

Creating a Truly Adequate 21st Century Workforce System Taking *No Worker Left Behind* National

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The United States has no national workforce strategy. In a world of rapid technological change and globalization, and in a country that prizes mobility, equality and entrepreneurship, we certainly need one.

Those two realities should form the basis of any discussion of “WIA reauthorization.” But they demonstrate why, standing alone, reforming WIA – which is desperately needed – will inevitably fall short of the change America needs.

Today, our workforce system is comprised of a maze of overlapping and often conflicting statutes born from the 1930s to the 2000s. WIA is at their center, but the unemployment insurance system, TANF, Wagner-Peyser, TGAA, Perkins, and other laws play important roles in the workforce policy we have today. The Departments of Labor, Education, Commerce, Health and Human Services oversee important parts of the system, and oversight jurisdiction is distributed among a welter of congressional committees and subcommittees.

The good news is that there is widespread agreement among states and across parties about a fundamental directional shift towards a more integrated, training-driven, data-based system. In this paper, the State of Michigan seeks to suggest the outlines of a new workforce system that would help make America more competitive and help us realize broadly shared prosperity.

In 2007, Michigan Governor Jennifer M. Granholm launched her *No Worker Left Behind* initiative, offering dislocated and low-income workers up to two years of free tuition in post-secondary programs resulting in credentials of value in high-demand occupations. The take-up rate on that offer has been huge: more than 120,000 workers have enrolled during the two and a half years since we began, and 19,000 more are wait listed as we search for additional funding.

No Worker Left Behind represents a fundamental change for U.S. workforce policy, shifting from an emphasis on quick, low-cost job matching to encouraging workers who face enormous hardships and risks in today’s economy to engage in a year or more of developing new skills and knowledge. We are more convinced than ever that the mission of workforce development must center on providing workers with opportunities to earn significant educational credentials if we are to align public policy and investment with the reality of 21st Century labor markets.

We've managed *No Worker Left Behind* mostly by aligning to the best of our abilities multiple federal workforce development programs. This journey has come with challenges, and the lessons from our work can and should inform the next generation of workforce legislation now being considered in Congress. What's working in Michigan can work nationally if the enabling legislation is reshaped to strategic purpose.

Make Lifelong Learning the Centerpoint of the New Workforce System

Nearly all of the current array of workforce laws were created for a different economy, one in which short-term assistance would facilitate a worker finding a new job pretty quickly. We are now in an era in which losing your job likely means long-term unemployment, and substantial loss of income when starting a new job. Even when labor markets bounce back to full health, increasing and changing educational attainment will be required to be employable.

To meet the needs of today's economy, a new workforce system must be organized to encourage and support learning, whether for acquisition of basic skills to enter the labor force, increased skills to move along a career pathway, or new skills to adapt to change directions in a fast-changing marketplace.

We should integrate the strategy across all workforce-related statutes, and challenge states and local areas to ensure holistic support for learning at key points when workers need to acquire new skills. Based on our experience in Michigan, essential building blocks of a unified system include:

- Make training, and in particular **long-term training** (a year or longer) the priority for funding aimed at adult learners, with provision of **income support** while in training;
- Make **adult education** a priority, emphasizing its integration with occupational training and employment;
- Put **employers at the center** of the system by organizing skills alliances and other strategies to ensure training is meeting real-time needs of key industries;
- Preserve a **strong vocational rehabilitation system** to ensure those with significant disabilities continue to have the opportunity to gain needed skills and employment; and
- Rework the guts of the system to support policy changes -- create a **national financial tracking system** that handles longer term training and a **P-20 database** to track longitudinal progress from preschool through K-12 and postsecondary, and from work to school and back again.

Emphasize Long-Term Training with Income Support

In 21st Century labor markets, shaped by rapid technological change and globalization, workers often need longer-term training either to obtain career path employment or to make a transition after losing a job. In Michigan, we saw this in our own labor markets, and emphasized training of a year or longer in state policy. The result has been three times as many people enrolling in long-term training as are doing so nationally.

This will represent a major and badly needed shift in federal policy. Last year, just 13% of adults and dislocated workers enrolled in WIA were engaged in training. In Michigan, with the emphasis created under *No Worker Left Behind*, 59% of WIA participants enrolled in training.

Programmatically, long-term training will increase job retention after placement and increase the proportion of workers who are able to self-sustain over time without cycling back into public support.

The new workforce system should explicitly prioritize and earmark substantial funding for training and require that investments in training lead to credentials of value to employers. That includes academic degrees (associates or higher), but also a range of industry-recognized credentials and certifications.

Income support for workers in long-term training is a crucial, now-missing part of the picture. When federal policy focused on immediate job search, it could be argued that income support wasn't necessary for most enrolled in WIA. If that was ever true, it is not true now. Too many workers in need of long-term training won't be able to sustain themselves across a 1-2 year period without some form of income support.

Income support makes most sense as a reform of the Unemployment Insurance system. We could maintain short-term unemployment benefits based on employer taxes and create a new benefit that will provide support for up to two years while the recipient is enrolled in training. This is as American as it gets. Help those who help themselves. Agree to go back to school (no easy thing for workers in their 30s, 40s, 50s and 60s) and we will help you out – as long as you study towards a job-securing credential, stay in school, and get good grades.

Make Adult Education a Priority

Our nation will not achieve broadly shared prosperity or global competitiveness without involving adults with basic skills challenges. When Michigan launched *No Worker Left Behind*, we found a substantial number of those signing up lacked the basic skills necessary to succeed in academic and occupational programs. Our research found that one in three working age adults – 1.7 million Michiganders -- lack the basic

skills needed to succeed at a community college. The national data are similarly distressing. We launched a major adult learning initiative with adult educators, community colleges, and workforce boards to reinvent how we help learners quickly acquire needed basic skills and connect into pathways to higher educational attainment and employment.

We realized that we couldn't solve the huge needs for basic skills improvements by operating adult education as stand-alone programs. Rather, adult education must become a mainstream element of workforce development. Collaboration among adult education, post-secondary education, and workforce development can provide learners with seamless pathways to obtain the skills and credentials they need. Integrating adult education into a unified workforce system will give states the flexibility to use all appropriate funding sources to serve those needing basic skills improvement.

A key to doing this within WIA is to explicitly encourage collaboration and integration between WIA Title I and Title II, including making it clear that Title I funds can be used to support adult education. Further, Title II should be changed from a stand-alone program to an integral part of a lifelong learning system.

But the changes America needs here go far beyond WIA to TANF, Perkins, TGAA and beyond. To cite just one example, TANF work participation requirements must be revised so that the education and training necessary for people to leave public assistance permanently is facilitated rather than blocked.

Put Employers at the Center

WIA, like other laws before it, has been framed as "employer-led". Our experience has been that the law as currently written misses the mark in terms of really being demand-driven. We think it is essential to strengthen the tools in the current WIA to support employer-based strategies, including:

- **Encourage convening of skills alliances/industry partnerships.** These alliances, pioneered in Michigan and other states, create a vehicle for multiple employers to meet with educators to identify and solve shared workforce development needs. National research has proven that training undertaken through such alliances produces better results for jobseekers than occurs through traditional programs.
- **Establish workforce development as an engine of economic development.** The new workforce system should require close linkages between workforce development and economic development within states and local areas.
- **Emphasize preventive layoff aversion strategies.** This can be done by expanding allowable costs to include coverage of activities not tied to an individual participant (e.g., curriculum development, equipment purchases and micro-loans/grants to support entrepreneurship).

- **Expand eligibility for incumbent worker training.** Many currently employed workers are at risk if their firms aren't able to keep pace with rapidly changing technology and global competition. Incumbent worker training is a valuable tool in layoff aversion.
- **Allow states the flexibility to reduce the required 50% employer match for customized training.** A sliding scale would be more realistic in working with smaller employers, for example.

Preserve Vocational Rehabilitation

The workforce system must include services for persons with disabilities. In order to best assist this population successfully – to reduce their unemployment and meet labor market demands – vocational rehabilitation programs must continue to be supported and provided with necessary resources. The alternative would be a loss of capable and dedicated workers and an increased reliance on public support from a system that is already overwhelmed. The special skills required to assist individuals with significant disabilities are best retained in vocational rehabilitation programs with continued collaboration with the entire workforce system. Permitting program income from all workforce programs to be used as match funds necessary to secure additional federal funds will help assure persons with disabilities are comprehensively assessed, trained, and prepared for today's jobs.

Rework the Guts of the System – Money and Data

The changes discussed above will not take hold unless the internal funding and data tracking systems facilitate them. Currently, states must manage multiple funding streams and data systems related to workforce development. Even within WIA, the system for tracking funding is archaic and can not obligate funds for training beyond the current program year – making planning for and providing longer term training very difficult.

- Create a national workforce financing system that allows states and localities to spend and obligate funds on an as-needed basis with local, state and national transparency on all expenditures and obligations.
- This will eliminate a great deal of inefficient guess-work on creating formulas for fund distribution and recapture of funds when formula distributions missed the mark.
- Require all states to help develop and participate in a “P-20” student and worker data system to allow tracking and longitudinal and geographic research and evaluation of what works in public schools, postsecondary institutions, and workforce practices.

- Simply waiting for or even incentivizing states to create their own systems is a waste of time and resources and will fail to help us understand what is happening across regions and in the nation as a whole.

Five Guiding Principles for Reform

We propose that federal workforce legislation, spanning WIA and other specific laws that must be changed together, all be grounded in a set of guiding principles that can help the aggregate set become a coherent, purposeful strategy:

- **Alignment** - Establish shared goals - common purposes to which each law must contribute, and then allow and encourage extensive program alignment so that a customer experiences a unified system, not a patchwork of overlapping and confusing programs.
- **Integration** - Simplify and reduce target population silos, and thereby make it possible to integrate services. This would reduce the administrative overhead now needed to manage the sub-pieces and increase the effectiveness and efficiency of how the funds are used. We can keep the priority to serve targeted populations, and manage it at the outcomes level rather than the current approach of having separate rules and requirements for each group.
- **Consistency** - The common measures in WIA were a starting point on consistency; we can and should go much further. The new law should include common definitions applicable across workforce development components, and should require use of common assessments across all federal workforce programs and post-secondary institutions.
- **Collaboration** - A new workforce system should require and support states and local areas to develop collaboration among workforce agencies, post-secondary providers, economic developers, adult educators, community developers and others with shared interests.
- **Accountability** - Simplify the current approach to performance standards as represented by WIA, focusing on elements that are meaningful to key goals, such as educational attainment and employment. Accountability can also be enhanced by establishing stronger incentives and sanctions for performance.

Creating a Truly Adequate 21st Century Workforce System Taking *No Worker Left Behind* National Detailed Recommendations

Based on the proposed set of guiding principals, the following recommendations are offered:

WIA Title I (Adult, Dislocated Worker/Rapid Response, Youth, Statewide Activities):

Programmatic

- Retain and expand Workflex authority.
 - Allow justifiable waving of statutory requirements of the Act with proper notification to Labor rather than requesting approval from Labor.
- Expand Needs Related Payments (NRPs) by providing independent funding rather than forcing NRPs to compete with other allowable activities for resources.
 - Directly link monetary benefits with program participation (training).
- Implement a common assessment tool(s) across all federal programs with a workforce component.
 - Partner with community colleges or other training institutions to offer standardized assessments
- Require at least 50 percent (50%) of all funding targeted toward adults and dislocated worker be allocated to training services.
 - Direct more funding toward long-term training and education that lead to industry-recognized certifications and/or associates degrees.
- Create consistent activities/services and career ladders across all federal workforce training programs.
- Merge adult, dislocated worker, and Wagner-Peyser programs into one streamlined program to increase efficiency and reduce administrative costs (so long as funding levels are not negatively impacted).
- Build a set of common definitions that clearly identify and standardize workforce terminology and activities.
 - For example; supportive services, training, etc.
- Flexibility to allow Title I funding to support Title II activities such as adult education and lifelong learning.
- Condense service structure by merging core and intensive services into “Work Ready Services” supported by WIA and/or Wagner-Peyser funds.

- Remove the “sequence of services” to expand immediate access to training.
- Allow state/local control when determining eligible training provider requirements.
 - Public institutions of higher education automatically eligible training providers.
 - For comparison, TAA reauthorization “prohibits” agencies from restricting participants to an eligible training provider list.
- Include curriculum development as an allowable activity.
- Integrate workforce development and economic development.
 - Linking workforce and economic development would allow the workforce system to serve employers and job seekers proactively rather than reactively.
 - Allow flexibility to utilize funding to support layoff aversion activities not specifically tied to an individual participant (e.g., curriculum development, equipment purchases, micro-loans/grants to support entrepreneurship).
- Allow states the flexibility to reduce the required 50 percent (50%) employer match for customized training.
 - Base match on a sliding scale (employer size).
- Create a national data base to track services received by participants.

Funding

- Implement a needs based funding structure to award funding.
 - Needs based funding would avoid the current process of recapturing and reallocating unexpended funds and ensure all available funding is efficiently utilized *based on expenditures*.
 - Provide all local areas equal access to funding.
 - Alleviate waiting lists at high traffic one-stops and prevent job seekers from having to “shop” for services.
 - This funding approach aligns with TAA and Wagner-Peyser.
- Designate funding to support incumbent worker training.
- Identify independent funding for “Employer Services” to support employer driven workforce efforts.
- Increase funding flexibility between adult and dislocated worker by merging the two programs so long as funding levels are not negatively impacted.

Performance

- Common performance and standards measures across all federal programs with a workforce component (Labor, Health and Human

- Services, Commerce, and Education) to better align and coordinate workforce resources.
- Incorporate a regression model in calculating performance as an incentive to reach out to the hardest to serve participants and reduce “creaming” work-ready participants.
 - For example, foster care youth are referred (court ordered) to workforce development system. This population is typically transient, therefore hard to follow and is often basic skills deficient. Michigan has sought a performance waiver addressing foster care youth but was denied by Labor.
 - Expand performance measures to include services to better gauge effectiveness of services.
 - For example measuring the impact of NRPs on training outcomes versus training outcomes without NRPs.
 - Mandate a national database to integrate data collection between states allowing continuous collection across the country.
 - Reduce the number of participant related elements and measures to allow for more time and resources directed to participant based services.
 - Limit or weight performance measures to meaningful elements directly related to employment achieved
 - For example; “how many completed training”, “how many jobs”, “what are the wages”.
 - Implement meaningful incentives and sanctions to reward successful areas and foster improvement in under performing areas.
 - Modify performance measures to recognize short-term skills attainment/gains in order to gauge appropriateness of long-term training.
 - Expand employer performance measures to better demonstrate the effectiveness of services offered and received.
 - Rather than using surveys to track employer satisfaction, utilize an employer tracking system to count employers utilizing services for the first time as compared to employers subsequently returning for additional services.

WIA Title II (Adult Education):

Programmatic

- Encourage collaboration and integration between WIA Title I and WIA Title II:
 - Flexibility to allow Title I funding to support Title II activities such as adult education and life long learning.
 - This would eliminate duplication of adult education activities under Title I and Title II.

- Allow states the flexibility to utilize all appropriate funding sources to serve the adult education population.
- Implement a common assessment tool(s) across all federal programs with a workforce component.
 - Partner with community colleges or other training institutions to offer standardized assessments.
- Focus on contextualized instruction.
 - Integrate academic education with a focus on emerging and high demand occupational training.
- Adult education exit requirements and post secondary and/or career entry requirements.
- Create a national database to track services received by participants.
- Maximize connection with Carl Perkins Act.
 - Remedial education should be an allowable activity under Perkins especially in states where adult basic education (ABE) funding has been significantly reduced.
- Need assurance that the American Graduation Initiative aligns with the objectives of WIA Title II. That is, strengthens the transitions from ABE and remedial education to post secondary.

Funding

- Increase funding for adult education:
 - There are waiting lists in 40 states.
 - Federal allocations for WIA Title II have not been increased in the past 5-6 years.
 - There was no funding for adult education in the Recovery Act.
- Allow states the flexibility to utilize all appropriate funding sources to serve adult education populations.
 - Flexibility in funding would allow states to support seamless and comprehensive programs that address participant needs and eliminate barriers to education.
- Funding allocation to states is based on census data and the American Community Survey; funding should be based on demonstrated need.
- Revise maintenance of effort (MOE) requirements.
 - Allow states flexibility in meeting MOE requirements.
- Allow states the flexibility to use federal dollars to support GED testing and administration.
- Provide additional funding for transition and counseling services to better prepare adults to move from adult education to post secondary and/or employment.
- Extend services, such as Career Technical Preparation for K-12 to adult learner population.

Performance

- Modify the educational functioning level (EFL) gain measure to allow more literacy organizations serving low level learners to compete in performance based funding systems.
- Common performance and standards measures across all federal programs with a workforce component (Labor, Health and Human Services, Commerce, and Education) to better align and coordinate workforce resources.

Workforce Development Boards

Structure

- Consolidate state and local workforce development boards (WDBs) into smaller more responsive entities.
- WDBs should be reflective of state and local economic conditions and current employer environment.
- Board composition should balance worker and employer needs.
- Maintain Vocational Rehabilitation representation.

Vocational Rehabilitation:

Programmatic

- Reauthorize Rehabilitation Act as a component of WIA.
- Maintain independent vocational rehabilitation programs to ensure appropriate services for people with disabilities.
- Maintain the option for states to have an independent agency for the Blind.
- Retain language in the Rehabilitation Act establishing the Commissioner of the Rehabilitation Services Administration (RSA) as a Presidential appointee requiring Senate confirmation.
 - Maintain all service and training programs under the direction of the RSA Commissioner.
- Preserve independent living services for older individuals who are blind.
 - Older Blind program must continue to be administered by the state agencies.
- Recognized "Homemaker" as a viable vocational goal for agencies for the blind.
- Acknowledge businesses as a critical Vocational Rehabilitation customer.

- Establish dedicated funding for transition youth and line-item funding for special programs, such as supported employment, migrant and seasonal workers, etc.
- Maintain Comprehensive System of Personnel Development for Vocational Rehabilitation counselors.
- Maintain Vocational Rehabilitation representation on state workforce boards.

Funding

- Amend the WIA to allow program income from all sources to be used as match funds.
- Expand funding for training programs in blindness rehabilitation.
- Amend formula distribution of funds:
 - Include minimal cost-of-living allowance (COLA) increases to all states when additional funds are appropriated.
 - Increase base award for all states in order to eliminate the “freezes” that some states have experienced.
 - Increase funding for adult education programs to be equipped to meet the technology demands of persons who are blind and visually impaired.
 - Expand funding for vocational and technical programs.

Title III/Wagner-Peyser (WP)

Programmatic

- Better integration with other workforce program areas such as WIA and TAA to help identify funding deficiencies and direct available WP resources as necessary. WP funds may be used to support:
 - WIA core and intensive services, allowing for supplementation of these services when WIA funds are deficient.
 - TAA case management services, allowing for supplementation for these services when TAA funds are deficient.
 - Veterans’ services; Migrant and Seasonal Farm Worker services.
- Expand WP eligibility criteria to select WIA population to allow more focus on higher-skilled, white-collar population, needing assistance.
 - Current workforce development system focuses primarily on services to lower-skilled, less educated workers.
 - Eligibility requirements based on income, self-sufficiency, etc. preclude much of the higher-skilled population from accessing a full range of services.

- Funds could be used to fill the need for services to higher-skilled unemployed populations created by the economic downturn.

Funding

- The state has discretionary authority to award WP funds to local areas as it sees appropriate;
 - Continue the flexibility of allowing states ability to award funding in this manor.
- Continue to award funds as three-year grants, allowing for longer term planning and eliminating year-to-year funding swings.

Performance

- Common performance and standards measures across all federal programs with a workforce component (Labor, Health and Human Services, Commerce, and Education) to better align and coordinate workforce resources.

Public Assistance/Temporary Assistance to Needy Families (TANF)

Programmatic

- TANF requirements must be revised so that education and training services are facilitated.
- Incorporate a regression model in calculating performance as incentive to reach out to the hardest to serve participants and reduce “creaming” work-ready participants as a method of providing public assistance/TANF recipients greater access to WIA services.