in which advocates and other stakeholders seek to derive more value from this resource, we offer the following recommendations:

EXAMINE STATE DISCRETIONARY AND INCENTIVE FUNDS TO DETERMINE CURRENT AND IDEAL USAGE

Advocates and officials should ask and answer the following questions in forming their strategies around this resource:

- What are the most significant current gaps in state workforce programming?
- How can states better address the skills development needs of low-skilled and low-income workers?
- Which potential allies can be engaged through strategic uses of flexible funds?
- Are there additional funding sources that a given use of flexible funds might leverage (e.g. matching grants for employer-supporting initiatives)?
- How will any given strategy facilitate collaboration across regional and stakeholder lines?

FOCUS RESOURCES ON DEVELOPING AND TESTING NEW STRATEGIES TO BETTER SERVE LOW-INCOME WORKING ADULTS, WITHIN THE CONTEXT OF ECONOMIC DEVELOPMENT GOALS

Efforts like the Critical Skills Shortage Initiative in Illinois or the Skill Panels in Washington offered the opportunity to be worthwhile for workers because they focused on boosting participants' income and improving their prospects of success within the labor market. But they also attained buy-in from the business community by providing value to individual employers and industry leaders. Oregon's Career Pathway Initiative took this premise a step further by setting a larger statewide policy goal and working to make the state's most significant educational and training resource, the community college system, more responsive to the needs of adult workers and students as well as employers.

DESIGN INITIATIVES TO LEVERAGE OTHER RESOURCES

In most states, 15 percent of a WIA allocation will not get you very far. Without exception, the initiatives profiled in this brief used the WIA dollars as seed money for a larger effort, requiring matching contributions from participating employers, regional authorities, foundations and educational institutions, and other partners. This both greatly extends the reach and impact of programs, and improves the likelihood that efforts will persist when state fund-

ing diminishes or disappears.

With state and federal budgets badly stretched, employer demand for skilled workers growing steadily, and a labor market in which more than 75 million adult workers have no postsecondary education or skill training, WIA discretionary and incentive dollars are a critical resource for identifying better ways to serve low-skilled and low-income workers. States hoping to develop a more competitive workforce can utilize these funds to pilot innovative and effective programs that support low-income adult workers seeking to boost their employment prospects and earning power.

**WORKING POOR FAMILIES PROJECT
RECOMMENDATIONS:**

State groups should consider the following points when considering programs for WIA discretionary and incentive fund use:

- 1) Examine state discretionary and incentive funds to determine current and ideal usage.
- 2) Focus resources on developing and testing new strategies to better serve low-income working adults, within the context of economic development goals.
- 3) Design initiatives to leverage other resources.

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ENDNOTES

- ¹ The author is an independent consultant based in New York City. Thanks to Gwen Rubinstein, Sarah White, Neil Ridley, Alison Cole, Rose Karsati, Tom Dubois, Mike Brennan, Mimi Maduro, David Alstadt, Carrie Thomas, Sharon Huntsman, Deborah Povich and Brandon Roberts for their comments and contributions to this policy brief.
- ² Tom Waldron, Brandon Roberts and Andrew Reamer. "Working Hard, Falling Short," Working Poor Families Project, October 2004, p. ii.
- ³ Employment and Training Administration Final Rule, Workforce Investment Act: <http://www.dol.gov/eta/regs/fedreg/final/2000081102.htm>
- ⁴ Ibid.
- ⁵ To view state reports, please see <http://www.doleta.gov/performance/results/AnnualReports/annual-report-06.cfm>
- ⁶ Often, the incumbent worker training efforts include a required funding match from participating businesses.
- ⁷ Please see <http://www.dol.gov/eta/regs/fedreg/notices/2007009262.htm>
- ⁸ "Governor Announces Innovative Opportunity Returns Grant To Strengthen Worker Skills In The Southeast Region," May 4, 2004: <http://www.illinois.gov/PressReleases/ShowPressRelease.cfm?RecNum=3025&SubjectID=14>
- ⁹ Ibid.
- ¹⁰ Unreleased Illinois state report.
- ¹¹ Southern Economic Development Region (IL): Critical Skills Shortages Initiative, Manufacturing Initiatives. Please see <http://cssi.siwib.org/mfg.htm>
- ¹² Phone call with Tom Dubois, Instituto del Progreso Latino, May 30, 2008.
- ¹³ Maureen Conway, Amy Blair, Steven L. Dawson and Linda Dworak-Munoz, "Sectoral Strategies for Low Income Workers: Lessons from the Field," Aspen Institute, Workforce Strategies Initiative, p. 58. Summer 2007.
- ¹⁴ Industry Skill Panels 2005 report, http://www.wtb.wa.gov/Pubs/2005_Pubs_Skill05.pdf
- ¹⁵ "State funds public-private partnerships targeting skilled workforce gaps," Workforce Training and Education Coordinating Board, December 11, 2007. Available online at http://www.wtb.wa.gov/Documents/skillpanelawards2007_000.pdf
- ¹⁶ Industry Skill Panels 2005 report
- ¹⁷ Ibid.
- ¹⁸ FutureWorks, "A Demand-Side Strategy to Meet Indiana's Workforce Basic Skills Challenge," January 2005, p. 5. <http://www.ipfw.edu/cri/dev/PDF/A%20Demand-Side%20Strategy%20.pdf>