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The Workforce Investment Act of 1998

Challenges and Opportunities to Assist Low-Income Adults in Becoming Self-Sufficient in a "Work-First" World

Recently, the Center has been successful in obtaining funding to expand its work on welfare and workforce reforms. Over the coming year or so we will be producing more policy analyses in this area, traveling to local workforce areas, and visiting various welfare-to-work programs around the state. With this work we hope to develop a better picture of how low-income families are faring in their interactions with the state's workforce system. We also will be developing expertise in best practices, highlighting model program approaches, and examining specific challenges such as helping "hard-to-serve" clients find a path to self-support. We are fortunate to have added Elizabeth Mueller to our staff to assist in this work. Liz comes to us from the New School for Social Research in New York where she worked extensively on the challenges of developing employment strategies for low-income communities. To kick off this work (and give Liz her first assignment!) this *Policy Page* looks at the Workforce Investment Act of 1998 and examines its implications for Texas.

OVERVIEW

The federal Workforce Investment Act (WIA) of 1998 was passed after several failed attempts to rationalize the nation's fragmented worker training programs. Attention to the workforce system was also motivated by a series of evaluations calling into question the effectiveness of many federally funded training programs. In spite of these underlying motivations, the resulting act failed to tackle program fragmentation or effectiveness head-on. Instead, it focused on better coordination of existing programs, devolution of policy planning and service delivery to states and, within states, to local areas. The act also calls for increased accountability of service providers.

Texas passed its own workforce reform legislation in 1995, in many ways foreshadowing the key provisions of the federal act. As a result, the structure of the Texas system was grandfathered under WIA. This policy page outlines the key provisions of WIA and highlights key implementation challenges facing Texas.

WORKFORCE INVESTMENT ACT OF 1998

Overarching themes—easier access to services, "work first"

The Workforce Investment Act of 1998 (WIA) emphasizes coordination of existing federal services and customer choice. The act mandated creation of a system of "one-stop shops" where information on all services is available and where "core services" are provided. Core services are aimed at helping

clients locate jobs. They include job search and placement assistance; labor market information (on job vacancies; skills needed for jobs in demand; and local, regional, and national employment trends); initial assessment of skills and needs; information on services; and follow-up services to help clients keep jobs.

For those unable to find work with the help of the core services described above, "intensive services" are to be made available. These include more comprehensive assessments of skills, development of individual employment plans, group and individual counseling, case management, and short-term pre-vocational services.

While the rhetoric around WIA emphasizes "work first" rather than skills training, under the new system local boards actually have a great deal of discretion and can set their own policies for determining who is eligible for intensive and training services. For example, while clients can only receive job training services after receiving both core and intensive services, which core services they receive and how long they must wait before they are eligible for training is up to local boards. Federal regulations make clear that individuals must receive at least one core service before a determination can be made that they are eligible for more intensive services. Boards might decide, for example, that the one core service clients must receive is an assessment of the match between their skills and local employment opportunities. Those with bleak prospects would be approved for intensive services. Similarly, to move from intensive services to skills training, individuals need only use one intensive service. So, boards do have the

ability to offer clients training for better jobs; the main limitation is likely to be budgetary.

In cases where training funds are insufficient relative to local needs, the act specifies that priority for intensive and training services be given to low-income individuals. It is left to states and localities to determine what percentage of WIA training resources will be earmarked for low-income individuals or public assistance recipients versus higher income individuals.

Training may include occupational skills training, on-the-job training, entrepreneurial training, skills upgrading, job readiness training, and adult education and literacy activities in conjunction with other training. Most clients will now be able to select their own training, funded by their “individual training account” (ITA). Once clients are deemed eligible for training, they are to be provided with a list of eligible providers along with cost and performance information about them. Based on this information, clients can then select a provider and costs will be paid through their ITA funds. The act does not set the value of ITAs; therefore, how much an individual may spend (and thus, what training services he or she can really purchase) will be determined by state and local policy.

Again, local boards have significant discretion in the use of ITAs. They are able, for example, to contract for training directly with providers under several conditions: for on-the-job or customized training; when there is an insufficient number of local providers to provide clients with a meaningful choice; and when effective local programs aimed at serving those with multiple barriers to employment exist.

The certification of eligible providers is determined largely by the state, following federal guidelines. The state is required to establish a performance-based certification system to determine which training providers will be eligible to contract for services. The state must design procedures for local boards to use in selecting training providers that incorporate federally mandated performance measures. In addition, the governor may require that additional performance measures be used, including retention rates and wages of those completing programs; the percent of those completing training who attain industry-recognized occupational skills; and, where appropriate, the rates of certification or licensure of those completing the program. Local boards are free to add additional measures. Texas has included job retention and credentialing measures for serving youth and adults and skills attainment measures for serving youth in its state WIA plan.

At least initially, community colleges and institutions providing apprenticeship training are automatically eligible to provide WIA-funded training. All other providers have to meet performance standards set by the state and/or local boards. Community-based organizations may have a hard time operating in this system since many are small and may not be able to operate without continuous direct contracts rather than voucher-like ITAs. However, those providing services to individuals with multiple barriers to employment can contract with boards directly, as described above. Other organizations that may provide very effective services to their

communities can only receive contracts if boards expand these exceptions to include them.

New structure of the workforce development system—devolution and performance incentives

WIA reorganizes the governance of workforce programs, shifting responsibility for policymaking and monitoring to the state and local levels. It mandates creation of one-stop centers to provide information on available services in one place and, potentially, to coordinate across available services. It increases the potential for greater accountability and comparability of service providers. Early assessments find, however, that implementation of these provisions has varied widely across states and has not yet produced the desired results.

The key elements of the system as laid out in WIA include:

1. Establishment of a state workforce board, appointed by and including the governor, with broad authority to guide development of the state’s workforce system and coordinate federally funded program plans. Business holds the majority of seats; other seats are held by representatives of 14 different programs, state and local elected officials, labor unions, economic development officials, and representatives of the general public. Labor and community-based organization representation is mandated (as under the old Job Training Partnership Act), but there is no longer a combined 15 percent minimum participation requirement for these two constituencies. In Texas, this board is called the Texas Council on Workforce and Economic Competitiveness (TCWEC).
2. Development of unified state plans. States may integrate planning for use of federal funds through unified plans for 2 or more of 15 workforce programs. Programs included in such unified plans need not submit separate applications for federal funds.
3. Establishment of local workforce boards by local elected officials to set policy for coordinating workforce investment systems in substate regions. Boards will design and oversee programs for adults, youth, and dislocated workers.
4. Creation of one-stop systems. Local boards will set up one-stop systems where people can look for work or explore available services. Training providers are required to furnish consumer information on their past performance to guide customers in their selection of training programs.
5. Performance-based accountability. Performance measures are proposed by states and negotiated with federal agencies to achieve the results anticipated in state plans. Similarly, local standards are to be negotiated between local boards and state agencies. Incentive grants will be awarded to states based on results.
6. Common definitions of performance to be developed across federal, state, and local levels across programs. Core indicators are entry into unsubsidized employment; retention after 6 months; earnings after 6 months; and attainment of a recognized credential. These measures do not take into

account the skill levels of—or barriers faced by—individuals prior to placement.

7. Waivers of federal administrative and process regulations to bridge boundaries of individual programs.

EARLY IMPLEMENTATION IN TEXAS

Texas, like many other states, was actively working to reform its workforce development system years before the federal legislation was passed. Legislation was eventually passed in 1995, motivated in part by anticipation of federal consolidation of workforce programs and in part by dissatisfaction with the effectiveness of the previous system. Through HB 1863, the Texas Workforce Commission (TWC) was established, consolidating 28 employment-related programs from nine state agencies. Texas established its own local workforce development boards and workforce areas and procedures for allocating and disbursing funds to boards and, at the local level, to contractors. To the extent allowed by federal law, the state would provide block grants to local boards and let them design the delivery of employment and training services.

Over the last two years, TWC has undergone substantial organizational changes and Private Industry Councils have been replaced by Local Workforce Development Boards. In April 1997, Dallas County became the first local workforce board to become fully operational. As of this writing, 26 local boards are fully operational, with two more coming on line soon. The state WIA plan has been finalized and approved by the governor. Local plans are in place and performance standards have been negotiated for 26 boards. Rules have been established for training provider certification. In July, the state began implementation of its five-year WIA plan.

Implementation issues—how does the system work on the ground?

While Texas has had a jump on other states by already moving to put a WIA-like system in place, evidence suggests that the system is more coherent on paper than in reality. A recent report by the State Auditor's Office has raised serious questions about the initial organization and certification of the local boards, with implications for their ability to oversee contracts and monitor performance in the spirit of WIA. A related finding was the lack of systematic technical assistance to local boards on the part of TWC.

This points out a tension within the WIA system: the higher degree of local control over decisions and monitoring of activities presumes a technical sophistication that local boards may not yet possess. Local control works best when boards have all the skills and resources they need. This points out the importance of technical assistance from state agencies such as TWC. Yet state agencies—more experienced in

approving, monitoring, and coordinating local plans than in helping localities develop innovative and effective programs—are poorly positioned to offer technical assistance to boards.

As in other states, the overhaul of federal and state welfare policies has cast a “work first” shadow over workforce development reform in Texas. A recent evaluation of workforce reforms in ten states, including Texas, found that welfare reform has created conflicts in goals and objectives within the system. Rather than developing universal systems aimed at serving a range of clients, welfare reform singles out recipients of Temporary Assistance for Needy Families (TANF) for “work first” services, reserving skills training for laid-off or already employed workers. As a result of welfare-driven changes, local authority to provide longer-term education and training, to tailor programs to the needs of individuals, or to accommodate individuals enrolled in educational programs that want to complete them is severely curtailed. To the extent that they limit employer access to

The state's new system was grandfathered by WIA, allowing Texas to avoid re-establishing boards and procedures. However, since the federal law finally passed did little to consolidate existing programs, Texas has not been able to achieve significant consolidation of state programs. At the end of the day, the TWC has gained the ability to coordinate JTPA with a number of smaller programs but is unable to consolidate the work of the large programs it oversees (CHOICES, Food Stamp Employment and Training, Senior Texans Employment) because they are too dissimilar to coordinate or are protected by federal regulations. In addition, programs remain in separate administrative divisions, further hindering coordination.

trained workers, they leave them dissatisfied as system “customers.” Increasingly, skills training is supported by special funds (e.g., Skills Development or Self-Sufficiency) administered centrally by TWC rather than by local boards. The Smart Jobs Program, another customized training funding source, is at the Texas Department of Economic Development and also runs independently of local boards.

Overall, Texas faces significant challenges in developing an integrated workforce system. As local boards work through the implementation of this new system it will be important that lessons learned be shared and successful strategies replicated. Welfare-to-work pilot projects around the state, initiatives funded through the Self-Sufficiency Fund and other targeted efforts may offer additional models that can be incorporated into the work of local boards. If the state is to realize the full potential of a locally controlled system, local boards must be offered the resources and assistance they need and be held accountable for meaningful outcomes for clients. Local boards must also realize that the pervasive “work-first” rhetoric does not preclude them from designing systems and services that best meet the economic needs of their clients and communities. Even the goals embedded in WIA focus not just on employment but on self-sufficiency.

IMPORTANT UNRESOLVED POLICY ISSUES

A recent report from the National Center for Research in Vocational Education highlights several unresolved issues that states must address in order to create more effective workforce development systems.

1. Training must be better linked to existing education programs. Adult education and post-secondary vocational education in community colleges, technical institutes, and centers are clearly part of the array of programs meant to help workers find steady jobs. Yet these programs are frequently beyond the purview of state workforce agencies. In Texas, TWC will have a budget of \$1 billion in fiscal 2000, including \$380 million for child care and \$81 million to administer the Unemployment Insurance program. Yet a significant amount of funds spent on education and training remain outside of TWC's control. For example, \$390 million will be spent in fiscal 2000 on vocational education programs at the state's higher education institutions alone. Thus, TWC is responsible for only a limited portion of the state's education and training funds. While TWC's advisory council, the TCWEC, has formal planning responsibility for a broader array of vocational education and training programs, it lacks the resources to effectively exercise this role.

The separation of education and training programs also prevents sensible connections between job training and education. For example, *short-term training programs could feed into certificate or degree programs*, allowing participants to reap greater returns on their training over time. Similarly, *community colleges could strengthen their ties to employers* by working more closely with training providers.

2. Short-term assistance will not yield a skilled, competitive workforce. Welfare reform limits recipients' access to education and training at a time when there is increased emphasis on high-performance workplaces staffed by versatile, flexible workers. Research continues to support the positive relationship between education/skills and wages. Yet increasingly, states appear to be creating two-tiered systems, with some able to access publicly subsidized degree programs at universities and public colleges and others only able to receive short-term, job search assistance workshops aimed at low-wage occupations.

Other tiers of education and training are sometimes overlooked. *Apprenticeships, a well traveled path to higher wage jobs, should be part of the options presented to clients*, and TANF funds could be used to prepare clients for entry into apprenticeship programs. The Texas Education Agency has been allocated additional TANF funds for adult education activities that are being underutilized but present a current opportunity for creative pre-employment services.

Final TANF rules and federal Welfare to Work funds present an opportunity for some significant rethinking around when and how training services are provided. Rather than providing training only before placement, many *clients could receive an array of services and supports once on the job* aimed at helping them stay on the job or advance to higher paying positions.

3. Performance-based incentives must be well monitored to be effective. Many states, including Texas, emphasize the use of incentives to ensure program quality. Yet without adequate systems in place to monitor performance-based contracts,

such incentives may backfire. The recent Texas auditor's report suggests that incentives without oversight leave a wide window open for potential abuses. In reality, rather than seeing privatization and incentives as a one-way movement away from public provision of services, certain public functions must be strengthened in order for incentives to work properly. *Monitoring and technical assistance must be paired* in order to make performance-based systems function effectively.

CONCLUSIONS

WIA presents both challenges and opportunities to Texas' workforce development system. While it did not go as far as expected in consolidating programs and breaking down the walls between program categories that often inhibit creative program design, it does allow for more flexibility than is generally assumed. It is up to state and local planners to exploit the opportunities in the act to focus activities on services that will lead to long-term self-sufficiency rather than short-term placements.

For further information:

Here are a number of sources of additional information on WIA, such as issues to consider during early implementation and how Texas compares to other states that were already engaged in workforce reform:

- Steve Savner. August 1999. *Key Implementation Decisions Affecting Low-Income Adults Under the Workforce Investment Act*, Center for Law and Social Policy. Available online: <http://www.clasp.org/pubs/jobseducation/kellwia.htm>
- Norton Grubb et al. January 1999. *Toward Order from Chaos: State Efforts to Reform Workforce Development Systems*, MDS-1249, National Center for Research in Vocational Education, University of California, Berkeley. Available online: <http://vocserve.berkeley.edu/publications>
- Office of the State Auditor. August 1999. *Welfare Reform Implementation at the Texas Workforce Commission*, Report No. 99-051. Available online: <http://www.sao.state.tx.us>
- U.S. Department of Labor: <http://usworkforce.org>
- National Governors' Association: <http://www.nga.org/workforce/professional>
- Interstate Conference of Employment Security Agencies: <http://www.icesa.org>
- Texas Workforce Commission: <http://twc.state.tx.us/boards/wia>

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