

The Shift from a Contract-Based to a Voucher-Based Job Training Delivery System:  
The Effect of the Workforce Investment Act on Boston's Non-Profit Training Providers

by

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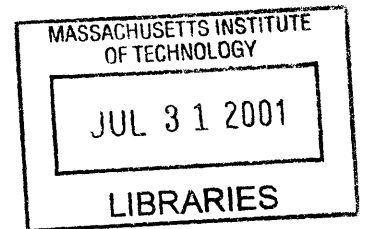
Submitted to the Department of Urban Studies and Planning  
in Partial Fulfillment of the Requirements for the Degree of

Master in City Planning

at the

Massachusetts Institute of Technology

June 2001



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ABSTRACT

The Workforce Investment Act of 1998 (WIA) took effect on July 1, 2000, replacing the Job Training Partnership Act (JTPA) and becoming the most recent in a series of public interventions in the area of employment and training in the United States. WIA made many significant changes to the way publicly-financed job training services are funded, targeted, and accessed. It prioritized job placement over training and shifted from targeting low-income populations to universal access to services. Most significantly, WIA replaced contracts to training vendors with a customer-held voucher system administered through "One-Stop Career Centers," which act as the center of all local employment and training activity. These changes caused significant concern for non-profit job training providers who worried about the effect of this new legislation on their organizations, their job training programs, and their clients.

From the perspective of non-profit job training providers in Boston, this thesis attempts to explain the initial concerns related to WIA and to analyze whether these predictions are playing out in practice now that the first year of implementation is well underway. This analysis is based on a survey of non-profit job training providers in Greater Boston conducted in August 2000 and in-depth follow-up interviews in March and April 2001 with five of the survey respondents who previously received JTPA funding and now receive WIA funding. Additionally, this research is based on reports, articles, and books written on U.S. employment and training legislation, the Workforce Investment Act, and vouchers in a variety of social service arenas.

This thesis demonstrates that non-profit job training providers initially worried about program financing, cash flow, program planning, coordination with career centers, competition, marketing, and exclusion of the most disadvantaged clients. The interviews illustrate that most of these initial concerns have continued to challenge non-profit providers well into the first year of WIA implementation. Certain characteristics, however, have assisted some providers in overcoming these challenges more easily than others. Career center partners, large organizations with a commitment to workforce development, providers with a wide diversity of funding sources, and programs serving a particular niche of the labor force, all appear to have advantages in the new training system.

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## Acknowledgements

Many people contributed, directly and indirectly, to this project. Most notably I would like to thank:

The job training providers interviewed for generously spending some of their valuable time with me and so thoroughly answering my many questions.

Angel Bermudez of the Boston Foundation for taking a chance on me and giving me the opportunity to spend the last year immersed in Boston's workforce development issues.

Professor Chris Tilly for his wise advice, thorough feedback, and constant encouragement. I feel fortunate to have been a student in two of his classes, as well as his thesis advisee, during his year as a visiting professor in DUSP.

Professor Philip Clay for bringing valuable insight and challenging questions to my thesis defense.

My husband, Mark Reilly, for somehow allowing me to get away with rarely cooking a meal, washing a dish, or doing laundry over the past two years, despite my failure to do the same during his three years of law school. More importantly, I thank him for giving me a push whenever I needed it. No one could be more supportive.

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## **Chapter 1: Introduction**

In August of 1998, President Clinton signed the Workforce Investment Act (WIA) into law. This legislation took effect on July 1, 2000, replacing the Job Training Partnership Act (JTPA) and becoming the most recent in a series of public interventions in the area of employment and training in the United States. WIA made many significant changes to the way publicly-financed job training services are funded, targeted, and accessed. It prioritized job placement over training and shifted from targeting low-income populations to universal access to services. Most significantly, WIA replaced contracts to training vendors with a customer-held voucher system administered through “One-Stop Career Centers,” which act as the center of all local employment and training activity. These changes caused significant concern in the job training community. Non-profit providers worried about the effect of this new legislation on their organizations, their job training programs, and their clients.

From the perspective of non-profit job training providers in Boston, this thesis attempts to explain the initial concerns related to WIA and to analyze whether these predictions are playing out in practice now that the first year of implementation is well underway. This analysis is based on a survey of non-profit job training providers in Greater Boston conducted in August 2000 (see appendix for survey instrument) and in-depth follow-up interviews in March and April 2001 with five of the survey respondents who previously received JTPA funding and now receive WIA funding. Additionally, this research is based on reports, articles, and books written on U.S. employment and training legislation, the Workforce Investment Act, and vouchers in a variety of social service arenas.

This thesis demonstrates that, with approximately 35 organizations competing for only 360 vouchers in Boston, in addition to the potential effects of several of WIA’s provisions, non-profit job training providers initially worried about program financing, cash flow, program planning, coordination with career centers, competition, marketing, and exclusion of the most disadvantaged clients. The interviews illustrate that most of these initial concerns have continued to challenge non-profit providers well into the first year of WIA implementation. Certain characteristics, however, have assisted some providers in overcoming these challenges more easily than others. Career center partners, large organizations with a commitment to workforce development, providers with a wide diversity of funding sources, and programs

serving a particular niche of the labor force, all appear to have advantages in the new training system.

These and other findings lead to several important recommendations for non-profit providers in a voucher system, and for federal and state employment and training policy. Providers should seek to diversify their funding bases; institute program flexibility; develop relationships with career centers, but not rely on them alone for referrals; form mergers and partnerships; improve long-term outcomes; think creatively; get and stay connected to existing networks; and assist potential students through the career center process. Based directly on the findings of this research, employment and training policy should bring significantly more funding to the field, target people with the most barriers to employment, implement appropriate performance standards, institute a combination contract and voucher delivery system, and include provider and student representation on policy making boards. Less directly linked to the findings in this study, but also well supported, are recommendations for policy to support longer, more comprehensive training programs in conjunction with supportive services and a continuum of services; to reconsider the appropriate roles of the many categories of training providers; to compensate for “work first” policies; to support best practices; to consolidate a fragmented system; and also to focus on the supply of “good jobs” for program graduates.

In Chapter 2, this analysis begins with an overview of the history of federal employment and training legislation, a discussion of the context in which WIA was conceived, and a description of the details of WIA and how it differs from past employment and training legislation. Chapter 3 then describes the current job training system in Massachusetts and Boston, including major players and the state’s transition to WIA. This chapter also includes an explanation of the methodology behind the survey and interviews, as well as a profile of the non-profit job training providers surveyed. The discussion moves, in Chapter 4, to an analysis of the effect of WIA on non-profit job training providers and their clients. Lastly, in Chapter 5, recommendations for non-profit providers hoping to succeed in the new voucher system, and policy recommendations for system reforms are presented.

## **Chapter 2: The Workforce Investment Act of 1998: Precursors, Context, Legislation**

To fully understand the Workforce Investment Act and its implications, one must view it in the larger context from which it evolved. Before detailing the provisions of this act, this chapter briefly describes federal employment and training legislation from its inception, as well as public policy trends influencing its development, including welfare reform, “reinventing government,” customer-held vouchers, service integration, and impressions of job training programs.

### **History of Federal Training Legislation**

The Workforce Investment Act represents the most recent in a series of public interventions in the area of employment and training in the United States. Throughout this history, policymakers have struggled over the appropriate combination of funding for disadvantaged adults, youth, and dislocated workers. Additionally, they have debated the merits of providing public jobs, skills training, or job search, as well as the proper level of government from which to administer these services. Shifts in focus on different populations, on the services provided to them through federal funding, and the level of decentralization have characterized the history of employment and training legislation in the United States.

The federal government provided public jobs for the unemployed during the Depression of the 1930s and, in 1961, first became involved in training for the disadvantaged by appropriating \$10 million in the Area Redevelopment Act (Levitan & Gallo, 1988). This legislation provided loans to businesses in depressed areas and funded retraining for the unemployed (LaLonde, 1995). Major U.S. involvement in employment and training, however, is usually dated from the passage of the Manpower Development and Training Act of 1962 (MDTA). This legislation encompassed many efforts run by several different agencies and eventually became a part of the War on Poverty under the Johnson administration. MDTA was originally enacted to retrain skilled workers displaced by automation. Later, realizing that displaced workers were not a large portion of the unemployed, legislators shifted the focus of MDTA to the economically disadvantaged and to youth. MDTA addressed underemployment and expanded youth services as the baby boom generation began to reach age 16 and enter the

labor force (Levitan & Gallo, 1988). Adults receiving training under MDTA received subsistence stipends based on the average level of unemployment compensation in their states.

MDTA would be replaced in 1973 with the next major federal employment and training program. Beforehand, however, several smaller additions would be made to this policy area. The 1960s was an active time for such legislation. In 1964 two youth programs, the Jobs Corps and Neighborhood Youth Corps, were initiated through the Economic Opportunity Act, part of President Johnson's War on Poverty (Levitan & Gallo, 1988). The Job Corps served disadvantaged youths in a residential setting with a variety of services including counseling, education, training, work experience and health care (LaLonde, 1995). This program has been viewed as a success and still operates today. In 1965, federal vocational rehabilitation programs for veterans were expanded to serve other disabled people as well. For the first time since the Depression, some small public jobs programs were begun in 1966. In that same year, the Adult Education Act funded education for high school dropouts and illiterate adults. The Work Incentive Program was passed in 1967 in response to rising Aid to Families with Dependent Children (AFDC) rolls. It provided welfare recipients with work experience and supportive services. 1967 also brought the Concentrated Employment Program, which gave control of antipoverty and training funds to mayors, county officials, and community-based organizations in response to poverty and riots in cities across the country (Levitan & Gallo, 1988).

In the early 1970s, President Nixon and Congress debated how to revamp employment and training programs. Congress favored creating public jobs. President Nixon strongly opposed public jobs. Instead, he wanted to focus on consolidating and decentralizing existing programs. A combination of a recession in the early 1970s and the upcoming presidential election, however, helped persuade Nixon to sign the 1971 Emergency Employment Act, creating jobs for 150,000 people in state and local governments and non-profit organizations (Levitan & Gallo, 1988). Yet, when MDTA was replaced in 1973, consolidation and decentralization were major components of the new legislation.

The Comprehensive Employment and Training Act of 1973 (CETA) replaced MDTA and consolidated separate programs into block grants to the states. It also decentralized decision making to the local and state levels, and established the local Service Delivery Areas (SDAs), which are still in place today. Public service employment was originally only a small part of the legislation, but due to increasing unemployment in late 1970s, the program was restructured and



public service employment became the largest component of this program. In fact, under President Carter, public service employment through CETA went from 300,000 to 750,000 jobs in nine months (Levitan & Gallo, 1988). Public service employment is what CETA is most known for today, because stories of corruption in filling the public job slots were highly publicized. CETA also continued the use of stipends, offering trainees the equivalent of the minimum wage. The use of half of CETA funding for stipends was also highly criticized (Mangum, 2000). In 1978, amendments to the legislation addressed some of the concerns regarding CETA by reducing the authority of state and local governments, involving private sector representatives in program planning through the establishment of Private Industry Councils (PICs) to advise local programs, and confining public service jobs to the poor. President Reagan cut public service jobs completely in 1981 (Levitan & Gallo, 1988).

A few short-lived employment and training tax credit programs were adopted under President Carter in the late 1970s. The Youth Employment and Demonstration Projects Act of 1977 encouraged youth employment through public service jobs and employer tax credits. The New Jobs Tax Credit of 1977 provided incentives to employers to expand their workforces, and the Targeted Jobs Tax Credit of 1978 established tax credits for employers hiring poor youth and adults (Levitan & Gallo, 1988).

CETA was scheduled to expire in 1982. The debate over design of a new program focused on four issues: how much funding; whether stipends for trainees would be included; how to divide authority among federal, state, and local governments; and how much to involve the business community (Levitan & Gallo, 1988). The Job Training Partnership Act of 1982 (JTPA) resulted, replacing CETA, cutting funding by half, and focusing on comprehensive education, training, and placement rather than subsidized work. In fact, neither public service employment nor stipends for individuals receiving training, with the exception of those for welfare recipients, were included. JTPA targeted services to economically disadvantaged adults (Title IIA) and youth (Titles IIB and IIC), and added a dislocated worker component (Title III). The displaced worker funding was not income based and was targeted to people who had lost their jobs due to plant closings or large-scale layoffs. JTPA's Title IV included those programs, including the Job Corps, that continued from CETA and were the responsibility of the federal government. JTPA required that 70% of allocations fund training, that no more than 15% be spent on administration, and that no more than 30% fund support services and administration

combined. JTPA strengthened the roles of states and greatly increased the role of the private sector in public training programs, by changing the role of PICs from advisors to policymakers and requiring a majority of business representatives (Levitan & Gallo, 1988). JTPA was also one of the first federal programs in any field to add a performance-based accountability system (Mangum, 2000). Vendors had to meet certain participation, completion, and placement rates to receive funding. Like the programs before it, JTPA was also intended to consolidate a fragmented employment and training system. As part of this effort, it included funds for governors to coordinate job training and related social service programs (Levitan & Gallo, 1988).

In response to claims that JTPA's performance standards caused "creaming" resulting in displaced workers being served over the disadvantaged, the program was amended in 1992 to increase targeting of low-income populations (Mueller & Schwartz, 1998). Amendments also required that those served under the act face employment barriers in addition to having a low-income. Another change made at this time reduced the use of job search training alone, by increasing the use of skills training in conjunction with job search training (Mangum, 2000).

Although the Department of Labor's programs described above (MDTA, CETA, JTPA), and now WIA, are seen as the federal government's major employment and training programs, several additional workforce development initiatives flow from the federal government. The Department of Rehabilitation, Department of Veterans Affairs, and Department of Housing and Urban Development all dedicate some funding to employment and training efforts. Additionally, welfare reform initiatives, such as the current Welfare-to-Work program, have at times focused on work and preparation for it. Workforce development funding also flows from the state level. States, however, tend to focus on funding adult basic education and community colleges, leaving job training funding primarily to the federal government and to private employers (Moscovitch, 1997).

The federal government, however, has never allocated enough funds to any of its employment and training programs to serve nearly the number of people eligible for such services. The height of funding was during CETA, with \$11 billion allocated annually (Mueller & Schwartz, 1998). This amount looks particularly small when compared to the \$550 billion the U.S. spends each year on K-12 and college education or the \$55-\$80 billion U.S. employers spend on formal training (Donahue, Lynch, & Whitehead, 2000). Pell Grants, which provide funds for low-income college students, were funded at levels almost double JTPA (Mangum,

2000). Even the meager level of funding under CETA was not sustained for long. In JTPA's first year, only \$3.7 billion was appropriated, and the funding level declined further over time (Levitan & Gallo, 1988). Although total federal spending on adult training programs in fiscal year 1997 equaled \$17.4 billion, 43% was in college aid. Of the remaining dollars, 15% went to youth training, 13% to JTPA (\$2.3 billion), 7% to the employment service, 7% to vocational education grants to states, 6% to welfare training, 2% to adult education, and 6% to other programs (Moscovitch, 1997).

The first year of WIA brought an increase over the 1997 JTPA total, but fell far short of JTPA's first year total, after adjusting for inflation. \$1.4 billion was allocated for dislocated workers, \$955 million for all other adults, youth funding remained constant from JTPA at \$1 billion, and \$250 million was added for pilot projects in a few cities, totaling \$3.6 billion (Mangum, 2000).

### **Context in Which WIA Was Drafted and Passed**

“Like most legislation, [WIA] is a messy compromise, shaped by the themes of devolution and consumer choice as well as the inertia of the status quo and the commingling of job training and welfare-reform agendas” (Donahue, Lynch, & Whitehead, 2000). In order to better comprehend WIA, it is important to understand the context in which it was passed—the larger agendas, trends, and “status quo” that provided the backdrop for this new piece of legislation. For example, passage and implementation of the Workforce Investment Act took place in the context of welfare reform and efforts to “reinvent government.” Additionally, it built off a recent history of customer-held vouchers and service integration in the provision of social services. Perhaps most importantly, like prior employment and training proposals, it struggled against opponents armed with poor evaluations of past job training programs.

#### ***Welfare Reform***

National and state welfare reforms adopt the goal of getting as many recipients off welfare and into jobs as possible. The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) replaced AFDC with Temporary Assistance for Needy Families (TANF) as the program that distributes cash welfare benefits. PRWORA, which is authorized for five years, sets limits on how long recipients can receive welfare assistance, implements increased work requirements, and allows states to set stricter benefit limits and work

requirements. Acknowledging that PRWORA did not provide the resources needed to help single parents enter the labor market, the Welfare-to-Work program was adopted as part of the Balanced Budget Act of 1997 to fund labor market entry services for TANF recipients. PRWORA and Welfare-to-Work adopted the philosophy of “work first,” a fundamental change in U.S. welfare policy, emphasizing job placement over training. Prior to PRWORA, the Massachusetts state legislature (along with those of many other states) had already passed even stricter welfare reform requirements, which emphasize placement over training and short-term training versus longer, more comprehensive training. Federal and state reforms were passed shortly before adoption of WIA and were likely to have a large influence on the debate surrounding its design.

### ***Reinventing Government***

In addition to adopting the work first philosophy of welfare reform, WIA embraces the market-like mechanisms espoused in the “reinventing government” language of the early 1990s, which discussed an “entrepreneurial government” emphasizing competition, customer choice, decentralization, and participatory management. In their 1992 book, *Reinventing Government: How the Entrepreneurial Spirit Is Transforming the Public Sector*, David Osborne and Ted Gaebler discuss the following three principles: “empowering rather than serving,” “injecting competition into service delivery,” and “meeting the needs of the customer, not of the bureaucracy.” This language and the ideals it represents were embraced by the Clinton administration and influenced several public policy initiatives of the 1990s. Employment and training legislation was no exception, especially since Osborne and Gaebler specifically suggest the use of vouchers for training, arguing that “the single best way to make public service providers respond to the needs of their customers is to put resources in the customers’ hands and let them choose” (Osborne & Gaebler, 1992, 180).

### ***Customer-Held Vouchers***

Vouchers, defined by *Random House Dictionary of the English Language* as “a subsidy that grants limited purchasing power to an individual to choose among a restricted set of goods and services,” have cropped up in several disciplines in recent years, including housing, education, nutrition, child care, health services, and job training. Most voucher programs have several goals in common including choice, competition, efficiency, quality, and equity (Steuerle, 2000). Vouchers are intended to increase choice for consumers and raise competition among

service providers. Choice and competition are said to lead to greater efficiency and quality through customers receiving greater satisfaction, costs of services being reduced, and quality of services being raised. In fact, when competition forces providers serving multiple categories of clients to reassess their services, quality can improve even for those not accessing services through a voucher (Steuerle, 2000). By giving poor people choices that other people have (such as the luxury to choose among many places to live, to educate their children, or to upgrade their skills), vouchers are also supposed to promote equity. Lastly, echoing a theme of the reinventing government movement, it has also been argued that “vouchers might be considered an ultimate form of devolution when choice of suppliers is left to the individual” (Steuerle, 2000, 28). As you will see, each of these arguments relate directly to the design of WIA.

Less often touted, but also sometimes considered goals of voucher programs, are restriction of choice, replacement of other programs, and budget control (Steuerle, 2000). Although the discussion around vouchers usually centers on choice, vouchers can also be viewed as confining options. By its very nature, a voucher prescribes what a recipient must spend this subsidy on. It is much more restrictive, for example, than an outright cash grant. Most voucher programs (including WIA) are described as fostering an “intermediate level of choice” because they offer the consumer choice, but within a confined set of options (Steuerle, 2000). Sometimes another goal of voucher programs is to replace an existing program that is viewed as ineffective. Section 8 housing vouchers replacing public housing is perhaps the best example of this goal. Lastly, advocates sometimes pursue vouchers as a budget control measure because they easily limit the amount of subsidy given to each recipient (Steuerle, 2000).

Opponents of vouchers have their own list of arguments, which, for the most part, focus on the issue of choice. For example, some have argued that if choice is such a good idea, why not just give people cash and allow them to choose how to spend it. Others contend that participants might not make the choice that is best for them or that is most socially beneficial. This last concern is especially likely if consumers lack the necessary information or the ability with which to make choices (Barnow, 2000). In fact, because vouchers benefit those consumers with the most knowledge, and the most mobility, they can actually run counter to equity (Steuerle, 2000). As you will see, WIA’s authors and administrators have attempted to address this concern with the provision of information for the client and a case manager to assist the process of choice. Despite these considerations, however, many providers believe that those

clients with the greatest barriers are suffering in the voucher system. Another concern of opponents is the harm voucher systems can do to important institutions which, under vouchers, face competition from other service providers and uncertainty regarding their funding stream. Perhaps most important of all of these arguments, is the reality that there is great variability among voucher programs. To be “pro-voucher” or “anti-voucher” loses sight of the many details of program design that can greatly affect the results of any voucher program, such as the number of vouchers available, how much each is worth, and who is eligible to receive them; whether vouchers are used in place of or in addition to other service delivery mechanisms; the information and assistance provided to voucher-holders; and the extent of choices realistically available to them.

This discussion related to vouchers has been a part of policy debates for several decades now. Though vouchers were originally considered a Republican idea, bipartisan support has emerged more recently, especially since the Clinton administration’s support for the themes of reinvented government. The design of WIA took place, therefore, at a time when vouchers were being used in a variety of social service arenas (including job training experiments) and were enjoying bipartisan support. Highlighting a couple of the best known arenas using vouchers—education and housing—as well as the experimental uses in job training, demonstrates the common themes behind their application.

The school voucher, or school choice movement, which can be dated from at least the 1950s, is filled with the rhetoric of choice and competition (Sawhill & Smith, 2000). Many believe parents should be able to choose the schools their children attend. Additionally, as with most voucher campaigns, advocates feel that more competition will bring quality improvements: “When public schools are faced with the possibility of large student transfers, and a corresponding loss of funding, they have shown a willingness to make improvements both in how and what they teach” (Shokraii, 1999, 16). These arguments have led to majority support for school choice among minority parents and to a large increase in school choice proposals over the last decade (Sawhill & Smith, 2000). Even supporters of school voucher proposals, however, realize the importance of program design: “The ability of vouchers to achieve various public purposes depends on the details of the program—for example, who is eligible, the level and variation of the subsidy, how schools are held accountable for performance, and what kind of information parents are provided” (Sawhill & Smith, 2000, 252).

Probably the most well-known housing voucher program is the Section 8 program established by the Nixon administration in 1974 and still in use today (Stanfield 1995). This program and other housing voucher proposals also adopt the arguments of choice and competition: “Vouchers give greater freedom of choice of where to live than do massive public-housing developments” and they introduce competition into the rental housing market (Steuerle, 2000, 20). Housing voucher proponents also argue that vouchers improve housing outcomes more cost effectively than other housing programs (Peterson, 2000). Voucher proposals have also adopted the goal of program replacement, as vouchers have been intended as a “deliberate if partial replacement of project-based assistance” (Peterson, 2000, 147). Voucher advocates have also relied on the “reinventing government” rhetoric of deregulation, devolution, and individual empowerment. A U.S. Department of Housing and Urban Development voucher proposal in the mid-1990s claimed that “vouchers would empower public housing residents and impose market discipline on the public housing authorities” (Stanfield 1995, 1096). Additionally they would give tenants the power to get the best value for their money (Stanfield 1995).

Housing vouchers raise a number of important issues relevant to voucher proposals in any discipline. For example, at current funding levels, vouchers are only able to serve a small portion of the eligible population: “This excess demand leads to tough choices as to who should receive housing vouchers and invites arbitrariness or even corruption in local program administration” (Peterson, 2000, 140). Of course, this argument could also be made of project-based low-income housing or any under-funded program. Policymakers must understand that vouchers cannot solve problems caused by a major inadequacy of funding. Additionally, vouchers are only one piece of U.S. housing policy that also incorporates “project-based” assistance. This raises the question of whether voucher programs should stand alone or complement supply-side measures. Housing vouchers also provide a good example of the “intermediate level of choice” discussed earlier. Although voucher-holders have much more choice than they do with project-based subsidies, there are still stipulations on where the vouchers can be used. For example, public housing authorities administering the vouchers must ensure that the unit is safe and sanitary and that the contract is fair to the tenant. Housing authorities sometimes keep lists of available units meeting the guidelines. More recently, addressing concerns related to lack of information, program administrators have taken an even more active role in supporting the housing search process of voucher-holders (Peterson, 2000).

Prior to passage of WIA, policymakers had also experimented with vouchers in the field of job training. Some areas of the country chose to use a voucher system, called “individual referrals,” under JTPA, with some locations using them for over ten years (Maguire, 2000). The use of vouchers was most common in serving dislocated workers. In fact, a National Association of Counties survey found that over half of respondents used vouchers for dislocated workers. Boston began using individual referrals for dislocated workers in 1992 (Maguire, 2000). Additionally, the U.S. Department of Labor funded voucher pilots for dislocated workers called “Career Management Accounts” (CMAs) at 13 sites across the country. Similar to voucher proposals in other fields, training vouchers have been supported to bring choice, competition, and a simplified process to the provision of a social service. “By forcing training organizations to compete for participants, inefficient providers should be driven from the market, resulting in survival of the fittest” (Barnow, 2000, 226).

Training voucher experiments have addressed some of the concerns of voucher opponents by providing support and information to voucher-holders. In fact, under JTPA the term “individual referral” was used to capture the idea that individuals were being referred to appropriate programs by case managers: “The case of training vouchers provides a striking example of the interplay between government-provided information and vouchers” (Steuerle, 2000, 22). Referrals were intended to ensure that recipients received services from “vendors with good performance and reasonable costs that supply training both for occupations in demand and for the recipients’ level of skill and aptitude” (Steuerle, 2000, 22).

Unfortunately, there has only been one comprehensive evaluation of voucher programs for economically disadvantaged job seekers. This evaluation was part of the Seattle-Denver Income Maintenance Experiments (SIME/DIME). A counseling and education portion of this experiment included random assignment of participants between three categories: some received counseling only, some received counseling plus a 50% subsidy towards education and training, and others received counseling and a 100% subsidy for the cost of any education or training program. Education and training were broadly defined, but most participants chose occupational training in a classroom setting at a community college. Findings from this evaluation indicated that people with the full subsidy were more likely to participate in training, and that subsidies led to increased participation in training, but not to increases in earnings (Barnow, 2000). Program



evaluators questioned the appropriateness of this particular voucher design for economically disadvantaged adults:

The SIME/DIME programs were designed to maximize freedom of choice for participants. They offered nondirective counseling and a wide range of educational opportunities. Evaluation indicates that such programs in general are inappropriate for low-income individuals, causing at least some of them to form unrealistic expectations about their labor market prospects and to pursue overly ambitious goals (Dickinson, 254).

In terms of dislocated workers, an evaluation of the CMA pilot programs compared these vouchers for dislocated workers to regular JTPA Title III service provision. This evaluation was difficult to conduct due to variation in services offered by the 13 sites. Findings described slightly better results with vouchers than with regular JTPA training for placement rates and wage gains, but these results were not statistically significant. Staff and participants reported slightly higher satisfaction rates with vouchers, but satisfaction was high with both programs. Some sites saw an increase in providers' tuition once the voucher's value was made public. In other areas, fees decreased due to competition between providers. The evaluation also found that vouchers were more expensive per participant, but these figures included one-time start-up costs. In summary, the findings were mixed with small positive outcome effects, but the potential for a more costly program. Additionally, some argue that the evaluation was poorly designed. Most importantly, the results of voucher programs for dislocated workers likely should not be applied to disadvantaged adults. (Barnow, 2000; Maguire, 2000)

Summing up the evidence, Burt Barnow writes, "Previous studies provide only negative evidence on the effectiveness of past voucher programs for the economically disadvantaged and quite mixed evidence on the effects for dislocated workers—perhaps reflecting program design, the value of subsidized training per se, or the use of the voucher as a delivery mechanism" (Barnow, 2000, 244). But he admits that none of the evidence is strong. Despite a lack of concrete evidence that they have improved the system or outcomes for job seekers, training vouchers have continued to receive bipartisan support. The discussions in Congress relating to new employment and training legislation took place in the context of vouchers being used in the provision of several social services. More importantly, this proliferation of customer-held vouchers in several policy arenas already included limited use in the training field. There could

have been no doubt that discussion of customer-held vouchers would play a major role in the debate of training proposals or that they would likely form a part of any new bill likely to pass.

### ***Service Integration and “One-Stop Shopping”***

Like vouchers, the idea of integrating services—through consolidation of either funding streams or service delivery—is not new or limited to the job training field. In *Common Purpose*, Lisbeth Schorr describes the 1970s through the 1990s as a period when those fighting poverty searched for policy and programmatic changes that could feasibly be passed in a period where the political climate made major change difficult. A common theme during this period was “to coordinate and integrate fragmented services” (Schorr, 1997, 314). Service integration can take place at the level of the funding source or at the point of service delivery. The latter often has been the goal because intransigent bureaucracies make the former unlikely. Across fields, this integration is often accomplished through co-location of agencies and programs, often termed “one-stop shopping.” Schorr, however, worries that the goal of service integration has taken the focus away from assessments of the appropriateness and quality of the services offered. It is a popular reform, however, because it does not require new funds or change existing bureaucracies (Schorr, 1997). WIA certainly fits this trend of service integration. It attempts service integration at both levels, through consolidating a variety of workforce development programs into one piece of legislation, and by focusing on one-stop career centers as the point of service delivery.

### ***Job Training Evaluations***

The last major factor likely to play some role in the development of new employment and training legislation is the lack of convincing evidence of the effectiveness of past programs. Job training programs have consistently suffered from a lack of evaluation and mixed results from the few studies that have been conducted. For the most part, earnings gains have been found more consistently for disadvantaged adult women than for other populations. These gains have been modest, but have persisted over several years and have come from a variety of training strategies. Fewer experiments have been conducted for men and youth. They have found no effect or have had mixed results. These experiments have focused, however, on low-cost training. In fact, most training is currently short-term and focused on job readiness and job search, as opposed to longer-term occupational skills training. One exception in terms of training youth is Job Corps. It is a more costly and more intensive program, and has been found

to have raised the earnings of participants. Studies show that these gains have lasted for at least four years after participants left the program. Dislocated workers have been studied only rarely. The results that do exist show that job search is cost-effective for this population, but that they receive no additional benefit from classroom instruction or on-the-job training. As with the disadvantaged adult population, females benefit more than males (LaLonde, 1995).

The substantial gains earned by some participants in training programs tend to result from increased employment rates after training. The effect on actual wage rates is less clear (LaLonde, 1995). In summarizing all of the evidence on the impact of training programs, Robert LaLonde concludes that “we got what we paid for. Public sector investments in training are exceedingly modest compared to the magnitude of the skill deficiencies that policy-makers are trying to address. Not surprisingly, modest investments usually yield modest gains—too small to have much effect on poverty rates” (LaLonde, 1995, 149). Despite the effect that low public investment in training has likely had on the results described here, these modest gains have led many to question the justifiability of publicly-funded job training programs. WIA, therefore, was designed, debated, and passed in the shadow of a job training history lacking proof of substantial results.

Each of these trends and factors described above, as well as the long history of federal employment and training policy, impacted the design of WIA. These familiar themes will emerge often in the discussion of the details of this new legislation outlined below.

## **WIA Provisions**

In August of 1998, the latest in the series of federal employment and training legislation, the Workforce Investment Act, was signed into law. WIA took effect on July 1, 2000, replacing JTPA and significantly changing the process by which job training services are funded and accessed. With the stated goals of improved customer choice, customer service, program coordination, and system performance, the legislation established a customer-held voucher system administered through “One-Stop Career Centers,” which act as the center of all local employment and training activity. WIA prioritized job placement over training, and shifted from targeting low-income populations to universal access to services. Like much of the legislation that preceded it, WIA also attempted to consolidate a fragmented system.

### ***Individual Training Accounts***

Probably the biggest change this legislation brought is its funding of services through Individual Training Accounts (ITAs), commonly referred to as “vouchers,” rather than contracts to individual providers. This shift was based on the principles of customer choice and competition as discussed in the reinventing government language of “entrepreneurial government.” Previously, employment and training providers funded through JTPA received contracts to serve a specified number of low-income clients each year. Through their own outreach efforts and referrals from other organizations, providers recruited eligible clients to fill these slots. Under WIA, rather than being funded through a contract, providers are reimbursed for the services they provide to clients holding ITAs. First, though, training providers must be approved as eligible to accept the vouchers. In Massachusetts, eligible providers are institutions of higher education, apprenticeship programs, or others certified by the state system. Once on the state list of approved providers, an organization must continue to meet established performance standards in order to maintain eligibility. Performance measures include completion and placement rates, retention rates, wages at six-month retention, and cost of services.

### ***One-Stop Career Centers***

For job seekers, WIA changed the process by which they access services. Under JTPA, someone interested in training could just walk into a vendor’s office and begin the intake and assessment process. With WIA, one must obtain a voucher to receive training. These ITAs are only available through the One-Stop Career Centers. The career centers offer three levels of services: core, intensive, and training. According to the federal legislation, through a system of “sequential eligibility,” clients can only move on to a level of services after they have completed those that come before it. The core and intensive levels focus on job placement, leaving training as an option of last resort. Core services are universally available. That is, they can be accessed by “all Americans” ages 18 and older regardless of income or other eligibility measures. Intensive services are made available if, through core services, the customer could not find or retain a job that allows for self-sufficiency. The move from intensive services to training, however, is only allowed if no job of any kind can be found. Additionally, to receive training under WIA, one must be “unable to obtain other grant assistance for such services, including

Federal Pell Grants, or require assistance beyond the assistance made available under other grant assistance programs, including Federal Pell Grants” (Mangum, 2000, 324). Although, in theory, all services under WIA are universally available (except for the requirements mentioned above), the legislation did make an exception in the case of a shortage of funds. For both the intensive and training levels of services, localities that determine a shortage of funds can give priority to welfare recipients and other low-income individuals. This provision does not apply, however, to dislocated worker funds (Mangum, 2000).

The shift to universal services marks a significant change in federal employment and training legislation, which, in the past, has tended to target the economically disadvantaged. To participate in JTPA programs, job seekers needed to be age 22 or older and be economically disadvantaged. Sixty-five percent of participants had to fit into designated “hard-to-serve” categories. JTPA did allow for 10% of participants not to be economically disadvantaged, but they had to have serious barriers to employment (DOL, “Key Features,” 1998).

According to WIA legislation, core services can include:

- outreach and intake;
- orientation;
- initial assessment;
- job search and placement assistance;
- career counseling;
- provision of labor market information;
- provision of information on eligible training providers, local performance outcomes, one-stop activities, filing claims for unemployment insurance, and supportive services;
- assistance establishing eligibility for Welfare-to-Work services and financial aid assistance; and
- follow-up services.

Intensive services consist of:

- comprehensive and specialized assessments of skill levels;
- individual employment plans;
- group counseling;
- individual counseling and career planning;
- case management; and
- short-term job readiness services.

As stated previously, moving on to training requires passing through these two stages of services beforehand, without success at obtaining employment: “Individuals who have met the eligibility requirements for intensive services, and are unable to obtain or retain employment through

intensive services, may receive training services” (DOL, “Implementing,” 1998). According to the federal guidelines, training services may include:

- occupational skills training;
- on-the-job training;
- combinations of workplace training and related instruction;
- private-sector-provided training;
- skill upgrading and retraining;
- entrepreneurial training;
- job readiness training;
- adult education and literacy; and
- customized training conducted for employers with employment guarantees upon successful completion (Mangum, 2000).

### ***Contracts***

Although the use of vouchers is a major component of this new training system, WIA did make exceptions to its ITA requirements. The biggest exception is youth services, which still operate under a contract system. Additionally, however, WIA allowed for contracts for readiness, placement, and retention services, as well as for on-the-job training, and customized employer training. Contracts may also continue in areas with too few providers or for effective programs serving special populations with multiple barriers to employment (Maguire, 2000; Donahue, Lyncy, & Whitehead, 2000).

### ***Consumer Information***

The use of vouchers administered through the career centers are meant to fill WIA’s objectives of customer choice and provider competition. A related theme is the provision of consumer information. Enhancing customers’ ability to make informed choices, and a sense of competition among providers, WIA requires career centers to provide “consumer report cards,” with information regarding the costs and performance of approved providers (Maguire, 2000). Additionally, career centers must supply labor market information to assist job seekers in selecting an occupation or area of training.

### ***Consolidation***

The career centers also play a major role in another WIA theme—consolidation. The theory is that job seekers and employers can access all necessary services, and all employment and training programs and activities, at one customer-friendly location. Under WIA, “required partners” in this effort include:

- adult, dislocated worker, and youth activities;
- the federal Employment Service;
- Adult Education;
- Post-secondary Vocational Education;
- Vocational Rehabilitation;
- Welfare-to-Work;
- Title V of the Older Americans Act;
- Trade Adjustment Assistance;
- NAFTA Transitional Adjustment Assistance;
- veterans employment and training programs;
- Community Services Block Grants;
- HUD’s employment and training activities; and
- Unemployment Insurance.

Required partners must enter into a Memorandum of Understanding (MOU) with the local Workforce Investment Board. This agreement must outline the services to be provided through the career centers, how the costs of the system will be funded, the methods of referral between career centers and the partners, the duration of the MOU, and the procedures for amending the MOU. Additionally, required partners must be members of the local board (DOL, “Implementing,” 1998). In addition to the required partners, WIA lists “permissible partners.” These include TANF, Food Stamps, the National and Community Service Act of 1990, and any other appropriate federal, state, or local program, including programs in the private sector (Maguire, 2000).

### ***Workforce Investment Boards***

Flexibility is another word often used to describe the Workforce Investment Act. The federal legislation left many decisions regarding the implementation of the law to states and localities, through the Workforce Investment Boards (WIBs). According to the legislation, each state is to have a State Workforce Investment Board comprised of the governor, two members of each chamber of the state legislature, and additional representatives appointed by the governor. These representatives must include a majority of business representatives, as well as elected officials, labor organizations, state agency heads, and training providers. Each Service Delivery Area (SDA) in the state must also have a WIB comprised of a majority of business representatives. These local WIBs are appointed by a designated local elected official with criteria set by the governor and, in addition to the business representatives, must include education providers, labor organizations, community-based organizations, economic development agencies, and the required partners of the one-stop career centers. The community-

based organizations must include providers serving disabled individuals and veterans. The last piece of the WIA infrastructure are local youth councils appointed by the local WIBs. They include members of the local board as well as representatives of youth service agencies, local public housing authorities, parents, youth, and Job Corps.

The State WIB is responsible for creating a five-year strategic plan outlining statewide workforce development activities. This plan must be submitted to the U.S. Department of Labor. The state board is also charged with developing a statewide workforce investment system and a statewide labor market information system, as well as monitoring statewide activities. Local WIBs must submit plans to the governor for approval. Local boards are charged with planning and overseeing the local system, designating one-stop career center operators, approving local training providers, negotiating local performance standards with the state board, and monitoring performance measures (DOL, "Summary," 1998). Youth councils are charged with developing sections of the local plan related to youth activities, recommending youth provider grantees, and coordinating youth activities in the local area.

In addition to the responsibilities listed above, such as deciding on performance standards and who will operate the one-stops, states and localities also have discretion related to: the form and amount of ITAs, funding priorities, how quickly customers move through the three levels of service, and the requirements for a provider to remain on the list of approved WIA vendors (Maguire, 2000). Because of the discretion left to the state and local levels, it is often said that WIA "permits much, but requires little." In other words, states could use WIA to overhaul their workforce development systems. They can also, however, change very little and still meet the requirements of the legislation.

### ***Funding Allocation***

The federal government divides the WIA allocation between the states based on the same formula used under JTPA. This formula includes factors such as unemployment, long-term unemployment, concentrated unemployment, and number of economically disadvantaged citizens. Also like JTPA, funding streams are divided between adults, dislocated workers, and youth. With WIA, for both adults and youth, 85% of the state allocation is passed on to local areas and 15% is reserved for statewide activities including incentive grants, technical assistance, information systems, evaluation, and one-stop system building. A maximum of 5% can be used for administrative purposes. Sixty percent of the dislocated worker allotment is given to local



areas and 40% is reserved for the state. This 40% is divided between statewide efforts (15%) and rapid response activities (25%). With the governor's approval, localities are allowed to transfer up to 20% between the adult and dislocated workers funding streams. States are able to earn additional funds by exceeding performance standards. The secretary of the Department of Labor is required to award an incentive grant to each state that exceeds its performance standards for workforce investment, adult education, and vocational education (DOL, "Key Features," 1998).

WIA carries on many of the provisions of previous employment and training legislation. It continues the move towards consolidation of workforce development programs, decentralization to the state and local levels, and private sector involvement. Like JTPA, it funds training, not public jobs, and stresses performance standards. It also keeps funding levels low. WIA also draws on additional trends within and outside of job training policy, including "work first," "reinventing government," vouchers in the provision of social services, and service integration. Although WIA makes many significant changes to the workforce development system, these parallels with previous developments in job training legislation and in other public service arenas implies that these changes should not have come as a huge surprise. The next chapter will set the stage further for the discussion of the effect of this legislation in Boston by explaining the job training system in the state and city, the methodology for the survey and interviews conducted, and characteristics of local providers.

### **Chapter 3: Setting, Methodology, and Provider Profile**

In Boston, a wide variety of organizations are involved in the workforce development system and have a stake in changes in federal employment and training policy. This chapter outlines these players and the roles they play. It also explains the methodology behind the provider survey and interviews. Results from the survey then supply information about the characteristics of non-profit job training providers in the Boston area. This description provides an understanding of the community as a whole, as well as how those organizations shifting from a contract-based to a voucher-based funding system are similar to, and how they are different from, other job training providers.

#### **Key Players in the Massachusetts and Boston Job Training Systems**

Key players in the implementation and administration of WIA in Massachusetts include the Department of Labor and Workforce Development (DLWD), the Commonwealth Corporation (formerly the Corporation for Business, Work and Learning), 16 Service Delivery Areas (SDAs) and their corresponding Workforce Investment Boards (WIBs), and 34 One-Stop Career Centers. DLWD is a small state agency created in 1996 to oversee workforce development policy. The U.S. Department of Labor's Employment and Training Administration distributes WIA dollars to DLWD by a formula allocation. WIA funds then flow from DLWD to the Commonwealth Corporation, a quasi-public organization responsible for administering and delivering a wide range of public- and privately-funded initiatives. The Commonwealth Corporation distributes WIA funds to the regional SDAs, which are the regional administrative entities for the job training system and usually are an existing government agency. Staff of DLWD and the Commonwealth Corporation sit on a joint committee to make decisions regarding WIA and Welfare-to-Work policy and discretionary funding. The state and each SDA have Workforce Investment Boards. While the WIBs are citizen boards setting regional policy, the SDAs implement the policy by disbursing funds and handling compliance (Donahue, Lynch, & Whitehead, 2000).

In Boston, the workforce development system includes the Boston Private Industry Council (PIC), the mayor's Office of Jobs and Community Services (JCS), three One-Stop Career Centers, many non-profit and other providers of education and training services, and

several membership organizations to which providers belong. The Boston Private Industry Council staffs Boston's WIB, which sets priorities for the use of federal and state funds channeled for a range of workforce development services, including job training, youth alternative education, and Welfare-to-Work. JCS is Boston's SDA and administers public workforce development funds. Under WIA, each SDA is required to have at least one One-Stop Career Center to act as the single point of entry for all employment and training activities for individuals and employers. Boston has three: Job Net, Boston Career Link, and the Workplace.

On the provider side, two of Massachusetts' 15 community colleges, Bunker Hill Community College and Roxbury Community College, are located in Boston. Massachusetts' community colleges, however, play a smaller role in the workforce development system than in many other states and they enroll a much smaller percentage of the population (Donahue, Lynch, & Whitehead, 2000). There are approximately 80 adult literacy programs providing basic literacy and English-to-Speakers-of-Other-Languages (ESOL) in Boston. Finally, about 50 non-profit organizations offer occupational skills training. Of those, there are 16 providers who received JTPA contracts in the previous few years and are now eligible to receive WIA vouchers. Including community colleges, for-profit, and non-profit skills training providers, approximately 35 different organizations are approved to offer a variety of training programs to voucher-holders.

Several provider membership organizations also play a role in workforce development in Boston, although they have no official capacity in the WIA system. The Job Training Alliance is an association of 30 Greater Boston providers of job training and job matching services. The Boston Workforce Development Coalition brings together over 50 organizations and individuals involved in workforce development in the Boston area. The Alternative Education Alliance is comprised of 12 providers of alternative education for youth. These include programs that are operated outside of the public school system that result in a high school diploma, as well as programs that offer a General Equivalency Diploma (GED).

### **The Transition to WIA in Massachusetts**

For the providers and other organizations discussed here, the shift to WIA was not as abrupt as it might have been. In a few respects, Massachusetts was already moving in the direction of WIA when the legislation was passed. For example, in 1994 Massachusetts won an

\$11 million, three-year federal demonstration grant to pilot the One-Stop Career Center concept (Donahue, Lynch, & Whitehead, 2000). According to the grant agreement, the federal government would pay a portion of the costs for career centers in 12 regions of the state. The grant mandated a competitive model for both creation and operation of the career centers. This meant that not all 16 SDAs would be granted a center, but instead they would compete, with only 12 areas winning demonstration money. Additionally, each of the 12 regions would have at least two centers, to ensure competition within the SDA as well. When the request for proposals for career center operators was issued, however, an uproar ensued over the mandate for a competitive model. Many local SDAs, in particular, felt they should be designated as career centers and not be subject to competition. This opposition became especially heated when the SDA in Berkshire County lost its bid to become a career center to an out-of-state private vendor. After much debate, regions were finally given the option of proceeding with the competitive model or using a collaborative approach. In the collaborative model there is no competitive bidding. The SDA can become the one-stop or can choose to share this role with other organizations (Donahue, Lynch, & Whitehead, 2000). After an extremely delayed process, Massachusetts finally opened several career centers. By the end of 1997, the state had seven one-stops and two others were in the process of being developed (Moscovitch, 1997, 86). Three Massachusetts SDAs have opted for the competitive model, the others are operating under the collaborative approach.

Although these career centers existed in Massachusetts prior to the implementation of WIA, they played a much smaller role in the system than they do now. Many providers did interact with one-stops to a small degree prior to WIA, and some even received referrals from them. Vendors did not, however, rely on career centers to approve their clients for training as they do now under the new system.

Some Massachusetts providers also had experience with vouchers prior to the implementation of WIA. In particular, over the past several years, some JTPA funding has been allocated through vouchers instead of contracts. For example, Boston used individual referrals (IRs) for JTPA Title 3 (dislocated workers) beginning in 1992 (Maguire, 2000). In both fiscal years 1999 and 2000, about 60 dislocated workers in Boston received IRs. Boston also participated in a voucher pilot for disadvantaged adults in fiscal year 2000, allocating 60 ITAs (Lorei). Additionally, Massachusetts' Division of Employment and Training (DET) runs a

voucher program called Skills Plus. This program was established by the state legislature about five years ago to provide short-term training to some TAFDC recipients. Similar to WIA, voucher-holders receive training from providers on an approved list of vendors. Of the 13 organizations making the transition from JTPA to WIA in the survey of job training providers, five also received Skills Plus funding. And all five of the organizations interviewed had experience with some form of vouchers prior to implementation of WIA. These included individual referrals for dislocated workers under JTPA, vouchers for disadvantaged adults used in Boston and other Massachusetts SDAs prior to WIA, and Skill Plus vouchers. One organization considered its funding from the Massachusetts Department of Rehabilitation as somewhat similar to a voucher as well. At least some providers in Massachusetts and in Boston, therefore, had experience with both career centers and vouchers prior to WIA. The experience with each, however, was not nearly as extensive as it would become under the new system.

The workforce development infrastructure in Massachusetts changed little with the implementation of WIA, despite much room for local creativity due to WIA's provisions related to local flexibility. Many of the existing structures in the city and in the state remained. The SDAs carried over from CETA and JTPA and, for the most part, the PICs became the WIBs. Although required partners have come to the table in policy discussions, integration of funds and systems has not followed. Despite the concerns many workforce development experts had relating to the move to vouchers and other WIA provisions, there was also hope in the prospect of substantial systems change at the state and local levels. Many Massachusetts experts, however, were pessimistic that WIA would bring substantial positive change. A MassINC report, for example, stated: "Despite the Act's vigorously reformist rhetoric, its formal imperatives are too fuzzy and the loopholes too wide to deflect a state very much from its preferred course, whether that preference be energetic change or a relabeled status quo" (Donahue, Lynch, & Whitehead, 2000, 45). Massachusetts, it appears, has opted for the latter.

## **Methodology**

I coordinated the survey used in this analysis in August 2000 as part of a project initiated and funded by the Boston Foundation and the Annie E. Casey Foundation. The target audience for the survey was non-profit job training providers in Greater Boston (survey recipients included organizations in Boston, Cambridge, and Somerville), excluding community colleges

and organizations offering literacy, but not occupational skills training. Community colleges were excluded because they have other significant sources of operating support, making them less affected by changes in employment and training legislation. Additionally, they are not a focus of private foundation support. Over half of survey respondents offer adult literacy services in addition to skills training and other employment services. Organizations solely providing literacy services were excluded from the survey, however, because the focus of the project was occupational skills training. Although literacy and skills providers share some funding streams, significant differences cause changes in employment and training legislation to impact these providers differently. The focus here is on occupational skills training.

I mailed the survey to 73 organizations. Forty-five providers responded, representing a 62% response rate. Upon review, five respondents were pulled out of the sample as their surveys revealed that they provide literacy services only. As a result, a total of 40 organizations were analyzed, including 13 of the 16 non-profit providers that previously received JTPA funding and are now eligible to receive funding under WIA. The other 27 respondents provide job training services and are funded through a variety of public and private means, sometimes including JTPA *or* WIA. None of them, however, both previously received JTPA funds and are now eligible for WIA funds.

Survey respondents answered questions regarding their budgets, the services they offer, their funding and technical assistance needs, and the changes they anticipated making to their programs as a result of the implementation of the Workforce Investment Act. In addition to multiple choice and short-answer questions, written comments were encouraged, and 25% provided such comments. The survey responses help to provide a profile of job training organizations in Greater Boston, as well as an analysis of how those providers making the transition from JTPA to WIA are similar or different from other providers. Additionally, because the survey was conducted only one month after the implementation of WIA, it serves as a useful tool for assessing the initial thoughts of providers about this act, as well as their expectations related to any changes they might make as a result of the new legislation.

The in-depth interviews, conducted in late March and early April of 2001, provide detailed information regarding how five of the survey respondents, all located in Boston proper, have made the transition from JTPA to WIA. At four organizations, I conducted one interview, speaking to either the Executive Director or Director of Training. At the fifth provider, I spoke

with both the Executive Director and the Director of Training because each had important information that I could not obtain from the other. During the interviews, I explored providers’ histories with JTPA, vouchers, and career centers; compared their experiences under JTPA to those with WIA; and inquired about the implications of this shift for their organizations, their job training programs, and their clients. The information obtained during these case study interviews helps to illuminate the effects of WIA, as well as the extent to which these effects match the initial concerns of providers and other players in the workforce development community. Additionally, due to the variety of organizations interviewed, these case studies suggest how certain characteristics influence a provider’s ability to successfully negotiate the new job training system.

I chose case study organizations based on three main criteria: an organization’s budget size, the percentage of its budget dedicated to workforce development activities, and whether a provider was a partner in a one-stop career center. I chose these criteria believing that they would have the greatest influence on a provider’s ability to smoothly transition to a voucher-based system. I thought larger organizations, providers with budgets not completely dedicated to workforce development, and career center partners would have greater success in the new system. The chart below shows how the case study organizations fit into the first two criteria—budget size and percentage of budget dedicated to workforce development.<sup>1</sup> I have defined a

		WD as % of budget		
		<i>Low</i>	<i>Medium</i>	<i>High</i>
Budget Size	<i>Small</i>		Small Mostly Trainer	Small Trainer
	<i>Middle</i>			
	<i>Large</i>	Large Multi-Service; Large Multi- Service Partner		Large Trainer & Partner

<sup>1</sup> In order to respect confidentiality, I have invented names for the five organizations that I interviewed. These names are intended to assist the reader in remembering the important characteristics of each provider. “Large” refers to organizations with large budgets and “small” to organizations with small budgets. “Multi-Service” is used to indicate an organization with only a small percentage of its budget dedicated to workforce development and “Trainer” to organizations with nearly all of their funding used for these activities. “Partner” is added to the two organizations interviewed that are partners in career centers in Boston. Throughout this document, I will refer to the providers by the names given in this chart. Additionally, I will not use the names of the individuals interviewed and will refer to each of them as “she” so as not to divulge their identities.

small budget as under \$1 million and a large as greater than \$2 million. The two organizations with a high percentage of their budgets dedicated to workforce development spend almost 100% of their budgets on these activities, while the two categorized as “low” spend only a very small percentage of their budgets in this area. “Small Mostly Trainer” is an organization that is about 75% focused on workforce development. In order to best assess the effects of these characteristics on the transition to WIA, ideally I would have interviewed providers that fit into the four corners of this array, but no survey respondent was a small multi-service provider. Of the organizations with a budget under \$1 million, however, Small Mostly Trainer reported the lowest percentage of workforce development activity.

I also wanted to analyze how being involved with a one-stop career center might affect a provider’s ability to succeed in the new training system. Three survey respondents are partners in career centers and all of them have large organizational budgets. Two of them also have a high percentage of their budgets devoted to workforce development. As a result, two of the career center partners would fit into the lower right box and share all three variables. Therefore, I chose only one of them—Large Trainer and Partner. The third career center partner does, however, add a dimension to the sample by not only being a large multi-service provider, but also having a career center partnership unlike the other organization already in that category.

## **Provider Profile**

Forty of the approximately 50 job training organizations in Greater Boston responded to the survey, including 13 of the 16 providers transitioning from contracts to vouchers. The results described below help to provide a profile of job training organizations in Greater Boston, as well as an analysis of how those providers making the transition from JTPA to WIA are similar to or different from other providers.

### ***Funding***

Chart 1 shows the percentage of respondents with yearly operating budgets in each of four ranges, demonstrating the size of organizations providing job training in Greater Boston and how WIA eligible/formerly JTPA providers compare to the group as a whole. Almost 70% of respondents have operating budgets greater than \$1 million, with 33% falling in the range of \$1 to \$2 million and 36% of organizations have budgets greater than \$2 million. Those organizations making the transition from JTPA to WIA, however, are much more likely to have



large operating budgets.<sup>2</sup> Fifty-four percent of them have budgets over \$2 million. These results imply that federal employment and training programs tend to fund providers with larger operational budgets, or that these organizations are able to operate larger budgets due to the public support they have received through JTPA and WIA. The WIA eligible/formerly JTPA organizations are also more likely than all respondents, however, to have budgets under \$250,000. These very small organizations are the ones most likely to be at risk in the voucher system.

**Chart 1: Operating Budgets: Percentage of Respondents with a Yearly Operating Budget in Each Category**

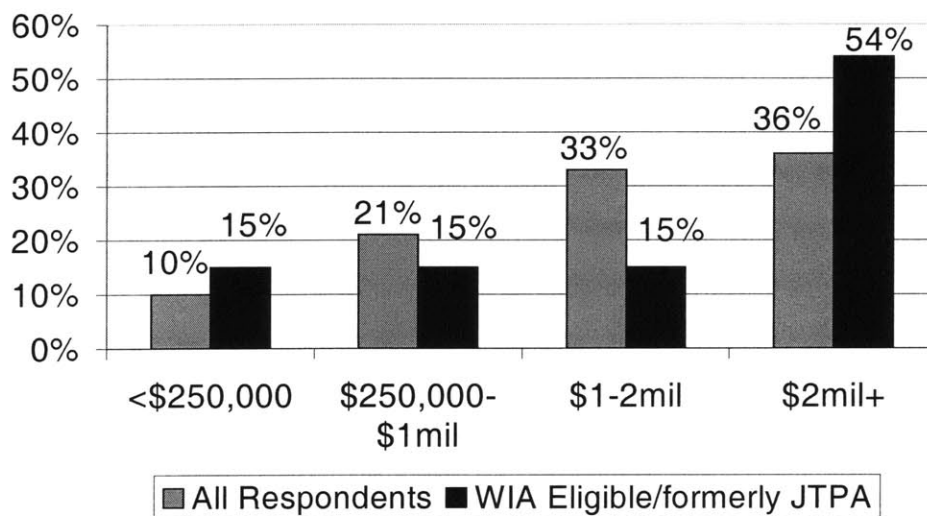
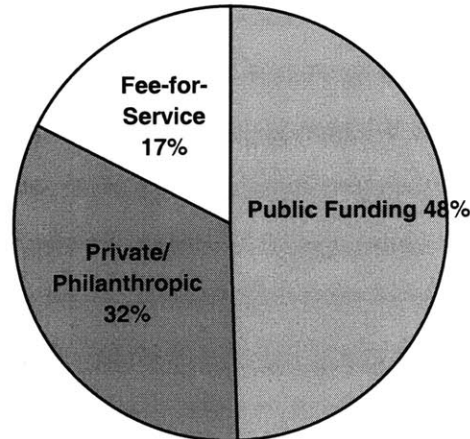


Chart 2 illustrates the averages of the responses to the question, “what percentage of your organization’s operating budget is financed through public funding, private/philanthropic funding, and fee-for-service?” On average, public funding made up 48% of organizations’ operating budgets, with private/philanthropic funding and fee-for-service making up 32% and 17% respectively. In each of these three categories, however, responses differed greatly. In fact, both public and private funding ranged from 0% to 100% of organizations’ budgets. On the whole, though, these non-profit job training providers rely most heavily on public funding.

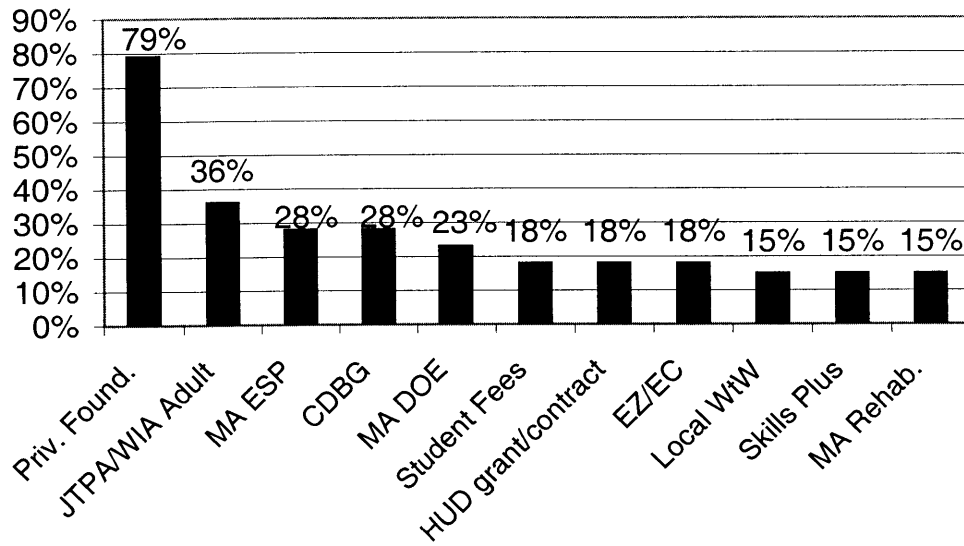
<sup>2</sup> In comparisons between all respondents and “WIA eligible, formerly JTPA” respondents, it is important to note that the “WIA eligible, formerly JTPA” organizations are included with all others in the “all respondents” category. As a result, the differences in these comparisons are not as great as they would be if I had compared “WIA eligible, formerly JTPA” only to the remaining 27 respondents who did not fit this category as opposed to all 40 respondents.

**Chart 2: Operating Budgets: Average Percentages of Budget Sources**



The public funding that contributes to the budgets of job training providers comes from several different federal, state, and local government programs. Additionally, workforce development programs receive payments from private foundations, employers, and student fees. In fact, looking more specifically at funding for the organizations surveyed reveals that over 25 different funding sources in total were cited by survey respondents. Chart 3 shows the most frequent answers to the question, “From which sources have you received funding in the past two years for these workforce development activities?” Unfortunately, these results cannot indicate the sources from which organizations received the most funding. Instead, they reveal the funding sources used by the most organizations. Of the 39 organizations responding to this question, 31, or almost 80%, have received private foundation support in the last two years. This number is more than double the next most common funding source, but may overstate the actual percentage of non-profit training providers receiving foundation support due to the fact that this survey was conducted by two private foundations, likely causing foundation grant recipients to respond disproportionately. Furthermore, when aggregating all the public sources, the number of respondents receiving private funding and the number receiving public funding are similar with 31 and 35 respondents, 79% and 90%, respectively, indicating these sources.

**Chart 3: Most Frequently Cited Funding Sources for Workforce Development Activities<sup>3</sup>**



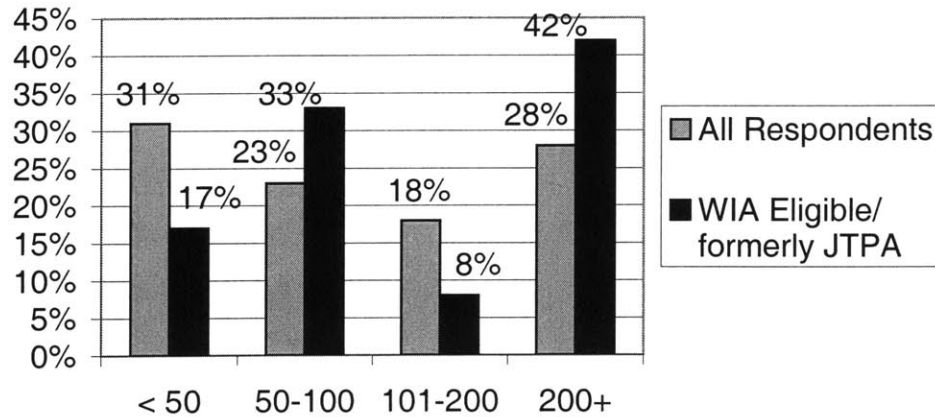
When asked to report the percentage of their operating budgets that are dedicated to workforce development activities, responses also varied greatly—ranging from 100% to less than 1%. Only four organizations surveyed spend 100% of their budgets on workforce development.

***Services Offered***

The number of clients served each year by job training providers varies considerably. As Chart 4 illustrates, 31% of respondents serve fewer than 50 people each year, 23% serve between 50 and 100, 18% serve between 101 and 200, and 28% provide services to over 200 people annually. WIA eligible/formerly JTPA providers are much less likely than all respondents to serve fewer than 50 clients per year and much more likely to serve more than 200 individuals each year. This finding is not particularly surprising given the earlier finding that WIA eligible/formerly JTPA providers tend to have larger budgets.

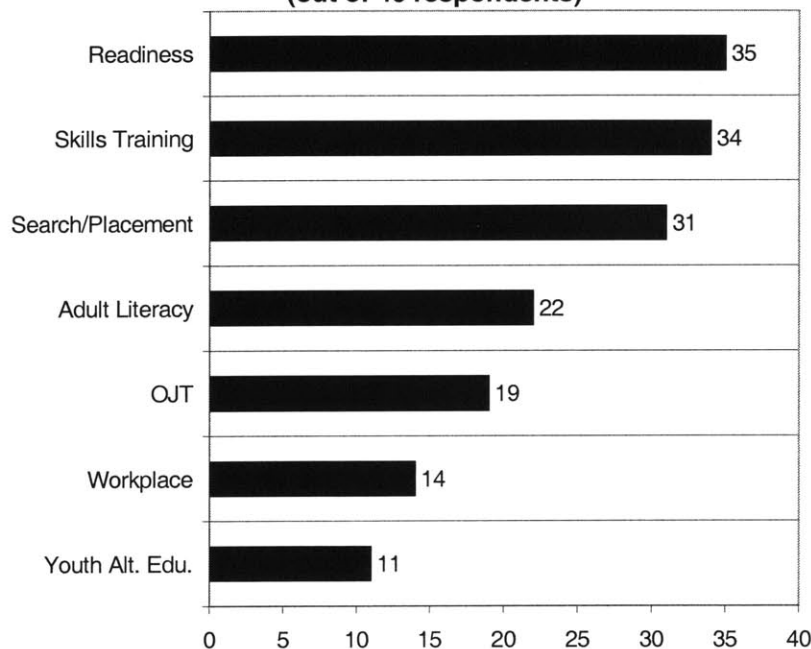
<sup>3</sup> Chart labels—MA ESP: Massachusetts Employment Services Program; CDBG: Community Development Block Grant; MA DOE: Massachusetts Department of Education; HUD: U.S. Department of Housing and Urban Development; EZ/EC: Empowerment Zone/Enterprise Community; WtW: Welfare-to-Work; MA Rehab: Massachusetts Department of Rehabilitation

**Chart 4: Percentage of Respondents Whose Yearly Workforce Development Clientele Falls in Each Category**



Greater Boston job training providers offer clients a wide variety of workforce development activities. Survey respondents were asked to indicate which of the following services their organizations provide: adult literacy/GED/ESOL, youth alternative education, job readiness, job search/placement, skills training, internships/On-the-Job training, and workplace education/training. The survey also provided space for respondents to list additional workforce development activities. Activities listed in the “other” category included assessment and evaluation; supported employment; post-secondary education readiness, search, placement, and follow-up; life skills training; job exchange; basic economic literacy; and parenting skills. Chart 5 illustrates the number of survey respondents providing each of the services listed on the survey.

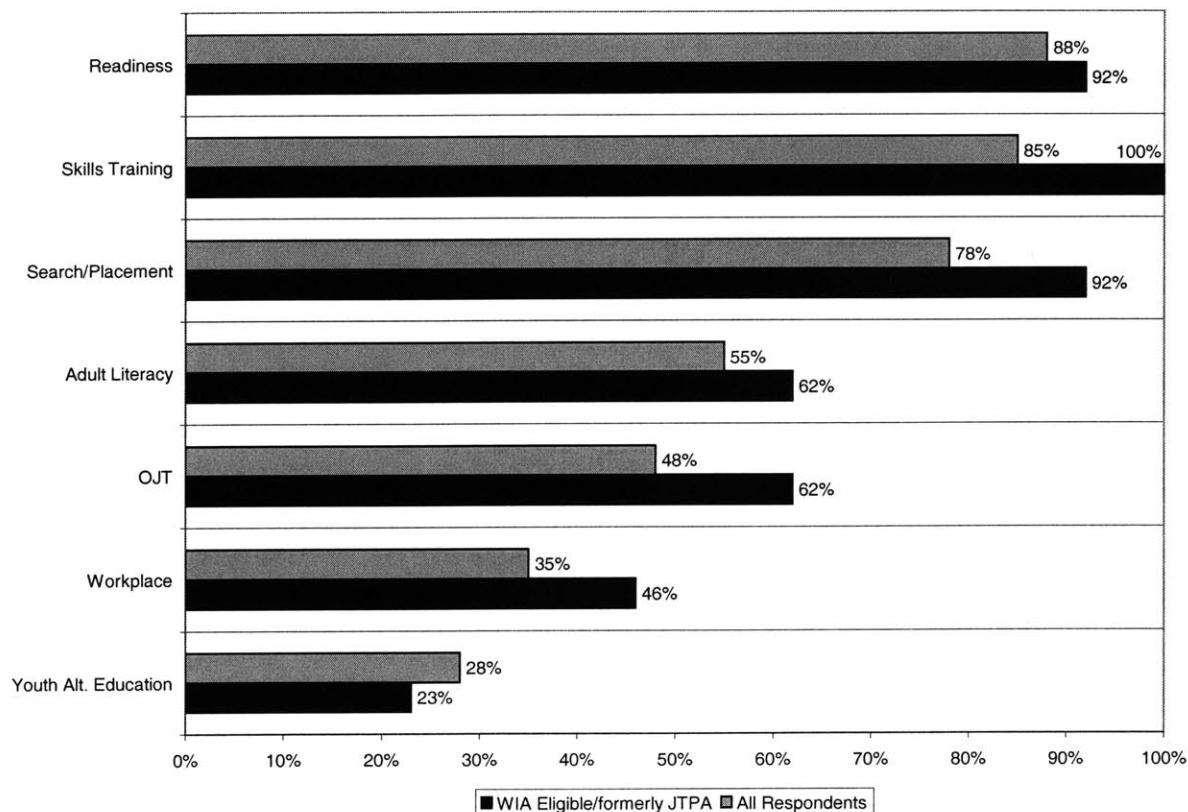
**Chart 5: Services Provided: Number of Respondents Providing Each Service (out of 40 respondents)**



Job readiness, skills training, and job search/placement are the most common activities offered by the employment and training providers surveyed with 35 (88%), 34 (85%), and 31 (78%), respectively, of the 40 survey respondents marking these options. These three services also appear to represent the core of most employment and training activities; over half of respondents offer all three of these services, with most adding other activities as well. Most of the respondents, and all of the WIA eligible/formerly JTPA respondents, offer between three and six of the services listed in the survey. Over half of the providers surveyed also offer adult literacy services.

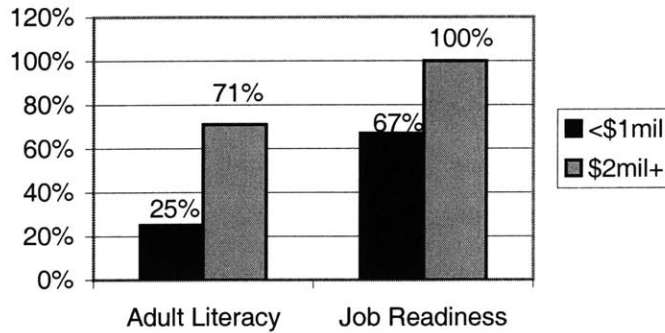
Chart 6 demonstrates how the services offered by WIA eligible/formerly JTPA providers differ from respondents as a whole. As you can see, youth alternative education is the only activity that WIA eligible/formerly JTPA providers are less likely to offer than all respondents. The biggest differences between services offered by WIA eligible/formerly JTPA and all respondents are skills training, job search/placement, on-the-job training, and workplace education, all of which are much more likely to be offered by those organizations eligible for WIA and previously receiving JTPA funding.

**Chart 6 – Differences Between Services Provided by WIA/JTPA Providers and All Respondents**



For two workforce development activities, a significant difference exists between respondents with smaller budgets and those with larger budgets. As Chart 7 demonstrates, providers with larger budgets are much more likely to offer adult literacy and job readiness.

**Chart 7 – Services More Likely Offered by Providers with Larger Budgets**



The survey also inquired about the age of workforce development services. It asked, “for how many years have you been operating workforce development programs?” The average response was 18 years and the median 8 years, but responses varied greatly, with experience ranging from less than one year to more than 123 years. Although there is a great range in years of experience, many long-established workforce development programs reside in the Greater Boston area. Of the 37 participants responding to this question:

- 22 have been operating workforce development programs for 11 years or less,
- 12 have run these programs for between 16 and 33 years, and
- the remaining 3 respondents to this question have been operating workforce development programs for 60, 105, and 123 years.

As explained earlier, this information from the survey is based on responses from 40 job training providers in Greater Boston. From this sample, I chose five respondents to study in more detail through intensive interviews. These five organizations are all located in Boston proper, all received JTPA funding over at least the past few years, and all now are eligible to serve customers in the new WIA system. They include:

- **Large Multi-Service**—an organization with a budget over \$2 million, but only a small percentage of that budget dedicated to workforce development;

- **Large Multi-Service Partner**—an agency with a budget over \$2 million, less than 1% of which is targeted for workforce development, and a partnership in a career center;
- **Large Trainer & Partner**—a provider with a budget over \$2 million, all of which is dedicated to workforce development, and a career center partnership;
- **Small Trainer**—an agency with a budget under \$1 million, all of which is spent on workforce development activities; and
- **Small Mostly Trainer**—an organization with a budget under \$1 million, 75% of which is dedicated to workforce development.

Further results from the survey, and findings from the interviews, will be discussed in the next chapter in great depth in order to assess the effect of WIA on non-profit providers making the transition from JTPA.

## **Chapter 4: The Effect of WIA on Non-Profit Providers**

Non-profit job training providers are a vital player in the workforce development system, especially for the most disadvantaged clients. After demonstrating this point, this chapter uses the survey and interview data, as well as reports and articles by experts in the field, to outline the effect of the transition from JTPA to WIA on this segment of the provider community. Most issues that initially concerned the field, including financing, program planning, coordination with career centers, competition with community colleges, marketing, and impact on clients, are still presenting obstacles for non-profit providers. Other worries though, such as timeliness of voucher reimbursement, have actually turned out to be benefits of the new system.

### **The Need for Non-Profit Providers**

The skills training industry is extremely broad, encompassing community colleges, proprietary schools, private for-profit companies, and non-profit organizations. Many providers and other experts have expressed concern that non-profit organizations will lose out to the other categories of providers in the competitive environment wrought by WIA. While some lament this shift, others question whether non-profits are actually best suited for this training role. Perhaps they should turn their training functions over to the community colleges and for-profit providers and concentrate on supporting roles such as outreach, case management, and post-placement follow-up. Periodically questioning the existing system and creatively rethinking appropriate roles is important to achieving best practices. In this case, however, the result is that non-profits continue to be a vital player in training the most disadvantaged populations.

Although not all non-profit organizations are community-based, they do tend to be more conveniently located for the disadvantaged clientele they target than other training providers (Moscovitch, 1997). This location factor, as well as a presence and visibility most have in their communities, mean that many poor individuals are already comfortable with these organizations. The familiarity non-profit providers have with disadvantaged populations has also enabled them to serve these individuals more effectively. They structure their programs in ways critical for the success of people with low-incomes and barriers to employment (Moscovitch, 1997). As a result, community-based organizations and other non-profits reach consumers that no other part of the system serves effectively. Additionally, non-profit organizations have a commitment to



the most in need that the majority of for-profit trainers cannot match. In circumstances that make job training activities less profitable and cause for-profit organizations to close their doors, non-profits' charitable missions and dedication to the poor motivate them to find ways to continue to operate and to serve the most disadvantaged. For all of these reasons, when asking "who should provide training for the most disadvantaged populations," non-profit organizations must continue to be part of the response. Furthermore, when evaluating employment and training legislation, its impact on these providers must be carefully considered.

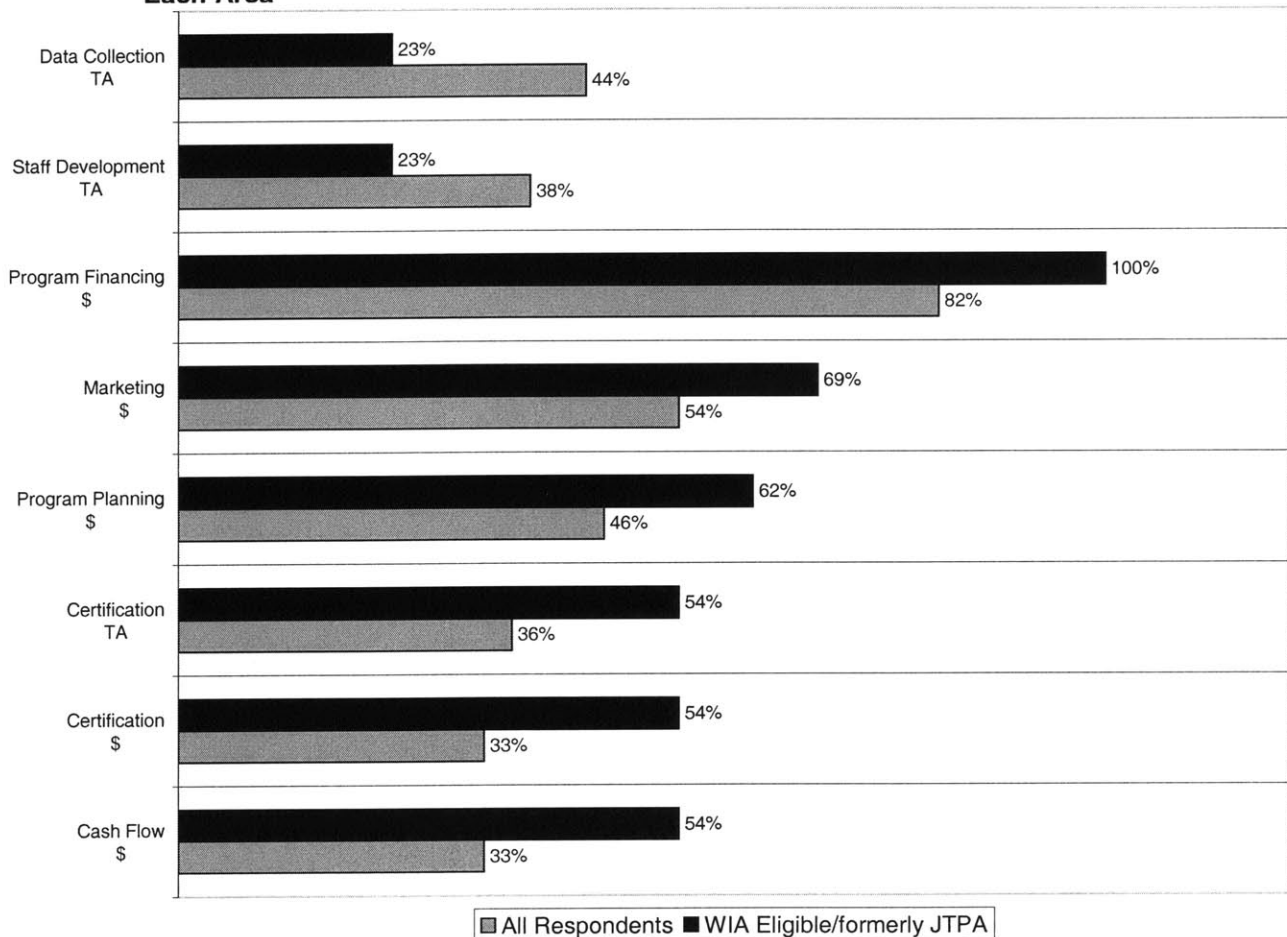
### **Concerns Raised by WIA**

As word of the details of WIA spread throughout the workforce development community, so did concern regarding its implications. Reports written prior to implementation, as well as survey and interview responses, indicate the apprehension of job training providers and other experts in the field. For example, when the five case study organizations were asked about their initial thoughts regarding WIA, descriptions ranged from "concern," to "confusion," to "I thought it was going to be devastating to us," to "I knew that [vouchers] would cause incredible problems." Non-profit providers anticipating the switch from JTPA to WIA funding worried about financing, cash flow, program planning, coordination with career centers, marketing, and competition from community colleges and for-profit training providers. In addition to these concerns related to the viability of providers, members of the workforce development community worried about the potential for "creaming" of clients and about the new system being cumbersome for training seekers. Both of these factors could lead to fewer of the most disadvantaged job seekers being served. For the most part, these concerns grew out of the major provisions of the legislation including vouchers, one-stop career centers, universal services, and performance standards. Additionally, simply the inadequate amount of funding in the system and the small number of vouchers allocated caused distress.

The survey of Boston non-profit job training organizations provides evidence of many of these concerns. It explored the funding and technical assistance needs of job training providers. The differences between the responses of those organizations shifting from JTPA to WIA funding and the respondents as a whole highlight many of the initial concerns of providers facing this transition. The survey also asked providers what changes to their programs they anticipated as a result of WIA. Because the survey was conducted only two months after WIA was

implemented, the effects of the legislation were only beginning to become apparent. Even at that early date, however, providers did anticipate some of the impacts WIA might have on their organizations, and the survey results reflect these concerns. Chart 8 displays those categories in which the needs indicated by “WIA eligible/formerly JTPA” providers differed the most from those of respondents as a whole.

**Chart 8: Needs Differences for WIA Providers: Percentage of Respondents Indicating a Need in Each Area**



Note: “TA” stands for technical assistance

For the first two areas listed on the chart—technical assistance for data collection and staff development—WIA eligible/formerly JTPA respondents were less likely than respondents as a whole to indicate these needs. For the remaining categories—funding for program financing, marketing, program planning, certification and cash flow, as well as technical assistance for certification—respondents shifting from JTPA to WIA were more likely than all respondents to indicate a need. A possible explanation for these differences is that, due to the

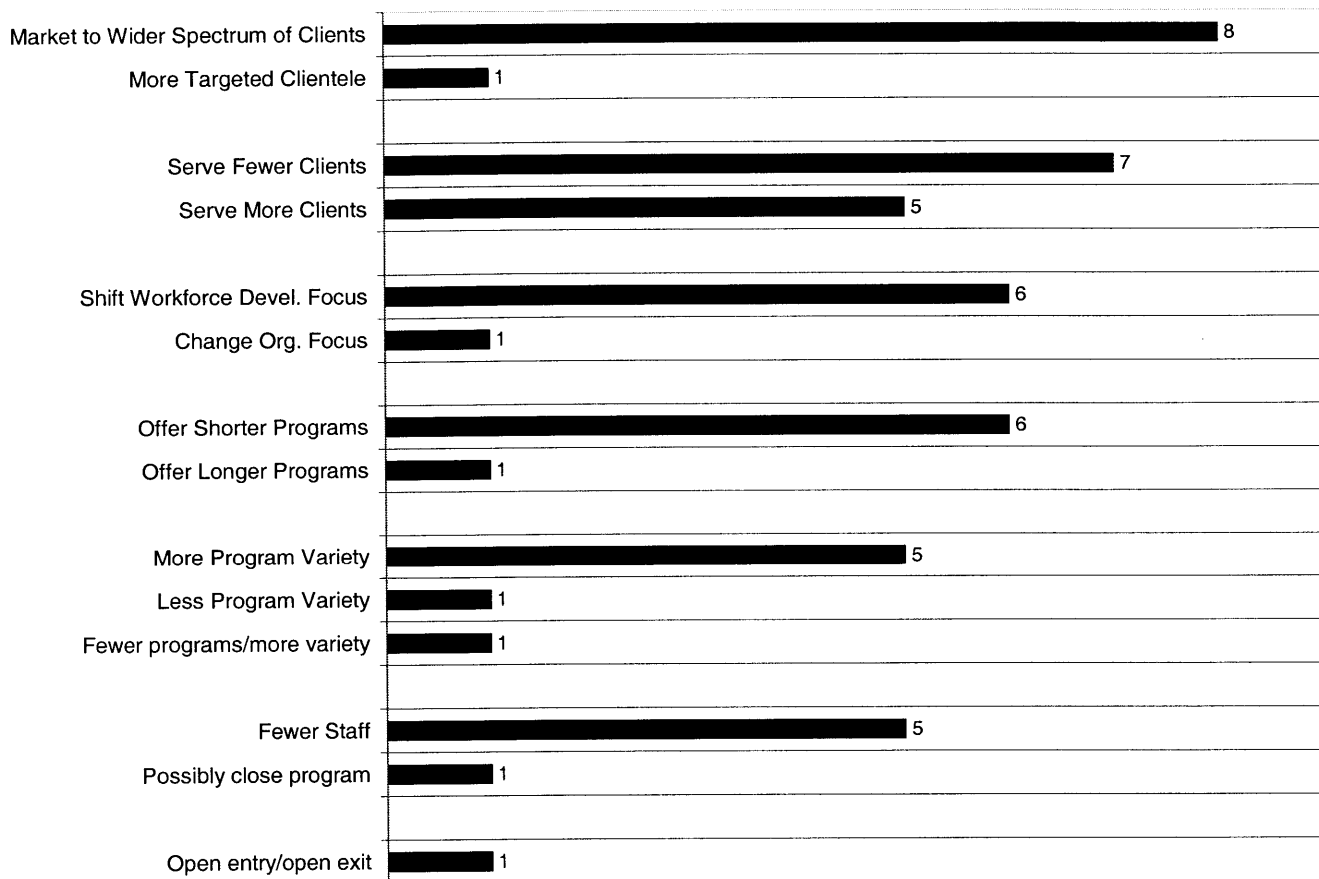
performance requirements and extensive application process to become an eligible WIA vendor, providers would need a certain level of ability to collect performance data and staff expertise even to be approved to provide training to voucher-holders. At the same time, those organizations switching from a guaranteed contract to WIA's less predictable voucher-based funding system might struggle with cash flow, program financing, and program planning. In addition, the enhanced role of One-Stop Career Centers in assessment and referral, as well as the variety and number of approved training providers, might lead these organizations to focus on marketing and certification as they struggle to compete with community colleges and for-profit training providers also eligible to receive vouchers.

The last question on the survey asked, "what changes to your workforce development programs, if any, do you anticipate in the next few years as a result of WIA?" The choices listed on the survey included:

- market to a wider spectrum of clients,
- market to a more targeted group of clients,
- serve fewer clients,
- serve more clients,
- offer shorter training programs,
- offer longer training programs,
- shift the focus of your existing workforce development program(s),
- change organizational focus away from workforce development,
- offer a greater variety of training programs,
- offer fewer training program options,
- employ fewer salaried staff.

Participants were also given room to list additional anticipated changes. Chart 9 illustrates how 12 of the 13 respondents who are making this transition responded to this question.

**Chart 9: Anticipated Changes: Number of Respondents Anticipating Each Change to their Programs (out of 12 respondents to this question)**



The most common change respondents anticipated making was to market to a wider spectrum of clients. Five of the eight providers who reported they would do so, believed they would end up serving more clients than they had previously. Overall, however, most respondents anticipated that WIA would reduce the number of clients served by their organizations. The similar number of responses to “serve more clients” and “serve fewer clients” demonstrates the uncertainty that still existed at the time of this survey as to the effect WIA would have on the number of clients served by those organizations shifting from JTPA to WIA funding. As will be explained in more detail later, it turns out that WIA has actually reduced the number of clients served by most of the organizations highlighted in this paper. Only one respondent believed it would change the emphasis of its organization away from workforce development. Six others though, foresaw a shift in the focus of their workforce development programs. Providers likely anticipated making this change in reaction to problems

with program financing. Perhaps they would change the focus of their programs to better attract voucher-holders or to appeal to new funding sources. Providers also predicted that they would shorten the duration of their training programs and offer a greater variety of training options. These two measures are likely intended to attract more clients and to allow providers to accommodate interested clients more quickly. Five of the twelve respondents also anticipated reducing their staff size.

The responses to the two survey questions discussed above provide evidence of some of the major initial concerns described below.

### ***Program Financing***

WIA, and its call for universal services in particular, raised the expectations for the employment and training system. It did so, however, with only a small increase in funding over JTPA. As has been the history with federal workforce legislation, WIA funding is woefully inadequate. Boston, for example, has funding for only about 360 training vouchers for disadvantaged adults and dislocated workers for the first year of implementation. Approximately 35 different organizations are approved to offer training programs to voucher-holders, and about half of these are colleges or for-profit organizations. The 360 training slots does not vary greatly from the recent capacity of the JTPA system. The 35 approved vendors, though, mean increased competition for a similar number of training slots. Under JTPA, Boston had approximately 340 training slots in fiscal year 1999 and 375 in fiscal year 2000. In fiscal year 2000, 255 of these slots were dedicated to disadvantaged adults through contracts to 15 training vendors (Lorei).

Dividing a similar number of training slots among more than twice as many vendors raises the specter of competition, as well as fears that not all providers will survive in this new system. In the words of one survey respondent, “we are competing with a larger number of providers for a smaller number of training slots. Will we be in business a year from now? How can we continue to operate given the new competition?” And from another, “the potential for not being able to sustain a program is high given the high competition for ITAs.” In particular, the fear is that non-profit organizations will lose market share to community colleges: “The voucher approach might tilt the playing field to favor community colleges, since they already compete for students one student at a time, know how to do it, and usually have higher name recognition and bigger marketing budgets. The most likely scenario, in the event of a sharp and sudden shift to the voucher approach, is that CBO’s would lose market share and the community

colleges would gain” (Donahue, Lynch, & Whitehead, 2000, 51). These fears could be justified, in part, by evidence from locations that had experimented with vouchers prior to WIA.

According to a Public/Private Ventures report, in locations where voucher systems had been implemented, the number of providers had increased, community colleges and proprietary schools had gained market share, and although larger non-profits had remained major players, smaller organizations had suffered (Maguire, 2000).

Non-profit providers who had depended on JTPA funding in the past were especially concerned about financing their programs; they worried that they would not receive enough vouchers to come close to the funding levels they received under JTPA. This potential problem is reflected in the survey results—every respondent making the transition from JTPA to WIA listed program financing as a need, compared to 82% of respondents as a whole. In addition to basic financing concerns, providers worried about cash flow: “Under JTPA, most practitioners have had to learn how to manage cash-flow delays, stemming from slow processing of payments. Under WIA, these concerns intensify for practitioners who must project how many job seekers their organizations will serve and when they will be paid” (Maguire, 2000, 13). Fifty-four percent of WIA eligible/formerly JTPA survey respondents indicated a need for assistance with cash flow, compared to 33% of all respondents.

### ***Program Planning***

This uncertainty regarding how many clients an organization would serve under WIA, and when they would be reimbursed for these services, also affected providers’ ability to plan their programs. In the past, providers were contracted to serve a specific number of clients and could plan around that information including hiring the appropriate number of teachers and preparing materials. Providers feared that WIA would remove this certainty, making planning ahead almost impossible. With the voucher system, they would not know how many clients they would serve and when these clients might arrive: “The voucher system provides an unpredictable source of potential participants,” said one survey respondent. Of the 13 survey respondents making the transition from JTPA to WIA, nine indicated a need for financial and/or technical assistance with program planning, and six of those listed this need as one of their top four greatest needs. As Chart 8 above indicates, WIA Eligible/formerly JTPA respondents were particularly more likely than all respondents to require assistance with financing for

program planning. The programs anticipating a reduction in staff were also likely responding to planning challenges, in addition to financing concerns.

### ***Coordination with Career Centers & Competition***

The voucher system, and its use of career centers for their administration, caused another challenge for providers—coordination with career centers. One survey respondent mentioned that its major challenge has been getting clients referred to it by the one-stops even though it is an approved provider under WIA. The importance of the career centers in generating and approving voucher business for providers adds another layer of relationship-building to the work of program staff.

Relationships with career centers are also important to address non-profits' fears related to competition from colleges and for-profit providers. Non-profits feared that career centers would favor these other providers over them. One reason for this concern is the WIA requirement that job seekers apply for Pell grants before being awarded an ITA. These grants can only be used at state-approved institutions such as colleges and credentialed proprietary schools. Additionally, WIA's performance measures include a credentialing rate to measure how many job-training participants receive nationally-recognized credentials. Workforce development experts worried that these factors might affect the placement recommendations of career center staff, causing them to favor credentialed vendors (Maguire, 2000). This fear helps explain the survey results related to both funding and technical assistance for certification—competition with credentialed providers has caused non-profits to explore becoming certified in some official way as well.

The survey respondents anticipating marketing to a wider spectrum of clients, shifting the focus of their workforce development programs, shortening their training sessions, and offering more program variety were also likely responding to this increased competition. Each of these measures is aimed at attracting and holding onto new students.

### ***Impact on Clients***

The last major concern regarding the use of vouchers, and with them the role of career centers, was that the resulting system potentially would be difficult for clients to navigate. Just a month prior to the federal government's deadline for WIA implementation, the Center to Support Immigrant Organizing drafted concerns and recommendations related to WIA implementation in Boston. In this document, the authors posed the questions: would there be too much time

between career center intake and enrollment in a training program? Will career centers undertake the necessary outreach and offer the appropriate support services for those most in need of services (Rodriguez & Whelan, 2000)? Echoing these concerns, “advocates worry that Career Centers may not have the resources or the cultural competency needed to do outreach, assessment, referrals, and provide other types of needed support for immigrant workers requiring more intensive services” (Bowen & Green, 2001, 7). Others wondered if job seekers would have enough information, and the ability to use that information, for a voucher system to have the intended outcomes of efficiency and responsiveness that choice and competition bring in other fields (Donahue, Lynch, & Whitehead, 2000).

In addition to the cumbersome process, the combination of a mandate for universal services, changes to performance standards, and inadequate funding levels, led experts to be troubled by the potential for “creaming.” Would there be a disincentive for both career centers and providers to aid those populations hardest to serve? “WIA significantly changes the outcomes by which the performance of job-training providers will be measured” (Maguire, 2000, 33). There is now an emphasis on long-term outcomes. Providers and career centers must keep track of clients’ wages over the long-term or monitors will use wage records to track this information. Funding for career centers and providers’ ability to remain on the list of approved vendors hinge on these long-term measures, making it tempting for both career centers and trainers to accept those job seekers most likely to succeed. One report predicted, however, that this incentive to cream would run counter to providers’ other priority of recruiting as many voucher-holders as possible: “organizations will need to maintain the balance between filling programs to generate immediate cash flow and ensuring employment retention to keep them in the marketplace over the long haul” (Maguire, 2000, 34). It is difficult for providers to focus both on recruiting clients and on long-term outcomes. The former tempts providers to accept whomever comes in the door, while the latter pressures staff to accept only those with the best potential for long-term success.

### **Case Study Findings**

The issues discussed above represent the concerns of the workforce development community soon after, or even before, full implementation of WIA. In this section, the case study findings are used to compare the views of providers eight to nine months into



implementation with those initial concerns. Again, findings are based on interviews with the subset of five providers chosen from the 40 survey respondents. The interviews consisted of questions related to providers' organizations and histories with vouchers and career centers; comparisons of their experiences under JTPA and WIA; and the implications of the transition from contracts to vouchers for their organizations and their clients. Paralleling the discussion of early WIA concerns, the discussion of case study findings includes information relating to financing, planning, recruitment, career centers, performance standards, and client impact.

### ***Financing***

#### **Changes in Funding and Numbers Served**

All of the organizations interviewed had relied on JTPA funding for many years. The newest comer to JTPA funding began receiving these contracts in 1994. All but one interviewee reported the amount of their contract the last year in which it was received. These amounts ranged from \$69,000 to \$200,000 to serve between 15 and 70 clients. For the most part, their JTPA contracts had been even larger in previous years.

All of the organizations have been WIA eligible since the beginning of implementation. The two providers who are partners in career centers are actually serving more clients in total since the implementation of WIA and funding more of them under WIA than they did with JTPA. In fact, with two to three months left at the time of the interviews before WIA would be in effect for a full year, these vendors had already served more clients than they did under JTPA last year. By the end of this first year of WIA, one of them expects to gross approximately 35% more with WIA than it did with JTPA.

The others, however, have served fewer clients since the implementation of WIA. Additionally, for these providers, the number of clients funded through WIA makes up a smaller percentage of the total clientele than the number of clients funded through JTPA did in the previous year. Despite the two to three months left in the first year of WIA, it is unlikely that these providers will make up for their reductions in clients by 27%, 69%, and 76%. "I think the loser here is the Boston community because fewer and fewer people are going to get services," remarked one of these vendors. One organization reported that its clientele had begun to diminish prior to WIA, with the implementation of career centers: "Business just dropped enormously when the career centers got established." Job seekers interested in interview skills

and job search services who had previously received these services at a nominal fee through this non-profit, began receiving these services from career centers for free.

### Program Financing

As the survey results indicated, assistance with program financing was the most pressing need of almost every organization making the transition from JTPA to WIA financing. By the time the interviews were conducted, this concern had not diminished significantly, even for the two providers serving more clients under WIA than they did under JTPA. Many factors have come together to cause financing concerns: “On top of the conversion to WIA, fixed costs have gone up. Rents have gone up dramatically. We’ve had to pay higher salaries to compete with for-profits.” Comments related to raising additional funds or cutting costs due to WIA came up frequently in interviews. One organization has increased its solicitation of funding from private foundations, accepted more clients on a fee-for-service basis, and gotten creative by marketing its training space and computer rooms to other non-profits looking to rent such space for short periods of time. Another has also looked to diversify income sources and several have cut staff. One provider has begun to require its students to contribute to the cost of their training program. In order to cut costs and maximize productivity, another program director has returned to the classroom teaching classes.

Two providers, both with large budgets, mentioned increasing their efforts to become accredited in order to be able to access federal financial aid programs for their students. Although both providers have looked into accreditation in the past, the implementation of WIA has caused them to intensify these efforts. In the words of one:

We’ve been talking about accreditation for literally . . . probably 12 years now. It’s a lot of work. But I think with the switch to vouchers it’s kind of forced us to say, hey, we have to do it, because there’s no JTPA contract anymore. So we need the accreditation both to allow us to take in Pell grants, financial aid, and also if we want to market our services to employers. Many tuition reimbursement packages only reimburse accredited programs. It’s a good marketing tool for bringing in students and [employers] too, because if you are accredited by a recognized accrediting agency then you’re pretty valid.

Despite the wide variety of methods employed by vendors to cut costs and increase revenues, all agree that balancing the time for fundraising with time dedicated to students is a challenge.

The results regarding financing are not surprising. One would anticipate that the shift to WIA would cause providers to search for new avenues of funding and be creative in efforts to keep their organizations afloat. How issues of finance would effect some organizations more or less than others, though, is more difficult to predict. Specifically, would large organizations with only a small percentage of their budgets dedicated to workforce development have less difficulty navigating the financial challenges of WIA due to the other resources within their agencies? The two organizations interviewed that fit this profile responded differently to questions regarding this theory. One explained that it had an advantage in being part of a larger organization with a broader mission: “Fortunately, I work for a large organization that has a reasonable amount of money to cover payroll and everyday operating expenses. I’m not dependent on money coming in to have money go out.” Although the uncertainty of vouchers caused this director some pressure related to program planning, she felt less pressure than others in terms of financing.

The other organization with a large budget and only a small portion of it dedicated to workforce development, on the other hand, felt no advantage. The director explained that even though the training program is part of a larger organization, it has to meet its own budget. In fact, she felt at a disadvantage in that training was not the main mission of the organization. She believes this makes the program less stable and creates pressure to ensure that the board of directors does not view the training program as “a drain on the financial resources of the agency.” She also feels at a disadvantage because of the impression foundations and others have that the program is stable, and therefore less needy, due to its connection with a larger organization. The degree of fiscal pressure, therefore, appears to have less to do with the percentage of an organization’s budget focused on workforce development than on an organization’s degree of commitment to training. This commitment can be measured, in part, by the percentage of its resources a provider dedicates to workforce development. It can also be measured, though, by the board’s loyalty to this function, whether it is a small or large part of the organization’s overall mission.

Large Trainer & Partner, the large organization with a career center partnership and a hundred percent of its budget dedicated to workforce development, was perhaps best equipped to handle the transition to vouchers. In addition to its career center partnership, this organization credited both its large operating budget and a vast diversity of funding sources for this advantageous position. “I think the quicker payments [under WIA] definitely is one benefit, but

for a big agency that's not that big a deal.” When asked directly about the effect of having a large operating budget the director responded, “Well it's definitely helped us, I think. We don't have to worry—well, we still worry about costs and budgets and making our payrolls. We still worry about that, but it doesn't have to be in the front of your mind all the time. We can still provide fairly decent services to our participants without having to worry about the cost as much as a smaller agency might.” In fact, she thinks the voucher system will ultimately put some smaller CBOs out of business. Several experts in the field have made this same predication, although it has yet to happen in Boston. Perhaps it is too early for this effect to have taken place, or perhaps Boston's strong non-profit provider community will not suffer this effect.

In relation to funding diversity, this same provider commented that having a wide variety of funding sources is “the only way to survive.” “We have a mix of funding, which I think helps us be able to handle vouchers.” In fact, according to the survey response of this organization, despite having 90% of its budget derived from the public sector, it receives its funding from 19 different sources. The other providers interviewed obtained their funding from between only four and eight different sources. Obviously, this organization benefits from an extremely diverse funding base.

Again, all of the organizations interviewed continue to worry about program financing. Although this issues has long been a concern of non-profit organizations, there is no doubt that WIA has amplified it. This analysis reveals, however, that several factors can lesson the problem of financing for providers in the voucher system. Career center partners, large organizations with a commitment to training (demonstrated by either a major workforce development focus or board dedication), and providers with a diverse funding base, have significant advantages in the new voucher system.

#### Closing/Cutting Programs

Four of the five providers interviewed were forced to close satellite offices or shut down some training programs as a result of WIA or earlier voucher experiments. Small Trainer, Large Multi-Service, and Large Trainer & Partner each closed satellite programs in Boston suburbs when SDAs outside of Boston switched to a voucher system under JTPA. One provider explained the change and its results:

The SDA switched from contracting to vouchers so we experienced what can happen to a smaller agency when vouchers become the way of doing business,

because we had to close those two satellite sites. The smaller SDAs switched to vouchers because they couldn't afford to fund a program or two. So they just gave out vouchers. So we were standing there waiting for the vouchers to come in and it didn't work. But the contracted programs that were also located at the site, we had to close them too because we lost the other contract. So when you lost 50% of your rent coverage and your overhead coverage and your staffing, you know, secretaries and all that, we couldn't afford to stay there with just one contract and the smattering of vouchers which we could never get a class going anyway.

Large Multi-Service Partner shut down a longer-term specialized occupational skills training program after WIA was implemented. It was basically an economies of scale issue. The director quickly learned that she could not generate the number of vouchers necessary to cover the operating expenses of this program. Many providers lamented the decrease in consumer choice, and the increased geographic concentration of providers, caused by the shift from contracts to vouchers.

### ***Planning***

#### **Program Planning**

Program planning was another area in which survey respondents who are making the shift from JTPA to WIA indicated a need for assistance. As it was raised by every organization interviewed, this problem is definitely playing out in practice. Furthermore, providers' comments related to this concern did not appear to differ based on the characteristics explored in this paper. Uncertainty and unpredictability were common themes in all interviews. Providers feel it is hard to plan their training programs because they do not know how many vouchers they will get or when voucher-holding clients will show up. With contracts, vendors had a set amount of funding for a specific number of clients, over a particular time period. They could plan their programs and hire staff based on this certainty. With WIA, you do not necessarily know "until the end of the year whether you came out in the black or the red. We knew with the contract that we had a budget, we staffed it out, and the money's going to come for 12 months. If you don't perform, maybe next year you won't get it, but for this year at least you're set." With vouchers, they cannot anticipate a budget, the number of students they will serve, or when those clients will come through the door. One provider discussed the effect this unpredictability has on staff: "You have to be real flexible which some staff can handle and some can't. When staff see that they don't really know from month to month what's happening, they're going to go out and find

a job that's going to provide more stability, so you're forced to hire more part time people.” From another: “It's also harder to find good [staff] so you really have to keep people on salary and that's a gamble if you don't get enough vouchers.”

Despite the great concern expressed by every interviewee about program planning, three providers also saw some planning benefit to the transition they have made from JTPA to WIA. The need to share their assessment information with career centers, the open books which have allowed them to view the performance success of other providers, and the increased competition for clients, were all mentioned by vendors as having forced them to analyze their own programs and ensure that they meet the needs of students. In the words of one provider: “One benefit that I see is that it's kind of forced us to kind of look at our services here and adapt them to meet the needs of the clients. And also to think about suitability and appropriateness of our services for people.” And from another: “Any change that challenges people to learn and grow, that's a benefit.”

Another positive note relating to program planning pertains to the assistance some of the workforce development bureaucracy has given to non-profit providers attempting to navigate the new system. In most interviews, and in response to several different questions, providers complimented the work of the Boston Private Industry Council (PIC) and especially of the Mayor's Office of Jobs and Community Services (JCS). These organizations were instrumental in informing providers of the upcoming changes in federal employment and training law. Every provider interviewed had heard of WIA very early on. In fact, before the legislation was even passed, most knew that a new federal employment and training program was being developed and were aware of the provisions that would likely be included. If they were not already mindful of the changes being discussed in Washington, D.C. through their own monitoring of the press, vendors heard about the imminent changes from the PIC or JCS. They appeared to appreciate the steps that these two agencies took to keep providers informed.

JCS was also complimented for being “up front” in keeping providers informed about the voucher process, including how many vouchers are still available at a given point and for their work assisting vendors through the application process for approval as an eligible WIA provider. There was not total agreement on this last point, however. One provider described the process of applying for approval to provide services under WIA as “very labor intensive.” Another explained that “there wasn't a whole lot of narrative and not a whole lot of extraneous things that

you had to put in, but it was confusing because they did have the five different sources in each, or five different funding streams and each one required different forms. There were all kinds of glitches.” This same provider, however, also stated that “when you look at [the voucher eligibility] by itself [as opposed to all of the pieces of the application] it’s not that complicated.” The remaining three providers all reported that the process of approval was not difficult. Some partly credited JCS, explaining that its staff worked hard to ease the process. In the words of one provider, “there is tremendous communication between the Private Industry Council, JCS, and the vendors. I don’t think it’s ever been as good as it has been under the WIA system.” One mechanism for this communication is a best practices group, made up of WIA administrators and vendors, which attempts to repair obstacles in the local job training system. One provider felt that the steps taken by JCS were partly motivated by a recognition of the importance of non-profit, community-based organizations: “There was a commitment on the part of JCS to really be mindful that even though this list had tremendous numbers of approved vendors, they did want to see the community based organizations that had received group contracts in the past sort of stay in the system.”

#### Voucher Cash Flow

One major potential obstacle to effective planning, is not knowing when you will be paid for the services you have provided to voucher-holders. As described above, providers feared they would not be paid in a timely fashion for the services they rendered to voucher-holders. Fortunately, this concern has not played out in practice. In fact, every provider interviewed reported that the turnaround time for funding under WIA has been faster than it was under JTPA. Some vendors felt the easy and fast reimbursement process was one of the biggest benefits of the new system. “In the WIA system, the payments are excellent. They are timely, you know, if they say they’re going to pay within 30 days, they have paid within 30 days.”

Positive comments about the speed of payment were tempered, however, by complaints related to other aspects of the voucher payment system under WIA. Most importantly, vendors warned that faster payments do not make up for the reduced amount of funding most vendors are receiving in total due to a huge shortage in the number of vouchers available compared to the number of providers eligible to receive them. As has been discussed in relation to program financing, vendors also complained that there is no guaranteed income stream on which to rely. Lastly, some providers discussed the added difficulty of managing the vouchers—essentially

many small “contracts”—as opposed to one big contract under JTPA. One provider mentioned that at times some vouchers get lost in the process, so it was easier to deal with just one major contract under JTPA. Another explained that managing many vouchers is staff intensive, forcing her to “assign a staff person to handle the invoicing and the billing.”

### ***Recruitment***

#### Recruitment and Assessment Process

Each provider interviewed was asked to describe the process a client goes through from first deciding to pursue training to beginning one of its programs. For the most part, clients hear about a specific training program through word of mouth from friends or family and head directly to the provider. Although they vary in length and intensity, each provider conducts some form of initial assessment and orientation before sending a potential voucher recipient to a career center. For some, this orientation includes information regarding what to expect and how to be an advocate for yourself at a career center. All of the providers had concerns early on about losing clients once they headed to a career center to obtain a training voucher. For the most part, this fear has not played out, at least in terms of losing a student to another vendor. Potential clients who do not return are more likely to have given up on training altogether than to obtain training from another vendor. Providers, however, have taken measures to help ensure that the customers they recruit end up receiving training at their organizations and do not get lost in the process. Two providers interviewed (Small Mostly Trainer and Large Multi-Service) send staff to the one-stops with the clients to assist them through the process. Another (a career center partner) mentioned placing follow-up phone calls to both the clients and the career center staff to keep track of the progress of its potential students. The other career center partner also follows up with the one-stops to ensure that students return. Only Small Trainer does not follow-up with potential clients that have begun the career center process.

Although the process varies to some degree, a somewhat typical career center experience includes a general orientation session, an informational meeting regarding training, a meeting with a counselor to determine eligibility for training, an assessment, and a requirement to “shop” for services at three different vendors. If the career center then approves a customer for training, it sends the application to JCS for final approval. Once the client has been approved for training and returns to the vendor, some providers conduct further testing, assessment, and admissions decisions. Others rely on their initial assessment and the discretion of the career center staff. No



organization interviewed, however, relied solely on the career centers. Each performed its own assessment at some point in the process: “In one respect, you know, we don’t have to do the assessment [because] we’re not paid for the assessment, [but] we still have to do [an assessment] anyway for our programs if we want to take in good people.” Other vendors felt their own assessment was necessary because the career centers do not understand the requirements for their programs as well as they do.

This duplication of efforts, especially in terms of assessment, was a common theme in the interviews. Opinion regarding this duplication, however, differed. Small Trainer, which receives about half its referrals from career centers, liked that the onus of approval of clients was shared between the career centers and the vendors. Its director believed that having two groups conducting assessments was not a negative result of the new system. Another organization (one of the career center partners) has compensated for the addition of career centers as assessors by conducting a less thorough assessment than it did under JTPA. This provider admitted, however, that the career center assessment is not as extensive as the assessment it previously conducted. The other three providers expressed great distress at this duplication, especially in terms of the monetary wastefulness of two organizations performing the same function. Furthermore, WIA vouchers do not cover assessment expenses for the vendors. As a result, even though assessments are conducted at both locations, only career centers are paid for this activity.

Two of these same organizations viewed the career centers as an added level of bureaucracy. One director felt strongly that the career centers are drawing on resources that should belong to the vendors or should cover additional services, but are instead paying for a new level of bureaucracy, its real estate, and its technology. She expressed that the amount of money in the WIA system is similar to that in the JTPA system, but is being spread much more thinly with too much going to duplicated efforts. Additionally, the incorporation of career centers has required time and energy for cultivating new layers of contacts: “Lots of meetings to glean pennies.” The other provider agreed: “The amount of time that we spend on outreach and recruitment and relationships with career centers that we used to spend on case management.” She also complained of the wasted money going to all of the steps in the new process.

Some differences based on provider characteristics do appear to have an impact on the recruitment and assessment process. Small Trainer is the only organization interviewed that did not mention some form of follow-up to encourage potential students to return after completing

the career center process. There are at least two possible explanations for this difference. First, because this provider's budget is small, perhaps it does not have the resources to provide this type of follow-up. (This factor could also explain why this organization values the assessment conducted by the career centers.) Secondly, Small Trainer is one of only two providers interviewed who reported receiving a substantial number of referrals directly from career centers. In fact, about half of its students originate at the one-stops. As a result, this provider may not feel that follow-up with the career centers is necessary. Why does this organization have such success in receiving customers from the one-stops? One possible explanation is that, more than any other provider interviewed, this organization serves a specific and distinct clientele. It appears that Small Trainer has a niche market. Perhaps the one-stops recognize this niche and tend to send customers fitting this profile to Small Trainer, lessening its need to outreach to the centers.

Career center partners also appear to have an advantage in the recruitment and assessment process. While the other two organizations conducting follow-up do so by accompanying their potential students to the career centers, the partners follow-up through telephone calls. As will be discussed in more detail below, career center partnerships appear to ease the process of holding onto students a provider has recruited. This advantage likely plays a large role in the partners serving more clients than they have in the past.

### Marketing

Marketing, especially the increased need for it and the challenges related to it, was a major theme of the interviews. Every provider reported that word of mouth is and has been their biggest source of business. Some providers supplemented this source of students with a variety of other marketing techniques, including newspaper ads, mailings, visits to community-based organizations, cable television advertisements, church bulletins, and flyers in stores, neighborhoods, and housing projects. These methods have been employed by providers for many years, and, for the most part, did not change with the implementation of WIA. In fact, one provider feels that its extensive outreach process and community networks made it better prepared for WIA, because it never just counted on people walking through the door. One provider, however, did feel that the nature of WIA funding has limited its ability to market its programs: "I can't put an ad in the newspaper and say we have free training for low-income people. Because I don't have a penny. In the past, we could do that. We would send out fliers

and say we have free training for low-income people who meet the eligibility guidelines. I can't do that now. All I can say is maybe you will be eligible for training if the career center has a slot and they evaluate you and they agree with our evaluation that training will work for you."

Most providers agreed that marketing is even more important in the WIA system: "We have to do much more marketing than in the past. Each person is a customer and you have to bring that person in. Before they had probably 9 or 10 choices, you know now, on the voucher list there's probably 40 or so that they can sign up for so you really have to market to them." Another provider echoed this thought: "You really don't know how many vouchers you're going to really be able to access and what it really means is that the outreach and networking is even more important than it ever was to try and generate ITAs."

Providers also agreed that marketing is one of their biggest challenges. Common complaints were that marketing is time consuming and that there is no money for it. "There's big customer service/marketing things you have to do too. Both marketing to the customers and to the career centers. People come in dribs and drabs individually and you have to meet them, sit down with them, and make sure that the program is something that meets their needs and their schedule and all of that, so it's very staff intensive." Another provider commented on the lack of funding for marketing: "I can't pay a staff person to do outreach and recruitment when that's not a function that I get paid for anyway. So there isn't any money for outreach and recruitment and yet 25% of the program manager's time is spent on outreach and recruitment and liaison and telephone calls and e-mails and going to a WIA appointment and trying to figure out the relationship."

Providers also showed frustration about the disadvantages they have compared to community colleges and private vendors in terms of marketing. They agreed that the competition with these organizations for vouchers is real and that these vendors have mechanisms in place for marketing with which the non-profit providers cannot compete: "You know, if you're a school or community college or junior college or proprietary school and you have all these other sources of funding, then it's easy to attract people. You always have something going on [a class in session to show to prospective students] and you have money. You can do brochures and some of them even advertise in the afternoon during the soap operas and things." Providers feel at a double disadvantage in terms of competition with community colleges. Not only are they better able to market their services, they are also less in need of

vouchers for survival. They have a steady stream of funding to keep them afloat whether they serve WIA voucher-holders or not: “If you’re an established school and you have 3 seats that are empty, to bring in a few voucher people, it’s like gravy. For us it’s our livelihood, we have to bring them in.”

The only exception to these findings regarding marketing was Small Trainer. This provider was the only one interviewed to report doing less outreach than in the past. Again, this exception is likely a result of Small Trainer’s small budget and niche market. Small Trainer has probably had to shift its limited resources away from marketing and has been able to do so because its niche market has aided it in receiving career center referrals without much marketing of its own.

#### Open Entry/Open Exit

With the limited number of vouchers available in the system and the intense competition for them among many training providers, vendors must search for creative ways to capture any voucher-holder who shows an interest in their programs. One strategy that all but one provider interviewed has experimented with is some form of an open-entry/open exit system. A complete open-entry/open exit system means that a provider will accept a new student at any point in the training cycle. That student will join the class in progress and then learn what she missed at the end. Essentially, students are beginning and ending the program at a variety of times and learning the curriculum in a different sequence from each other, but all topics are still covered by each student. Utilizing such a system allows providers to avoid telling a student to come back in a month or longer for the start of a new training cycle, risking that the student will not return: “It’s entirely possible that a candidate might be identified in another month after the class has started and wants to join. Now if I’m not flexible enough to let that candidate in, I’ve lost a voucher.”

Small Trainer has fully implemented such a system. Its director anticipated doing so at the time of the survey, writing in this response in the space provided for “other” changes. Two other providers employ what could be called a modified open-entry/open exit arrangement. One has become more flexible in terms of start dates, but explains that total open-entry/open-exit does not work with the curriculum it teaches; cumulative knowledge is an important part of the training. The other vendor explains its new scheme as a modular system where it starts programs every six or seven weeks as opposed to twice a year. Large Multi-Service Partner attempted an

open-entry/open-exit system, but quickly decided that it was too difficult to manage and to provide quality services. Despite sticking it out, the vendors using some form of this arrangement agree that it is difficult to do. The vendor using a full open-entry/open-exit system explained that “it’s required enormous flexibility of my instructors to be able to get that student under the wing and get him up to speed.” Another provider reported that “the teachers have to constantly adapt to new people coming in, you know, people at different levels and starting points and things, so it takes a special kind of teacher and staff person to make it work.”

Providers using this system also miss the benefits that accrue to students from being part of a stable class that goes through training together from beginning to end: “You don’t get the continuity and the bonding of a class.” “You don’t have the same peer group support that’s moving along. It’s just a different dynamic.” “I think students miss not being in a set class. They miss that developing of friendships and helping each other out, and you don’t have the graduation of a class anymore, you have a graduation of little groups, so we don’t see those people slog it out for 20 weeks and make it through and get a job, and you know, you get the support of each other and you know, the mixing of the cultures and languages and all that kind of stuff.”

### *Career Centers*

#### Relationships with Career Centers

The providers interviewed agreed that they had good relationships with career centers prior to implementation of WIA, but that these relationships became stronger and more important once the voucher system went into effect. Some organizations received referrals from career centers before WIA, others worked with them to receive clients under the Skills Plus program, but, for the most part, these providers did not have much need for interaction with career centers before WIA. Each organization, however, has worked to strengthen and improve relationships with the one-stops, because it is necessary in the new system: “I would say we have a closer relationship because now we can’t function without the career center.” Although providers now rely on career centers, they do not necessarily do so for referrals. Two providers (Small Trainer and Large Trainer & Partner) obtain a significant portion of their clients from career centers. About half of Small Trainer’s clientele originates from the career centers. Large Trainer and Partner did not specify a percentage, but did remark that it has seen more clients from career centers since the implementation of WIA. The other providers interviewed, however, have

received few or no career center referrals, including Large Multi-Service Partner—a career center partner. For the most part, then, clients hear about a program through word of mouth and head straight to the providers. They are later sent by the vendors to the one-stops in order to attempt to obtain vouchers for training. Therefore, the providers' newfound reliance on career centers is primarily about obtaining funding for their clients through WIA vouchers, and ensuring that these students return to them, not attracting students.

The career center partners have mixed opinions regarding benefits they might receive due to their relationships with one-stops. One organization primarily uses the one-stop with which it is a partner, but feels that it receives no benefit or special treatment from the center. The other spreads its use of career centers out, careful to avoid the impression of impropriety: "We're aware of the firewall between us and the career center that we help oversee. So we're really careful about that so we know that we have to get referrals from other career centers as well." But this organization also admits to some advantage when it uses its own career center: "We can follow up pretty easily and we know [the customer] will come back. So, having a career center is a definite advantage in this system." This provider also believes that the relationships that have developed with the one-stop due to the agency's involvement in it, have eased its transition to the new training system: "It's definitely been an advantage. . . . just having that relationship, and having the ease of communication and coordination, just makes it so much better. We're kind of a step ahead of having to find out from a career center about what's going on. We know what's going on because we have one, you know regarding funding and trends."

Although only one partner directly discussed advantages, this research clearly finds that career center partners have benefited in the new system. Only one partner receives referrals directly from career centers, but both appear to benefit in terms of follow-up of students sent to one-stops for vouchers. These relationships ease their ability to follow-up with career centers and ensure that potential students return to them for training. This advantage likely explains, in part, why the career center partners are the only organizations interviewed to serve more clients under WIA than they did in the past.

#### Career Center Variability

Interview responses from providers painted a picture of career center variability. For example, differences exist between career centers on such fronts as whether they require training seekers to "shop" at a number of vendors before choosing one, what constitutes having

completed the core and intensive levels of service required before a customer is granted a training voucher, and to whom they will award a training voucher. One training provider requires a shopping period of its potential clients prior to even referring them to a one-stop, and has been doing so for many years prior to WIA and career centers. When asked whether the one-stops still require a shopping period when her referrals have already done so as part of her own process, she responded that it depends on the career center and on the case manager. Providers also reported that the activity and length of time required to move through the core and intensive phases of service vary, with some clients completing these requirements in one visit and others in several.

Who is granted a voucher and the extent to which the “work first” philosophy is playing out also seems to vary. For example, one provider felt that work first was in effect with folks who have a college education or any marketable skill being denied vouchers. On the other hand, another vendor was aware of people who were already working who received vouchers. Although the one example given was of a low-skilled worker with very little education, the WIA guidelines state that a customer cannot move onto training unless they cannot find a job without it. The self-sufficiency standard only applies to the move from core to intensive services. Some vendors would like to see such low-skilled workers receive training, but expressed concern at the variability among and within career centers and at the idea that practice might not follow policy.

### ***Performance Standards***

Although there was much discussion initially about the collection of performance standards under WIA being a burden on providers and encouraging creaming, these themes did not come through in the interviews. Providers focused instead on the benefits and disadvantages of the new monitoring system and the appropriateness of certain kinds of standards and incentive systems. Providers explained that they had to report enrollment, completion, and placement rates under JTPA, as well as number of hours worked and wage rates. Performance standards are similar under WIA, with the addition of an emphasis on retention and long-term wage gains. This change had an effect on the habits of at least one provider who reported implementing long-term tracking of clients, something this organization had not done in the past. Additionally, this provider is focusing more heavily on job placement work than it had previously. She explained that because her organizations is serving so many fewer clients, each placement is vital in order to keep her statistics up.

For the most part, however, providers talked less about changes in performance measures than about how this data will be collected. Much of this discussion was speculative, as providers have yet to be asked to report on this first year of WIA. With JTPA, JCS was responsible for monitoring. Now that role has shifted to the career centers. This change is worrisome to many of the vendors interviewed. In the past, providers reported their statistics to JCS monthly, and monitors periodically came in and checked on the vendors. For the most part, providers felt that JCS had a good understanding of their programs. Although it is still early to know for certain how monitoring will be carried out by the career centers, some vendors worried that the career centers would receive updates on program success less frequently and would have less of an understanding of their programs than JCS did. This concerned two providers who felt that oversight and monitoring of public money is extremely important and will not be done as effectively in the new system. Another vendor worried that the new monitors have far less of an understanding of the needs of disadvantaged populations than the monitoring staff at JCS did. One provider (Small Trainer) took a much more positive view of the new performance data collection system. She agreed that there seemed to be less monitoring, but viewed this change as a benefit. For her, fewer reports and less paperwork meant more time for staff to spend with students.

As has been the case throughout the history of performance standards, there was some concern that the requirements would not fit all programs. For example, one provider who offers a short 12 hour program (in addition to other longer-term programs) was frustrated that the same performance measures are required for all of her programs. She explained that it is very difficult to track the long-term outcomes of students who are only involved with a program for such a short period of time. On a more positive note, Small Mostly Trainer believed that WIA helps to eliminate a disincentive for success of all clients caused by JTPA performance standards. She explained that providers were paid their performance-based contracts if they met the placement requirements of 70% and that there was little additional benefit for placing more than 70% of one's students. The "open books" that come with the provider report cards of WIA create peer pressure to move towards 100% placement and other higher benchmarks than under JTPA.

### ***Client Impact***

When discussing career centers, arguments pertaining to how cumbersome the new process is for clients, especially the most disadvantaged, were even more common than the



duplication and added bureaucracy comments discussed earlier. All of the providers interviewed agreed that added steps in the process of obtaining training is a disadvantage of the new system. They explained that the process a client goes through is much more time-intensive than it was before. One provider mentioned the confusion of having two case managers—one at the career center and one at the training vendor. Providers believe they likely lose some potential students because of the length and cumbersomeness of the process. There seems to be less concern among providers that they will lose customers to other vendors, than worry that clients will give up on training altogether.

Four organizations specifically expressed concern for clients with multiple barriers. They feel that these folks have the most difficulty negotiating the many steps in the new system. In the words of one: “I think the biggest difference is the impact that it has on a client who comes to either door with many barriers to getting a job and are very fragile individuals to begin with. When they came to our door in the past . . . we could say there is no wrong door.” Another discussed that the most disadvantaged consumers have difficulty being advocates for themselves: “It’s become so competitive at the career centers for one of those precious vouchers that you have got to build a case for yourself why you deserve one. That’s not easy. It takes some tenacity on the part of the client.” Two of these four providers worried about the ability of linguistic minorities to access the new system. In addition, one provider criticized the ability of career center staff to work with some of the most disadvantaged populations: “[Career Center] staff lack an understanding of what needs to be done for these folks and day-to-day support doesn’t happen.” Another cited an increase in more sophisticated clients as evidence of the difficulty the most disadvantaged job seekers are facing: “It seems like the people who make it through either have a community or somebody that’s helping them, or else they’re quite savvy and able to do it themselves. I don’t know where those other folks are going. I think they kind of get lost in the whole shuffle.”

The remaining provider (a career center partner) less directly supported this idea of the new process being less than ideal for disadvantaged populations. She admitted that some clients complain that the career center process is complicated, but felt that the one-stops are responsive to people who follow through. This statement might suggest that job seekers who need more support have less success with the career center process.

Again, some organizations have made changes to compensate for this new, more cumbersome client process. One vendor interviews clients sooner than it did before in order to speed up the process. Another has reduced the number of times it requires a potential student to come to the organization in the beginning of the process. And as mentioned previously, two providers accompany potential students to the career centers and two others follow-up with the client and/or career center in an attempt to ensure that these customers return to them for training.

Despite differences in whether their students find them directly or through career centers, most providers agree that clients are of a higher caliber than in the past. The organization that receives about half of its referrals from career centers, believes the one-stops are sending “better” clients than before. Others made positive remarks regarding their clients, including an increased number with college educations, more people with work histories, and better basic and soft skills. It appears that the fears that WIA would cause creaming are playing out. It is difficult, however, to pinpoint the cause of this creaming. Are provider and/or vendor staff weeding out the most disadvantaged clients in order to meet performance standards, or are these folks never making their way to training due to the greater difficulty they have in navigating the new system? One organization mentioned that the improvement in the quality of its clientele is likely a result of the requirement it instituted with the implementation of WIA that its customers pay a portion of the training costs, making up the difference between the value of a voucher and the actual cost of training in this program. Another provider supported the prediction mentioned earlier that vouchers might also run counter to creaming at the provider level. This vendor feels that the intense pressure to acquire as many vouchers as possible has forced it to accept students it would not have in the past. It appears that the need to accumulate funding through vouchers can be in direct conflict with the incentive to cream to meet performance measures. This analysis provides no clear evidence as to whether providers and career centers are engaging in creaming. Creaming resulting from the new more complicated path a job seeker must traverse to receive training, however, appears rather likely.

### **Summary of Findings**

Prior to and soon after implementation of WIA, non-profit job training providers and other workforce development experts worried that non-profit organizations making the transition

from JTPA to WIA would struggle with financing, cash flow, program planning, coordination with career centers, competition from community colleges, marketing, and exclusion of the most disadvantaged clients. The survey used in this study demonstrates that Boston non-profits shared many of these concerns. Survey respondents who are eligible to accept voucher-holders under WIA, and who previously received JTPA contracts, were more likely than all respondents to indicate a need for assistance with financing, marketing, program planning, certification, and cash flow. In response to the challenges brought by WIA, these “WIA eligible/formerly JTPA” providers anticipated making the following changes to their programs: market to a wider spectrum of clients, shift the focus of their workforce development programs, offer shorter programs, offer more program variety, and hire fewer staff.

Interview findings indicated that many of the initial fears non-profit providers raised regarding WIA are still plaguing them today. Financing is a major concern, although career center partners, large organizations with a commitment to training, and providers with a diverse funding base are suffering less than others. Coordination with career centers also challenges providers, but career center partners and programs with a market niche seem to worry less about this aspect of WIA. The advantage of a market niche also helps providers in terms of marketing and competition. Program planning appears to affect all providers and remains a primary concern. Negative impact on disadvantaged populations also continues to be a major worry of most providers. Cash flow issues and performance standards, on the other hand, have not had the expected results. Voucher reimbursement has proven to proceed much more smoothly and timely than anticipated, removing cash flow from providers’ lists of concerns. Performance standards were discussed in interviews, but not in the context one would have expected based on experts’ initial thoughts relating to creaming. Most providers felt performance standards were an important aspect of employment and training policy. They worried more that these standards would not be enforced enough, than about negative impacts of these measures on their organizations or their clients.

Given the continued challenges discussed above, and the characteristics aiding organizations in dealing with these issues, some of the case study providers interviewed appear to be in a more advantageous position than others in the new system. Large Trainer & Partner seems well situated, benefiting from three of the advantages: it is a career center partner, it has a large budget that is totally dedicated to workforce development, and it has an extremely diverse

funding base. Three of the providers interviewed each benefit from one of the advantages. Large Multi-Service Partner profits from its career center partnership. Although this provider has a large budget, commitment to workforce development is not demonstrated through either a large percentage of its resources dedicated to these activities or through its mission. Large Multi-Service, on the other hand, despite also having a large budget with a small portion dedicated to workforce development, benefits from the organization's commitment to job training. Small Trainer profits from its market niche. Small Mostly Trainer is the only provider interviewed to not have any of the characteristics identified in this study as an advantage in the new system. It is not a career center partner. Although it has a significant percentage of its resources dedicated to workforce development, it has a small budget. It does not appear to have a particular market niche that is recognized by the career centers. In fact, at the time of the interview, this provider had yet to receive a referral directly from a career center. Finally, Small Mostly Trainer only indicated four different funding sources on its survey response.

The findings of this research also highlight that, despite the many challenges organizations that have moved from a contract- to a voucher-based system face, these providers have found ways to adjust to these challenges and are remaining strong in the new system. They have actively sought new funding sources and ways to cut costs, they have instituted flexible programs in order to better recruit and accommodate new trainees, and have sought ways to assist potential students through the process of obtaining a voucher. Unfortunately, these survival strategies are sometimes difficult to manage and all are time consuming, forcing providers to take time and resources away from client services. This situation is not ideal for either providers or their students.

Although much can be learned from this analysis, WIA is still in its infancy and much could change in the coming months and years as providers and policy makers continue to adjust and redefine Boston's new training system. When interviewees were asked, though, "would you say that the WIA system is still in flux, or that it's pretty much functioning the way it's going to be for the foreseeable future," all providers responded that they believed that the Boston system is fairly stable. The only exception to this answer, was an expressed hope that the career center process would improve. It seems that at least a few different scenarios are possible over the next several years: 1) As predicted by some, non-profit organizations could struggle due to the obstacles described here, causing them to lose market share to other trainers and forcing

some out of business. 2) The current situation could continue much as it exists today with non-profits working hard to overcome the challenges brought by WIA and surviving despite reductions in clients and funding. 3) Providers, policy administrators, and state and local government could come together to closely examine and reform the current system, using the flexibility allowed by WIA to creatively rethink current services and roles.

At least in Boston, the first scenario is unlikely. The non-profit training community is mature and strong, and has adapted to several policy and funding changes over the years. The providers described in this paper are impressively aware of the legislation that impacts them, the context that led to its development, and the trends that will likely influence the future of their programs. They appear prepared for change and able to adapt. Additionally, as discussed earlier, these providers have faith that the city's training administrators value their contribution to the field and will assist them where possible in adjusting to new policy.

Scenario three, in its entirety, is almost equally as unlikely. Many of the players in Massachusetts' and Boston's workforce development systems have been in place for a significant period of time and are entrenched in these roles. As described earlier, despite the flexibility of WIA, most of the state's and the city's job training infrastructure remained unchanged with the new law's implementation. The struggle over the career center pilots in the state, described earlier, also demonstrates the power of players to hold onto their existing roles.

Some combination of scenarios two and three is the most likely outcome. Non-profit organizations will continue to search for creative ways to adapt. Although some might shift their focus away from workforce development if current struggles continue, most will find a way to honor their missions and continue to provide training to low-income adults. At the same time, providers' involvement in membership organizations and the city's best practices group will hopefully bring improvements to the current system, including a smoother process for clients and the creation of links between different levels of services within the workforce development system. Although major transformation is unlikely, even small changes could go far to improve outcomes for non-profit providers and the clients they serve. The next chapter outlines recommendations for providers and for policy makers attempting to make these improvements.

## Chapter 5: Recommendations

The analysis conducted here of past employment and training policy, trends in social service policy, and the impact of WIA on non-profit job training providers and their clients, leads to several recommendations for non-profit providers attempting to succeed under the voucher system, as well as for federal and state policy. This chapter outlines these recommendations, dividing them into three categories: advice to non-profit providers in the voucher system, system reforms that follow from findings, and broader system reforms.

### Advice to Non-Profit Providers in the Voucher System

In April 2000, before the deadline for WIA implementation, Public/Private Ventures (P/PV) published a report entitled *Surviving, and Maybe Thriving, on Vouchers*. Drawing on the experiences of cities and their providers who had experimented with training vouchers prior to full implementation of WIA, this report outlined six pieces of advice for organizations facing a shift from contracts to vouchers. Most of these recommendations are supported by the findings in this paper. Below I list the suggestions discussed in the P/PV publication, discuss in more detail those recommendations supported by the evidence in this paper, and add a few additional ideas that emerge from the research conducted for this piece.

The P/PV report makes the following recommendations to providers shifting to a voucher system:

1. Programs cannot live on vouchers alone—expand your customer base and/or develop a contract base.
2. Provide job seekers with plenty of choices.
3. Market your services—to the job seeker and to the One-Stop Career Centers.
4. Establish joint ventures that strengthen your chances of success.
5. Focus on long-term employment retention and advancement outcomes.
6. Channel staff and board concern into creating change.

The first four of these recommendations are heavily supported by the findings in this report and I will discuss them in this context:

### ***Diversify your Funding Base***

Financing is one of the most pressing concerns of all job training providers, but this problem is amplified for the organizations moving from a contract to a voucher system. As the interviews demonstrated, most providers are focused on finding new and diverse funding sources and agree that no organization can survive solely on vouchers. Furthermore, having a diverse funding base is one of the characteristics aiding in the transition to WIA. Providers who wish to survive this change in the system, as well as future shifts, should search for a variety of public and private funding sources. One way to aid your ability to receive funding from a multitude of sources, is to serve a diverse group of clients: “Serving a variety of job seekers can also provide the diverse funding base needed for financial stability” (Maguire, 2000, 21).

Another tool for providers searching for more stable funding is the WIA provision that outlines exceptions to the use of vouchers. WIA allows contracts for on-the-job training and customized training; for locations with an insufficient number of providers; and for programs serving special populations with multiple barriers to employment. Organizations that currently provide these services, or that offer programs in locations with few other providers, should lobby the state and local WIBs for contract funding.

### ***Institute Program Flexibility***

The P/PV report suggests offering many choices to job seekers. Most providers interviewed felt training options had actually decreased because many have had to shut down parts of their operations. Vendors have, though, increased options in terms of when clients can begin a training program. Providers have instituted a number of variations of open-entry/open exit mechanisms in order to capture as many voucher-holders as possible. While all admit that this type of a system is difficult to manage, and some have found it impossible to continue, most believe adding flexibility to their programs is vital to survival under a voucher system.

### ***Develop Relationships with Career Centers, But Do Not Rely on Them Alone for Referrals***

P/PV recommends marketing to both the job seeker and the career center. This advice is extremely important. As the interviews made clear, relationships with career centers are vital to success under WIA. Understanding the process clients go through at the one-stops, and being able to prepare them for it, has aided many vendors in holding on to clients who first come through their doors. Good relationships with career centers will hopefully also lead their staff to

send your organization some clients who have gone directly to them first. This advice is supported by the success of the two career center partners interviewed. They were the only of the five providers interviewed to actually serve more clients under WIA than they served under JTPA.

Despite the importance of the career centers, vendors should not rely on them alone. The interviews revealed that most providers still receive the majority of their clients directly through word of mouth from past students. In fact, some WIA vendors have received no referrals from career centers. Marketing was a common topic in the interviews and crucial to the success of the providers with whom I spoke. Unless they have a well-known market niche, organizations that intend to survive the new system must increase their marketing activities, both at the career centers and through other means they have employed in the past. Engaging in outreach in their communities, and encouraging current and former students to send in their friends and family, will likely be important.

#### ***Form Mergers and Partnerships***

A common theme of the discussion surrounding WIA is that small organizations will likely go out of business. The interviews demonstrated that even larger institutions are likely to lose some of their smaller satellite programs. Another theme is the difficulty non-profit providers have competing with community colleges and other accredited institutions. Both of these issues might be addressed through P/PV's recommendation of forming joint ventures. Smaller organizations might merge their operations, and other vendors could consider partnering with community colleges and other institutions. Partnering with community colleges brings the added benefit of facilitating the bridges that will lead to a continuum of services for job seekers.

The last two of P/PV's recommendations were stressed less by the findings in this report, but did come up to some degree:

#### ***Improve Long-Term Outcomes***

WIA brings new performance standards related to long-term retention and advancement. Meeting these standards is required for remaining on the list of WIA eligible vendors. Boston's WIA vendors have not yet been asked to report their outcomes, and are still unclear how approval for the next year of WIA will be carried out. While there are still many unknowns as to how the process will proceed, vendors can be fairly certain that some information regarding long-term outcomes will be required. Furthermore, regardless of this requirement, the long-term



success of a program's clients should be of great concern to the provider. Any organization that is not currently tracking clients over the long-term, should implement such a system both for the livelihood of its programs and the success of its clients.

### ***Think Creatively***

Many of the providers interviewed mentioned that a benefit of the change to WIA has been how this shift has motivated their organizations to step back and think about the way they do business and how they can best serve their clients. These comments sound similar to P/PV's suggestion to "channel staff and board concern into creating change." The organizations most willing to question the status quo and think creatively about how they can improve their services and survive in the new system, are the ones most likely to flourish.

In addition to the recommendations similar to those suggested by P/PV, the findings in this paper lead to two further suggestions for providers:

### ***Get and Stay Connected***

The findings suggest that in addition to relationships with career centers, providers have benefited from close ties to JCS, the PIC, and provider membership organizations. For most, these connections are what informed them of WIA and the changes to expect in the system. Furthermore, provider alliances allow vendors to learn from one another and to speak as a united voice when advocating for change or assistance.

### ***Assist Clients Through the Career Center Process***

Most providers have learned that the new training system has resulted in a cumbersome process for many clients. The "one-stops" have actually added stops for the many customers who head to a provider before ever even hearing of the career centers. As a result, assisting potential students in understanding the required steps, and even accompanying them to the career centers, can be an important part of ensuring that those individuals you have recruited make it through the system and become clients of your organization.

## **Systems Reforms that Follow from Findings**

In addition to suggestions for non-profit organizations providing training in a voucher system, the findings from this study lead to several implications for federal and state

employment and training policy. The recommendations that follow flow directly from the research conducted for this paper, as well as from literature in the field.

### ***More Funding at Federal and State Levels***

Insufficient funding was a theme of both the survey and the interviews. All of the survey respondents making the transition from JTPA to WIA, and 82% of all respondents, indicated a need for program financing. Of the 35 survey participants listing priority needs, 27 (77%) listed program financing as a priority and 22 (63%) chose it as their greatest need. During the interviews, one provider commented that her program had never been funded at a level that covered the actual expenses of running a training program. She wondered how, especially under WIA, local providers are supposed to be creative and improve their programs without enough money to do so and with the extraordinary amount of time that must be dedicated to supplementary fundraising.

Even more important than the struggle these providers face, is the reality of how few individuals are able to receive training services. In this first year of WIA, Boston's allocation only funded approximately 360 training vouchers for disadvantaged adults and dislocated workers combined. This number was not much of a change from the number served in the past few years under JTPA.

The United States has never funded job training at a level that shows true commitment to preparing the workforce for meaningful employment. Funding levels have only allowed for a small percentage of the eligible population to receive services (Mangum, 2000). For the most part, even those who are served do not receive the length or intensity of services necessary to improve their wages over the long-term and lift them out of poverty. Garth Mangum blames the short duration of most training programs on this inadequacy of funding: "local administrators find it difficult to say no to the many in order to provide meaningful training to the few" (Mangum, 2000, 297). A vicious cycle has been set in motion: inadequate funding levels lead to insufficient services, which lead to poor program outcomes and evaluations, which then become evidence for not increasing funding to training programs. The United States must make a committed effort to providing the resources necessary to prepare its citizens for meaningful employment and the ability to support their families.

Although the federal government should take responsibility for ensuring a capable and prepared workforce, the entire burden should not fall to it. Some experts believe that state

governments have the ability to effect outcomes in their own states: “Despite [WIA’s] limitations, a truly committed state can offer a realistic second chance if it is willing to use federal funds as a supplement to its own designed and funded programs” (Mangum, 2000, 326). Massachusetts faces a shortage of skilled labor and should have many incentives to improve the education and skills of its workforce (Moscovitch, 1997). Through a pattern of increased funding, the state has demonstrated an interest in adult literacy and education. The state also recently established the Workforce Training Fund, which distributes \$18 million in training and technical assistance grants statewide annually to employers, employer organizations, labor organizations, and training providers to train current and newly hired workers. These steps are encouraging and should be applauded, but they are not enough. The state must become involved at all levels of workforce development, supplementing federal funds and ensuring that a continuum of services exists for job seekers whether they need basic education, English language skills, occupational training, supportive services, further education, or any combination of the above.

### ***Target the Disadvantaged***

The evidence presented in this paper suggests that creaming is one result of the new employment and training legislation. Whether the most disadvantaged are being screened out by career center and/or provider staff, or are failing to make it through the many steps necessary to obtain a voucher, they are not being served to the extent they were in the past. All providers interviewed agreed that the students they have served under WIA are better off than previous groups of clients. While some show concern, others are glad to be able to provide training to the working poor, something they could not do easily under JTPA.

The appropriate targeting of public services has long been a debate, and the workforce development field is no exception. Many feel that the government should prioritize the most disadvantaged, especially when resources are limited. Others believe that everyone risks losing resources when the worst off are targeted. They feel that when a program is closed to the middle-class it loses political support and no one benefits. Furthermore, programs that only serve the disadvantaged become stigmatized, making it difficult for graduates to succeed in the mainstream. WIA marks a transition in federal employment and training policy with a shift from targeting of the poor to universal access to services. As has been described, although WIA

allows for disadvantaged populations to be given priority if resources are short, this targeting is not required.

Providing employment and training services to a broad group of citizens is an admirable goal and one that should be pursued by greatly increasing the amount of funding in the system. When the funds to serve anyone interested in participating are not available, however, decisions must be made about who to target. In this case, the government should take responsibility for serving the most in need—those least likely to have success without public intervention. In order to ensure that this is the case, the federal government must require it: “Overall, states have tended to care for mainstream populations but ignore the needs of those on the political periphery. . . Federal sponsorship and funding have generally been necessary to entice states to serve those who are politically weak at the local and state levels but in the aggregate have been able to win support at the national level” (Mangum, 2000, 325). WIA’s provision for allowing states to target the poor if need outstrips funding does not go far enough. It is not a requirement and it only pertains to the intensive and training levels of service. Under WIA’s current wording, core services must continue to be made available to all. With the extremely limited amount of funding in the system, middle-class Americans should not be using resources for very basic services when there are many individuals in much greater need of a much greater level of service. A prior version of WIA called for a major information system and major increases in training resources (Donahue, Lynch, & Whitehead, 2000). With these provisions, the move to universal services might not have seemed so unpractical. The current situation, though, especially the inadequacy of funds, calls for targeting requirements and assurances that the system will not erect obstacles for those job seekers with multiple barriers.

### ***Appropriate Performance Standards***

Interview participants discussed performance standards in a much more positive manner than expected. Two of them strongly favored strict performance standards for vendors of public training services. Another explained that the new longer-term performance measures introduced by WIA forced her to institute longer-term tracking, something she admits she probably should have done sooner. This provider also improved her placement services as a result of the new legislation.

Despite charges that performance standards add to the problem of creaming and take the time of program staff away from serving clients, they remain an integral part of any publicly-

funded program. Any organization receiving public funds must be held accountable for their use. Job training, in particular has accumulated a bad reputation; providers must counter this view by being accountable when using public funding. Furthermore, data collection pertaining to performance outcomes provides valuable feedback that can positively influence future program design.

The design of standards, however, is vital and can counter the disadvantages that inappropriate measures bring. Performance measures should be tough, but also realistic. A one-measure-fits-all standard is not realistic and invites creaming. Performance measures must account for the variety of barriers clients face and have the flexibility to count from where each client starts. For example, a provider should not be expected to place a client with no work history and limited English skills in a job in the same amount of time as someone with basic skills, but a need for updated occupational skills training. Holding vendors to the same standards for each client will pressure the provider into accepting the more skilled applicant. Strict standards also require that policymakers give providers the means to meet these standards. Policy must allow adequate time and money for vendors to carry out the extensive remediation, training, and support services necessary to accomplish performance objectives. Again, failing to do so will encourage creaming.

### ***Combination Contract and Voucher System***

For several reasons discussed earlier, non-profit job training providers are integral to the provision of employment and training services for the most disadvantaged populations. As the interviews made clear, these organizations have great difficulty operating without contracts and several have had to limit their services, including closing smaller satellite programs. Contracts provide more stable funding, enable better program planning, allow providers to advertise free services, and lead to a smoother process for clients interested in a specific program. Additionally, they enable providers to run longer-term, more intensive training programs that require a number of clients that cannot be guaranteed under the voucher system.

It would be hard to argue, however, that there is nothing good about a voucher system. For job seekers without a connection to any specific vendor, having one place to go to learn about a variety of services and vendors should be an advantage. Many providers interviewed admitted that they benefited from the “open books” or consumer report cards required by WIA. This sharing of information was useful to their own program planning and caused them to

rethink the way they operate. And all appreciated the faster payments under the voucher system. One vendor interviewed (Large Multi-Service Partner) also commented that, theoretically, open competition provides an opportunity for providers to generate more revenue. Under a contract, the vendor is limited to the amount of the contract, whereas voucher intake is unlimited aside from availability and competition. Conversely, though, providers could generate less income under vouchers. For most, of course, the latter is the reality.

Perhaps the solution is to run a combination contract/voucher system. This joint system is not unheard of in other arenas: “In many areas, including education [and housing], vouchers are likely to operate side by side with continuing public provision of a good or service. Proposals to completely replace public provision with vouchers are often unrealistic, suggesting the need to think in terms of the costs and benefits of a mixed system” (Sawhill & Smith, 2000, 279). In the case of job training, the contracts could run similarly to the way they did under JTPA (with the exception of faster payments, hopefully), but customer-held vouchers would also be available through the career centers. This joint system would allow the core support non-profit providers need to stay afloat, while allowing customer choice and competition for those job seekers who head first to a career center. Vendors could plan their programs, recruit clients, and count on a funding stream as they did in the past. If they wished, they could also pursue additional clients (voucher-holders) from the career centers. Those clients recruited directly by the vendor and funded through a contract would not need to go through the extra steps at the career center. And those customers receiving vouchers at the one-stops would not have made the many stops of going first to the provider, then to the career center, and then back to the provider. Providers receiving contracts should automatically be listed as an approved vendor for the voucher system. In addition, other training organizations that do not receive contracts, (including other non-profits, community colleges, and private vendors) should be allowed to apply to become eligible vendors for voucher-holders. Perhaps non-profit vendors making the list of approved providers could be given a small amount of funding to cover marketing and assessment activities. As the interviews revealed, these two activities are costly, but necessary under a voucher system.

### ***Provider and Client Representation on WIBS***

The findings in this paper clearly demonstrate that non-profit providers’ initial fears regarding WIA have, for the most part, played out in practice. It appears that, at least in Boston,

these organizations have a keen understanding of their programs and their students, and of how both are impacted by policy. One provider interviewed blamed many of the problems with the new legislation on the lack of provider involvement in policy making at all levels of government.

Acknowledging the importance of employer involvement in employment and training programming, the Workforce Investment Act requires that state and local Workforce Investment Boards contain a majority private membership. As has been explained previously, the legislation allows discretion to the states and localities regarding other members, only requiring that the state board include elected officials, labor organizations, state agency heads, and training providers, and that the local boards include education providers, labor organizations, community-based organizations, economic development agencies, and the required partners of the one-stop career centers. No numbers or percentages are required for representation by these other groups. Furthermore, former clients are not even mentioned as required or possible board members.

Some stakeholders are too important to be overshadowed on these boards. In particular, those who have the most at stake—job seekers and training providers—must play a key role in policy development and decision making. This does not necessarily happen when decisions regarding representation are left to the states and localities. For example, except for representatives of local colleges, only two training providers sit on Boston’s 29 member WIB. No current or former students sit on the board. Furthermore, Massachusetts’ five-year state WIA plan was developed before the state WIB was even formed. Initial WIA policy for the state was set by a Workforce Steering Committee comprised mostly of state agency heads. The federal government should require that policy and decisionmaking be made by representative boards that include a significant proportion of training providers and their current or former clients.

### **Broader System Reforms**

The additional recommendations that follow flow less directly from the findings of this paper, but are well supported by employment and training literature, local workforce development experts, and the reality of recent public policy shifts and trends. Taken together with the recommendations discussed above, they help to create a complete picture of employment and training reform.

### ***Longer Programs, More Comprehensive Training, Supportive Services, and a Continuum of Services***

Much evidence suggests that although short-term placement programs might improve immediate outcomes by moving job seekers into employment, longer-term training is necessary for long-term results: “Welfare-to-work programs that focus on prompt job placement have better short-term outcomes, but may not be effective in helping individuals lacking solid educational foundations to achieve self-sufficiency in the long run” (Schorr, 1997, 176). This finding is not new. Garth Mangum points out that as early as twenty years ago evidence demonstrated that clients receiving classroom training for less than 20 weeks only received 1/6 the earnings gains of those with over 40 weeks of training. Furthermore, this correlation between length of time spent in skills training and wages applies to both placement and retention wages. He predicts that the number of hours of training necessary for success will continue to grow as the payoffs to college education also continue to increase (Mangum, 2000).

Recognition of the need for longer, more comprehensive training must be accompanied by an understanding that most disadvantaged adults cannot access such programs without the assistance of supportive services such as transportation, daycare, and case management. Furthermore, living stipends for trainees engaged in long-term training should be reconsidered. Many job seekers are unable to afford training without them. The combination of low funding levels, inadequate support services, a lack of stipends, and an emphasis on moving people into jobs as quickly as possible, have likely contributed to the short-term training popular today. Government funding and guidelines must allow the time and supports necessary to properly prepare disadvantaged adults for the workplace.

The increasing demands of the labor market also call for better coordination between different levels of workforce development programs. A recent MassINC study reported that fewer than 2% of students in Adult Basic Education programs intend to pursue further education and training (Comings, Sum, & Uvin, 2000). Furthermore, few non-profit job training programs are credentialed in such a way that community colleges and other educational institutions recognize the skills and assets that completion of one of these programs signifies. Literacy and training programs should be viewed as important first steps in a continuum of learning that should not end when a student completes a program or even finds employment. WIA attempts to facilitate coordination of several employment and training programs. States must use this



opportunity to take the initiative to build the bridges necessary to allow a smooth and obvious transition for people through the different levels of the workforce development system.

### ***Appropriate Roles for Non-Profits, Private Vendors, and Community Colleges***

A vital part of building the bridges described above is understanding the best roles for different players to take on in the system. The answer will likely differ by state. Already there are significant differences between states in terms of what types of organizations provide the majority of job training services to disadvantaged populations. While some states, such as Massachusetts, rely heavily on non-profit, community-based organizations, others depend on community colleges. Any true attempt to improve a system necessitates not taking the current arrangement for granted, but instead being willing to think creatively about what roles are important and which players should carry them out.

Voucher systems have already influenced roles to some extent. Areas using vouchers prior to WIA saw an increase in the number of organizations providing training, an increase in market share for colleges and proprietary schools, and the closing of some small non-profits (Maguire, 2000). These trends caused worry for some experts regarding the future of training in Massachusetts: “If the Commonwealth already had an extensive and uniformly strong network of community colleges and private training providers oriented to the needs of low-wage workers as well as the unemployed, and if solid labor-market and training information system existed (or was well on the way to being built) the likely loss of CBO training capacity might be a price worth paying. But this does not describe Massachusetts today” (Donahue, Lynch, & Whitehead, 2000, 51). Clearly, in addition to basic education, further education, language skills, and occupational skills training, an array of services and supports are necessary for disadvantaged populations to succeed. Should one type of organization fill a number of these functions? Could community colleges ever successfully provide all of these services to the most disadvantaged? Are some types of organizations better suited to train while others serve the same clients with the necessary support services? The scope of this study does not provide answers to these questions. Further research at the state level should be conducted to ensure that funds are targeted to the appropriate vendors and that logical continuums of services are orchestrated.

### ***Compensate for Work First Policies***

“Work first” policies might succeed at placing job seekers into employment and, as a result, raise short-term earnings. An entry-level job alone, however, is unlikely to move

someone out of poverty or onto the road to higher wages and a career. Despite these arguments, though, work first has become an entrenched public policy philosophy and has received significant support. As a result, fighting work first likely will be less productive than advocating for changes that will assist those individuals who have fallen victim to this philosophy. Work first must be exactly what it says—work *first*, not work *first and last*. In other words, work itself cannot be the ultimate goal. Work should be viewed as the first step in a series of interventions that will lead a worker and her family out of poverty. Workers must be supported while they are first back to work and be given the opportunity to continue their education and training while working.

This education and training should be specifically geared towards assisting a worker in advancing on a career ladder that leads to increased income, benefits, and satisfaction. Building bridges within the workforce development system as described above is one tool. Another is to extend to the training level of service WIA's criteria that a customer can move from core to intensive services if she cannot find or retain a job that *allows for self-sufficiency*. This language pertains to the intensive level of service, but not to training; current WIA language states that a customer can only receive training if she cannot find any job without it. Allowing training for working people who cannot bring their families out of poverty on their current incomes would go far towards improving the living standards of many poor families. This argument does, however, run counter to the discussion related to creaming and targeting the most disadvantaged. Again, the solution is additional training funding that can allow the working poor to be served without taking services from the jobless.

### ***Federal and State Support of Best Practices***

In addition to infrastructure, services, and training, employment and training legislation should fund the mechanisms necessary for providers to do their jobs well and for best practices to be replicated throughout the field. For example, teachers and staff of job training programs and career centers should be trained in best practices and in working with a multitude of different populations and barriers. Additionally, one interviewee felt that when an excellent curriculum for training a specific population in certain skills is discovered, it should be made widely available for other providers to institute or learn from. Public funding could also be made available to assist the “best” providers in scaling up or replicating their operations. In the introduction to *Common Purpose* Lisbeth Schorr wrote, “. . . we have learned to create the small

exceptions that can change the lives of hundreds. But we have not learned how to make the exceptions the rule to change the lives of millions” (Schorr, 1997, xiii). The government should play a role in spreading and expanding these “exceptions.”

### ***Consolidation of a Still Fragmented System***

As discussed earlier, the consolidation of a fragmented system has been a goal at several times throughout the history of employment and training legislation. WIA again made such an attempt. This objective is an important one for the federal government to embrace: “The fragmentation of services caused by bureaucratic specialization and categorization is probably the single most obvious obstacle to delivering effective services and supports for families most in need of outside help. . . Purely local attempts at service integration have not been able to solve the fragmentation problem. They cannot overcome the complexity of existing financing streams and administrative practices . . .” (Schorr, 1997, 87). Yet, despite WIA’s attempt, it has resulted in little actual consolidation. Although it encourage states to create a unified plan including most federally-funded employment, training, and public assistance programs, there is no requirement to do so. Furthermore, adult education and literacy provisions are included in the legislation, but reside in a separate section from the training authorization and are not integrated. WIA does require a broad membership for the WIB, but this alone does not change the fact that several workforce development funding streams are administrated separately and require different activities and reporting from providers. Funding stream consolidation must be undertaken more seriously. Furthermore, stronger requirements and incentives for service delivery collaboration should be instituted.

### ***Supply of “Good Jobs”***

The supply of employment opportunities is extremely important to the success of job training clients. Federal and state policy should work to ensure that there are decent jobs and enough of them. Although the unemployment situation has changed in the past few years, in 1997 Lisbeth Schorr wrote, “Some academics estimate that the number of poor jobless workers currently exceeds the number of vacancies by at least six to one” (Schorr, 1997, 177). The availability of “good jobs” for entry-level workers was even more dim. The Minnesota JOBS NOW Coalition’s 1995 Jobs Gap Study found 31 people in Minnesota seeking every livable wage job that required a year of training or less (Giloith, 1998). Realistically speaking, it is likely that there will always be a significant supply of “bad jobs.” Through career ladder programs,

minimum wage increases, living wage campaigns, tax policy, and other means, policymakers and advocates should strive to ensure that employment in these jobs is not permanent and that survival is possible with the incomes from them.

## **Conclusion**

Non-profit job training providers that have made the transition from JTPA to WIA funding struggle with financing, program planning, coordination with career centers, competition, and marketing. Some organizations are able to adjust more easily than others, but these issues remain a concern, to some extent, for all providers. Additionally, the new system negatively impacts the most disadvantaged job seekers. The recommendations outlined above—such as diversifying your funding base and developing relationships with career centers, but not relying on them alone—are intended to assist non-profit providers in the current system in addressing these problems or succeeding despite them.

In addition, recommendations relating to larger systems reforms should also assist providers and their most disadvantaged clients by tackling issues that have long plagued employment and training policy, as well as more recent dilemmas. The recommendations pertaining to increased funding, targeting the disadvantaged, and fostering a continuum of services, are particularly important. Whatever shape the workforce development system takes, significantly more money must be allocated. Until sufficient funding to support all in need of training is granted, programs must target the most disadvantaged populations. Finally, customers completing one program should be able to easily transition to further education, training, and services in a smooth and comprehensive continuum of services. Without these reforms, poor individuals in the greatest need of job training services, and the organizations that have traditionally served them, will suffer. In turn, the country as a whole will be harmed as a large number of potential labor market participants miss out on acquiring the skills necessary to support their families and contribute to the nation's economy.

## Changes and Challenges for Job Training Providers

This survey attempts to assess the current challenges faced by community-based job training providers, including those challenges related to the recent implementation of the Workforce Investment Act. Your participation is greatly appreciated. Please complete and return this survey by **August 25, 2000** to: Michelle Persson Reilly, The Boston Foundation, One Boston Place, Boston, MA 02108; fax: 617/ 589-3616.

Organization Name: \_\_\_\_\_

Program Name (if different): \_\_\_\_\_

Contact Person & Title: \_\_\_\_\_

Phone Number: \_\_\_\_\_ E-mail: \_\_\_\_\_

### **PART I: Organization/Program Information**

- 1) What is your organization's yearly operating budget?  
 under \$250,000     \$250,000 - \$1million     \$1- \$2 million     \$2million+
  
- 2) What percentage of your organization's operating budget is financed through:  
 public funding? %    private/philanthropic funding? %    fee for service? %
  
- 3) What type(s) of workforce development services does your organization offer?  
**(check all that apply)**  

<input type="checkbox"/> Adult literacy/GED/ESOL	<input type="checkbox"/> Skills training
<input type="checkbox"/> Youth alternative education	<input type="checkbox"/> Internships/On-the-Job training
<input type="checkbox"/> Job readiness	<input type="checkbox"/> Workplace education/training
<input type="checkbox"/> Job search/placement	<input type="checkbox"/> Others: _____

---
  
- 4) What percentage of your organization's operating budget is targeted to the items listed in # 3? %
  
- 5) From which sources have you received funding in the past two years for these workforce development activities? **(check all that apply)**  

<input type="checkbox"/> JTPA/WIA adult	<input type="checkbox"/> Comm. Dev. Block Grant	<input type="checkbox"/> MORI
<input type="checkbox"/> JTPA/WIA youth	<input type="checkbox"/> HUD grant/contract	<input type="checkbox"/> MA DMH
<input type="checkbox"/> MA ESP	<input type="checkbox"/> DOL grant/contract	<input type="checkbox"/> MA DMR
<input type="checkbox"/> Federal Welfare-to-Work	<input type="checkbox"/> HHS grant/contract	<input type="checkbox"/> MA Rehab.
<input type="checkbox"/> Local formula Welfare-to-Work	<input type="checkbox"/> School-to-Career	<input type="checkbox"/> Workforce Training Fund
<input type="checkbox"/> Skills Plus	<input type="checkbox"/> Enter. Zone/Comm.	<input type="checkbox"/> Employer funding
<input type="checkbox"/> Priv. foundations/corporations	<input type="checkbox"/> MA DOE	<input type="checkbox"/> Student fees

Others/Details: \_\_\_\_\_
  
- 6) How many clients per year do you serve in these workforce development activities?  
 under 50     50-100     101-200     over 200    (Please continue on back.)

- 7) How many staff work in your workforce development program(s)? Full-time: \_\_\_ Part-time: \_\_\_
- 8) For how many years have you been operating workforce development programs? \_\_\_\_\_
- 9) Have you applied to become an eligible provider of training paid for through WIA's Individual Training Accounts ("vouchers")?
- \_\_\_ yes, approved \_\_\_ yes, not approved \_\_\_ yes, pending \_\_\_ no, won't apply \_\_\_ no, will apply

**PART II: Needs Assessment**

1) Please indicate whether your organization, in relation to its workforce development activities, needs funding, technical assistance/training, or both in any of the following areas (**check all that apply**):

	<u>Funding</u>	<u>TA/Training</u>
Program planning/design	_____	_____
Program financing	_____	_____
Cash flow	_____	_____
Staff development (hiring/training/retention)	_____	_____
Performance data collection	_____	_____
Public policy advocacy	_____	_____
Certification/accreditation/licensing	_____	_____
Building partnerships/collaborations	_____	_____
Marketing (to employers/to clients/to career centers)	_____	_____
Technology	_____	_____
Analyzing labor market trends	_____	_____
Updates on policy/funding changes	_____	_____
Other: _____	_____	_____
Other: _____	_____	_____

2) Of the items you marked above in #1, please list your four greatest needs (**please prioritize**):

- |          |          |
|----------|----------|
| 1. _____ | 3. _____ |
| 2. _____ | 4. _____ |

3) What changes to your workforce development program(s), if any, do you anticipate in the next few years as a result of WIA? (**check all that apply**)

- |   |  |
|---|--|
| ___ Market to a wider spectrum of clients                             | ___ Offer shorter training programs                                |
| ___ Market to a more targeted group of clients                        | ___ Offer longer training programs                                 |
| ___ Serve more clients  | ___ Offer greater variety of training progs.                       |
| ___ Serve fewer clients   | ___ Offer fewer training program options                           |
| ___ Shift the focus of your existing workforce development program(s) | ___ Change in organizational focus away from workforce development |
| ___ Employ fewer salaried staff                                       | ___ Others: _____  |

4) Please feel free to share further information/ideas/comments on a separate sheet of paper.

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