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WORKFORCE INVESTMENT ACT

Exemplary One-Stops Devised Strategies to Strengthen Services, but Challenges Remain for Reauthorization

Statement of Sigurd R. Nilsen, Director
Education, Workforce, and Income Security Issues



June 18, 2003

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Highlights

Highlights of GAO-03-884T, a testimony before the Subcommittee on Employment, Safety and Training, Committee on Health, Education, Labor and Pensions, United States Senate

Why GAO Did This Study

This testimony highlights findings from today's report on strategies that exemplary one-stop centers have implemented to strengthen and integrate services for customers and to build a solid one-stop infrastructure. It also shares findings and recommendations from GAO's past work on challenges that states and localities have experienced as they implement the Workforce Investment Act (WIA), which may be helpful as WIA is reauthorized.

What GAO Recommends

Because little is known about whether promising one-stop service delivery approaches are meeting customers' needs, GAO has recommended that the Secretary of Labor collaborate with other federal agencies to develop a research agenda that examines the impacts of these promising approaches on one-stop customer satisfaction and outcomes. In addition, GAO has recommended that the Secretary take steps to alleviate problems pertaining to the WIA performance measurement system, WIA allocation formulas and one-stop infrastructure funding, and the process for certifying eligible training providers. Finally, GAO has suggested that Labor provide clearer guidance and greater opportunities for one-stop administrators to share promising practices in one-stop service delivery and management.

www.gao.gov/cgi-bin/getrpt?GAO-03-884T.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Sigurd Nilsen, (202) 512-7215, nilsens@gao.gov.

What GAO Found

The workforce development system envisioned under WIA represents a fundamental shift from prior systems, and barely 3 years have passed since it was fully implemented. States and localities have found ways to use the flexibility in WIA to develop creative new approaches to providing services through their one-stop systems. In particular, a group of 14 one-stops, identified as exemplary by government officials and workforce development experts, developed promising strategies in several key areas. To streamline services for job seekers, they ensured that job seekers could readily access needed services, made sure that staff were knowledgeable about all of the one-stop services available, or consolidated case management and intake procedures. To engage and serve employers, the centers dedicated specialized staff to work with employers or industries, tailored services to meet specific employers' needs, or worked with employers through intermediaries. To build a solid one-stop infrastructure, the centers found innovative ways to develop and strengthen program partnerships and to raise additional funds beyond those provided under WIA.

GAO's work on WIA implementation over the past 3 years has identified a number of issues that should be considered during WIA reauthorization. First, the performance measurement system is flawed--the need to meet certain performance measures may be causing one-stops to deny services to some clients who may most need them; there is no measure that assesses overall one-stop performance; and the outcome data are outdated by the time they are available and are not useful in day-to-day program management. Second, funding issues continue to plague officials. The funding formula used to allocate funds to states and local areas does not reflect current program design and often causes unwarranted fluctuations in funding levels from year to year. In addition, WIA provided no separate funding source to support one-stop infrastructure, and developing equitable cost sharing agreements has not always been successful. Third, many training providers consider the current process for certifying their eligibility to be overly burdensome, resulting in reduced training options for job seekers as providers have declined to serve WIA-funded clients. Finally, state officials have told GAO that they need more help from the U.S. Department of Labor in the form of clearer guidance and greater opportunities to share promising practices in managing and providing services through their one-stop centers.

Mr. Chairman and Members of the Subcommittee:

Thank you for inviting me here today to present the findings from our recent work on the Workforce Investment Act (WIA). As you know, WIA represented a significant departure from earlier job training programs. Passed in 1998 and implemented by most states in July 2000, it was designed to unify a fragmented employment and training system and create a single, universal system—a one-stop system that could serve the needs of all job seekers and employers. WIA sought to streamline the delivery of federally funded employment and training services, enabling job seekers to make informed choices among training providers and course offerings, and enhancing the private-sector role in the workforce system. WIA gave states and localities flexibility in deciding how to implement the one-stop system, allowing local one-stops to tailor their systems to local needs. Four separate federal agencies—the Departments of Labor, Health and Human Services (HHS), Education, and Housing and Urban Development (HUD)—fund about 17 categories of programs that are required to provide services through the one-stop system. In addition to programs that are required to take part in the new system, Labor encourages states and localities to include optional partners, such as Temporary Assistance for Needy Families (TANF), in order to better meet the specific workforce development needs of their local area. Labor takes a lead role in this new system and is responsible for assessing the effectiveness of Labor-funded programs and for providing guidance to states and localities as programs deliver their services through the one-stop system.

Since WIA was enacted, we have issued numerous reports that addressed state and local efforts related to WIA, including challenges in implementing the new training provider system, new partnership requirements, and the new performance measurement system, as well as issues related to funding. While much of our past work has focused on challenges pertaining to WIA implementation, today we are releasing a report that examines how states and localities have used the flexibility in WIA to develop promising approaches to streamline jobseeker services, engage employers, and strengthen one-stop infrastructure.[1] My testimony today will discuss (1) promising strategies to improve one-stop services

[1] *Workforce Investment Act: One-Stop Centers Implemented Strategies to Strengthen Services and Partnerships, but More Research and Information Sharing is Needed*, GAO-03-725 (Washington, D.C.: June 18, 2003).

and operations being implemented by a group of 14 one-stop centers that were identified as exemplary and (2) challenges identified in our previous work that states and localities have faced in implementing WIA.

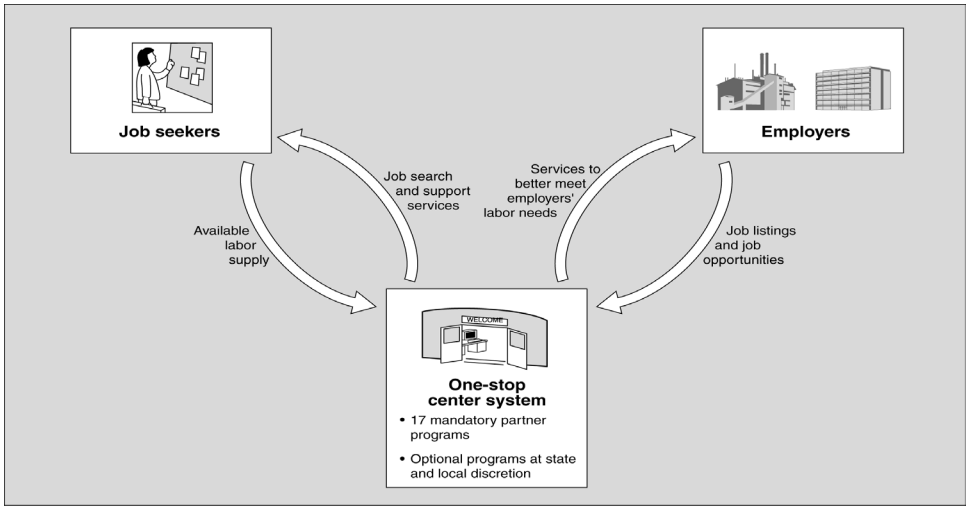
In summary, in the barely 3 years since the full implementation of WIA, states and localities have found ways to use the flexibility in WIA to develop creative new ways to improve their one-stop systems. In particular, a group of 14 one-stops, identified as exemplary by government officials and workforce development experts, developed promising strategies in the key areas of streamlining services for job seekers, engaging and serving employers, and building a solid one-stop infrastructure. However, despite the successes state and local officials are having as they implement WIA and continue to build relationships among the myriad partners in this new, and dramatically different system, challenges remain. First, the performance measurement system is flawed, causing some one-stops to deny services to some clients who may be most in need of them. Moreover, outcome data are outdated and are, therefore, not useful for day-to-day program management. Second, funding issues also continue to plague the system. The funding formulas used to allocate funds to states and local areas do not reflect current program design and has caused wide and unwarranted fluctuations in funding levels from year to year. In addition, WIA provided no separate funding source to support one-stop infrastructure, and developing equitable cost sharing agreements has not always been successful. Third, many training providers consider the current provisions for certifying their eligibility to be overly burdensome, which may reduce training options for job seekers as providers have withdrawn from the WIA system. Finally, state officials have told us that they need more help from Labor in the form of clearer guidance and instructions and greater opportunities to share promising practices in managing and providing services through their one-stop centers.

Background

The Workforce Investment Act created a new, comprehensive workforce investment system designed to change the way employment and training services are delivered. When WIA was enacted in 1998, it replaced the Job Training Partnership Act (JTPA) with three new programs—Adult, Dislocated Worker, and Youth—that allow for a broader range of services, including job search assistance, assessment, and training for eligible

individuals.[2] In addition to establishing three new programs, WIA requires that a number of other employment-related services be provided through a one-stop system, designed to make employment and training services easier for job seeker customers to access. WIA also requires that the one-stop system engage the employer customer by helping employers identify and recruit skilled workers. While WIA gives states and localities flexibility in implementing these requirements, the law emphasizes that the one-stop system should be a customer-focused and comprehensive system. Such a system gives job seekers the job search and support services they need and provides services that better meet employers' needs. (See fig. 1.)

Figure 1: One-Stop Customers Include Job Seekers and Employers



Source: GAO illustration. Clip art source: Art Explosion.

The major hallmark of WIA is the consolidation of services through the one-stop center system. Seventeen categories of programs—termed "mandatory partners"—with appropriations totaling over $15 billion from four separate federal agencies, are required to provide services through the system. (See table 1.)

[2]While WIA was enacted in 1998, states were not required to implement major provisions of WIA until July 1, 2000, when JTPA's repeal was effective.

Table 1: WIA's Mandatory Programs, Their Related Federal Agencies, and Fiscal Year 2003 Program Appropriations

Federal agency	Mandatory program	Fiscal Year 2003 appropriations
Department of Labor	WIA Adult	$898,778,000
	WIA Dislocated Worker	1,461,145,495
	WIA Youth	994,458,728
	Employment Service (Wagner-Peyser)	756,783,723
	Trade adjustment assistance programs	972,000,000
	Veterans' employment and training programs	167,199,097
	Unemployment Insurance	2,634,253,000
	Job Corps	1,522,240,700
	Welfare-to-Work grant-funded programs	0
	Senior Community Service Employment Program	442,306,200
	Employment and training for migrant and seasonal farm workers	77,330,066
	Employment and training for Native Americans	55,636,000
Department of Education	Vocational Rehabilitation Program	2,506,948,000
	Adult Education and Literacy	571,262,500
	Vocational Education (Perkins Act)	1,513,170,925
Department of Health and Human Services (HHS)	Community Services Block Grant	645,762,085
Department of Housing and Urban Development (HUD)	HUD-administered employment and training	65,000,000
Total		**$15,284,274,519**

Source: U.S. General Accounting Office, Multiple Employment and Training Programs: Funding and Performance Measures for Major Programs, GAO-03-589 (Washington, D.C.: Apr. 18, 2003) and Labor.

WIA allows flexibility in the way these mandatory partners provide services through the one-stop system, allowing co-location in one building, electronic linkages, or referrals to off-site partner programs. While WIA requires these mandatory partners to participate, WIA did not provide additional funds to operate one-stop systems and support one-stop partnerships. As a result, mandatory partners are expected to share the costs of developing and operating one-stop centers.

Beyond the mandatory partners, one-stop centers have the flexibility to include other partners in the one-stop system. Labor suggests that these additional, or optional partners, may help one-stop systems better meet specific state and local workforce development needs. These optional partners may include TANF[3] or local private organizations. States have the option of mandating particular optional partners to participate in their one-stop systems. For example, in 2001, 28 states had formal agreements between TANF and WIA to involve TANF in the one-stop system.[4] In addition, localities may adopt other partners to meet the specific needs of the community.

About $3.3 billion was appropriated in fiscal year 2003 for the three WIA programs—Adult, Dislocated Worker, and Youth. The formulas for distributing these funds to the states were left largely unchanged from those used to distribute funds under JTPA and are based on such factors as unemployment rates, including the number of long-term unemployed, and the relative number of low-income adults and youth in the population. In order to receive their full funding allocation, states must demonstrate the effectiveness of their three WIA programs by tracking and reporting a variety of performance measures. These performance measures gauge program results in the areas of job placement and retention, earnings change, skill attainment and customer satisfaction. WIA requires states to use Unemployment Insurance (UI) wage records to gather this information about WIA participants.[5] States are held accountable by Labor for their performance in these areas and may suffer financial sanctions if they fail to meet their expected performance standards. WIA did not establish any comprehensive measures to assess the overall performance of the one-stop system.

WIA also requires that training providers wishing to serve individuals' training needs through WIA's Adult and Dislocated Worker Programs meet key data reporting requirements, including completion rates, job placement rates, and wages at placement for all students they serve, including those not funded under WIA. WIA requires the collection of these outcome data so that job seekers receiving training can use them to

[3]TANF provides low-income families with income support and employment-related assistance.

[4]For more information on TANF participation in one-stop centers, see GAO-02-739T.

[5]In some cases, supplemental data sources may be used when UI data are not available.

make more informed choices about training providers. Unlike prior systems, WIA requires that individuals eligible for training under the Adult and Dislocated Worker Programs receive vouchers—called Individual Training Accounts—which they can use for the training provider and course offering of their choice, within certain limitations. WIA also requires these data so that states and localities can assess training providers' performance. For example, a state might only allow training providers' courses with an 80-percent completion rate to remain on the training provider list. If a course fails to meet that level, it would no longer be allowed to serve WIA-funded individuals.

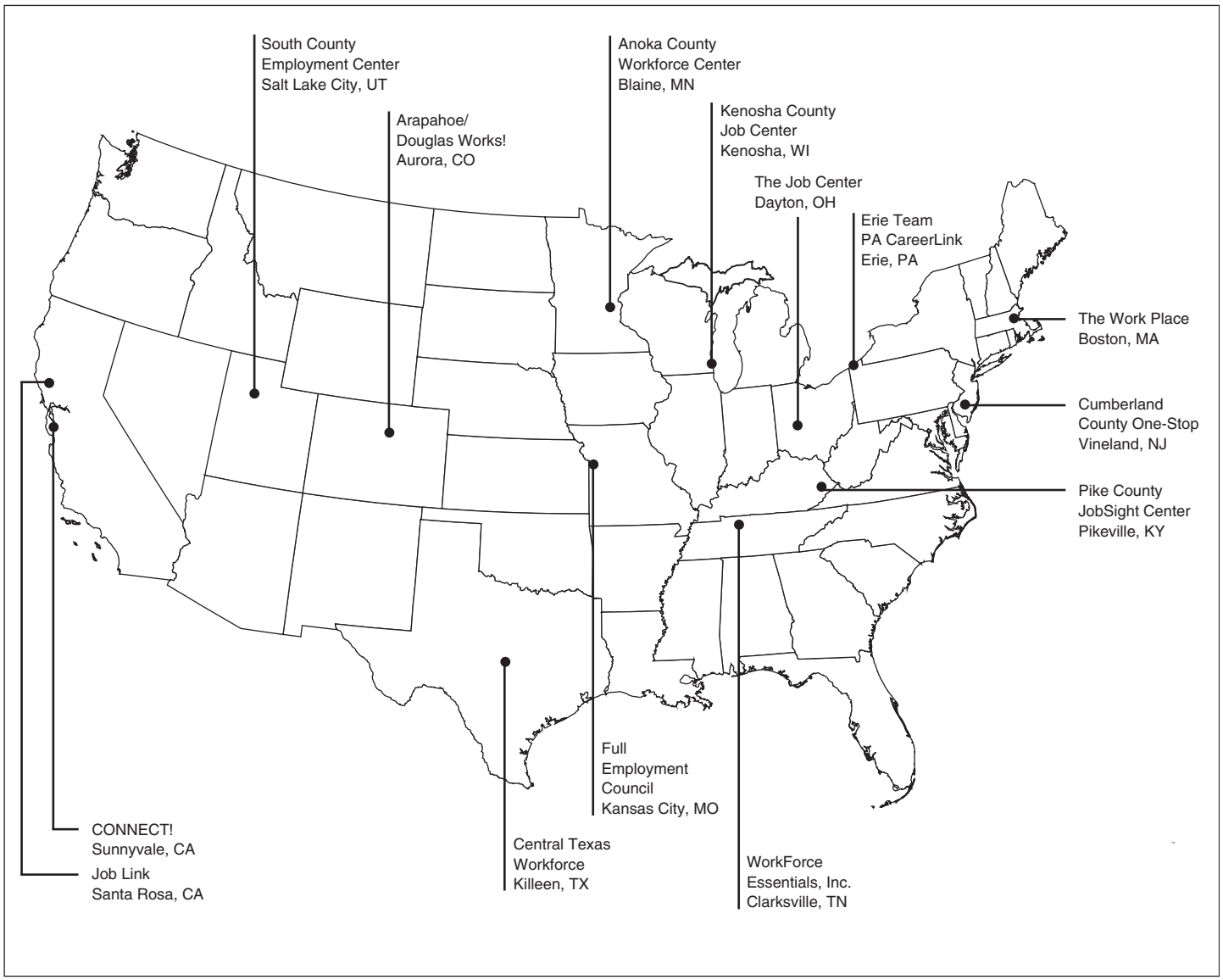
Finally, WIA called for the development of workforce investment boards to oversee WIA implementation at the state and local levels. At the state level, WIA requires, among other things, that the workforce investment board assist the governor in helping to set up the system, establish procedures and processes for ensuring accountability, and designate local workforce investment areas. WIA also requires that boards be established within each of the local workforce investment areas to carry out the formal agreements developed between the boards and each partner and oversee one-stop operations. WIA requires that private-sector representatives chair the boards and make up the majority of board members. This is to help ensure that the private sector is able to provide information on the available employment opportunities and expanding career fields and help develop ways to close the gap between job seekers and labor market needs.

States and Localities Have Embraced WIA's Flexibility to Develop Promising Approaches to Serving Job Seekers and Employers

States and localities have found ways to use the flexibility in WIA to develop creative new ways to serve job seekers and employers. In particular, a group of 14 one-stops, identified as exemplary by government officials and workforce development experts for our study of promising one-stop approaches, has developed strategies for streamlining services for job seekers, engaging and serving employers, and building a solid one-stop infrastructure.[6] All of the 14 centers in the study streamlined services for jobseekers by ensuring that they can readily access needed services, by educating program staff about all of the one-stop services available to job seekers, or by consolidating case management and intake procedures. In addition, to engage employers and provide them needed services, all of the centers used strategies that included dedicating specialized staff to work with employers or industries, tailoring services to meet specific employers' needs, or working with employers through intermediaries, such as Chambers of Commerce or economic development entities. Finally, to provide the infrastructure needed to support better services for job seekers and employers, many of the one-stops we visited found innovative ways to develop and strengthen program partnerships and to raise additional funds beyond those provided under WIA. (Figure 2 shows the locations of the 14 one-stop centers we visited.)

[6]The centers in our study represented a geographic and demographic mix, ranged from rural to urban, and served from 500 to 42,500 customers each month. Some of the sites, such as Kansas City, Missouri, represented a mix of urban, suburban, and rural customers. They also represented a mix of one-stop operators—those responsible for administering the one-stop centers—including nonprofit organizations, a consortium of one-stop partners, and local government entities.

Figure 2: GAO Site Visits to One-Stop Centers



Source: GAO site visits.

Selected One-Stops Used Strategies to Streamline Services for Job Seekers

All of the one-stop centers in our recent study focused their efforts on streamlining services for job seekers by ensuring that job seekers could readily access needed services, educating program staff about all of the one-stop services available to job seekers, or consolidating case management and intake procedures. To ensure that job seekers could readily access needed services, one-stops we visited allocated staff to help them navigate the one-stop system, provided support to customers with transportation barriers, and expanded services for one-stop customers. For example, managers in Erie, Pennsylvania, positioned a staff person at the entrance to the one-stop to help job seekers entering the center find needed services and to assist exiting job seekers if they did not receive the services they sought. In addition to improving access to one-stop center services on-site, some of the one-stops we visited found ways to serve job seekers who may have been unable to come into the one-stop center due to transportation barriers or other issues. For example, in Boston, Massachusetts, the one-stop placed staff in off-site locations, including family courts, correctional facilities, and welfare offices, to give job seekers ready access to employment and program information. Finally, one-stops also improved job seeker access to services by expanding partnerships to include optional service providers—those beyond the program partners mandated by WIA. These optional partners ranged from federally funded programs, such as TANF, to community-based organizations providing services tailored to meet the needs of local job seekers. The one-stop in Dayton, Ohio, was particularly proactive in forming optional partnerships to meet job seekers' service needs. At the time of our visit, the Dayton one-stop had over 30 optional partners on-site.

To educate program staff about one-stop services, centers used cross-training sessions in order to inform staff about the range of services available at the one-stop. Cross-training activities ranged from conducting monthly educational workshops to a shadow program to help staff become familiar with other programs' rules and operations. Officials in Salt Lake City, Utah, reported that cross–training improved staff understanding of programs outside their area of expertise and enhanced their ability to make referrals. The Pikeville, Kentucky, one-stop supported cross-training workshops in which one-stop staff from different partner programs educated each other about the range of services they could provide. After learning about the other programs, Pikeville staff collaboratively designed a service delivery flow chart that effectively routed job seekers to the appropriate service providers, providing a clear entry point and a clear path from one program to another. In addition, the Vocational Rehabilitation staff at the Pikeville one-stop told us that cross-

training other program staff about the needs of special populations enabled them to more accurately identify hidden disabilities and to better refer disabled customers to the appropriate services.

Centers also sought to reduce the duplication of effort across programs and the burden on job seekers navigating multiple programs by consolidating case management and intake procedures across programs through the use of shared service plans for customers and shared computer networks. Ten of the 14 one-stops we visited consolidated their intake processes or case management systems. This consolidation took many forms, including having case workers from different programs work as a team developing service plans for customers to having a shared computer network across programs. For example, in Blaine, Minnesota, caseworkers from the various one-stop programs met regularly to collaborate in developing and implementing joint service plans for customers who were co-enrolled in multiple programs. To efficiently coordinate multiple services for one-stop customers in Erie, Pennsylvania, one-stop staff used a networked computer system with a shared case management program, so that all relevant one-stop program staff could share access to a customer's service plan and case file. In Kansas City, Missouri, the Youth Opportunity Program and the WIA Youth Program staff shared intake and used a combined enrollment form to alleviate the burden of multiple intake and assessment forms when registering participants.

Selected One-Stops Developed Strategies to Engage and Provide Services to Employers

All of the one-stops we visited engaged and served employers by dedicating specialized staff to establish relationships with employers or industries, by working with employers through intermediaries, or by providing specially tailored services to meet employers' specific workforce needs. One-stop officials told us that engaging employers was critical to successfully connecting job seekers with available jobs. In order to encourage employers' participation in the one-stop system, specialized staff outreached to individual employers and served as employers' primary point of contact for accessing one-stop services. For example, the one-stop in Killeen, Texas, dedicated specialized staff to serve not only as the central point of contact for receiving calls and requests from employers but also to identify job openings available through employers in the community. In addition to working with individual employers, staff at some of the one-stops we visited also worked with industry clusters, or groups of related employers, to more efficiently meet local labor demands—particularly for industries with labor shortages. For instance, the one-stop in Aurora, Colorado, dedicated staff to work with specific

industries, particularly the healthcare industry. In response to a shortage of 1,600 nurses in the Denver metro area, the Aurora one-stop assisted in the creation of a healthcare recruitment center designed to provide job seekers with job placement assistance and healthcare-related training.

In addition to dedicating specialized staff, all of the one-stops we visited worked with intermediaries to engage and serve employers. Intermediaries, such as a local Chamber of Commerce or an economic development entity, served as liaisons between employers and the one-stop system, helping one-stops to assess the workforce needs of employers while connecting employers with one-stop services. For example, the one-stop staff in Clarksville, Tennessee, worked with Chamber of Commerce members to help banks in the community that were having difficulty finding entry-level employees with the necessary math skills. To help connect job seekers with available job openings at local banks, the one-stop developed a training opportunity for job seekers that was funded by Chamber members and was targeted to the specific skills needed for employment in the banking community. Specialized staff at many of the one-stops we visited also worked with local economic development entities to recruit new businesses to the area. For example, the staff at the Erie, Pennsylvania, one-stop worked with a range of local economic development organizations to establish an employer outreach program that developed incentive packages to attract new businesses to the community.

Finally, all of the one-stops we visited tailored their services to meet employers' specific workforce needs by offering an array of job placement and training assistance designed for each employer. These services included specialized recruiting, pre-screening, and customized training programs. For example, when one of the nation's largest cabinet manufacturers was considering opening a new facility in the eastern Kentucky area, the one-stop in Pikeville, Kentucky, offered a tailored set of services to attract the employer to the area. The services included assisting the company with pre-screening and interviewing applicants and establishing an on-the-job training package that could use WIA funding to offset up to 50 percent of each new hire's wages during the 90-day training period. The Pikeville one-stop had responsibility for administering the application and assessment process for job applicants, including holding a 3-day job fair that resulted in the company hiring 105 people through the one-stop and a commitment to hire 350 more in the upcoming year. According to a company representative, the incentive package offered by the one-stop was the primary reason the company chose to build a new facility in eastern Kentucky instead of another location.

One-Stop Centers Built a Solid Infrastructure by Strengthening Program Partnerships and Raising Additional Funds

To build the solid infrastructure needed to support better services for job seekers and employers, many of the one-stops we visited developed and strengthened program partnerships and raised funds beyond those provided under WIA. Operators at 9 of the 14 one-stops we visited fostered the development of strong program partnerships by encouraging communication and collaboration among partners through functional teams and joint projects. Collaboration through teams and joint projects allowed partners to better integrate their respective programs and services, as well as pursue common one-stop goals and share in one-stop decision-making. For example, partners at the Erie, Pennsylvania, one-stop center were organized into four functional teams—a career resource center team, a job seeker services team, an employer services team, and an operations team—which together operated the one-stop center. As a result of the functional team meetings, partners reported that they worked together to solve problems and develop innovative strategies to improve services in their respective functional area.

One-stop managers at several of the sites in our study told us that the co-location of partner programs in one building facilitated the development of strong partnerships. For this reason, one-stop managers at several of the centers reported that they fostered co-location by offering attractive physical space and flexible rental agreements. For example, in Pikeville, Kentucky, the local community college donated free space to the one-stop on its conveniently located campus, making it easier to convince partners to relocate there. Partners were also eager to relocate to the Pikeville one-stop because they recognized the benefits of co-location for their customers. For instance, staff from the Vocational Rehabilitation Program said that co-location at the one-stop increased their customers' access to employers and employment-related services. Several one-stops that did not co-locate found ways to create strong linkages with off-site partners. For example, in addition to regular meetings between on-site and off-site staff, the one-stop in Aurora, Colorado, had a staff person designated to act as a liaison and facilitate communication between on-site and off-site partners. Nationwide, co-location of partner services has been increasing since WIA was enacted. For example, in 2000, 21 states reported that Education's Vocational Rehabilitation Program was co-located at the majority of their one-stops; this number increased to 35 states by 2001. Similarly, TANF work services were co-located in at least some one-stops in 32 states in 2000, increasing to 39 states by 2001.

Managers at all but 2 of the 14 one-stops we visited said that they were finding ways to creatively increase one-stop funds through fee-based services, grants, or contributions from partner programs and state or local

governments. Managers said these additional funds allowed them to cover operational costs and expand services despite limited WIA funding to support one-stop infrastructure and restrictions on the use of program funds. For example, one-stop operators in Clarksville, Tennessee, reported that they raised $750,000 in fiscal year 2002 through a combination of fee-based business consulting, drug testing, and drivers' education services. Using this money, the center was able to purchase a new voicemail and computer network system, which facilitated communication among staff and streamlined center operations.[7] Centers have also been proactive about applying for grants from public and private sources. For example, the one-stop center in Kansas City, Missouri, had a full-time staff person dedicated to researching and applying for grants. The one-stop generated two-thirds of its entire program year 2002 operating budget of $21 million through competitive grants available from the federal government as well as from private foundations. This money allowed the center to expand its services, such as through an internship program in high-tech industries for at-risk youth. One-stop centers also raised additional funds by soliciting contributions from local or state government and from partner agencies. For instance, the Dayton, Ohio, one-stop received $1 million annually from the county to pay for shared one-stop staff salaries and to provide services to job seekers who do not qualify for services under any other funding stream. Dayton one-stop partners also contributed financial and in-kind resources to the center on an as-needed basis.

Despite Successes, Some Aspects of WIA Have Stymied Officials' Efforts to Implement WIA as Intended

Despite the successes state and local officials are having as they implement WIA, some key aspects of the law, as well as Labor's lack of clear guidance in some areas, have stymied their efforts. First, the performance measurement system is flawed—the need to meet certain performance measures may be causing one-stops to deny services to some clients who may be most in need of them; there is no measure that assesses overall one-stop performance; and the data used to measure outcomes are outdated by the time they are available and are, therefore, not useful in day-to-day program management. Second, funding issues continue to plague the system. The funding formulas used to allocate funds to states and local areas do not reflect current program design and has caused wide fluctuations in funding levels from year to year. In

[7]While several centers had enthusiastically adopted fee-based services as a method of raising funds, it is important to note that managers of at least one center said they chose not to charge for services because they believed this might deter some employers or job seekers from accessing the services they need.

addition, WIA provided no separate funding source to support one-stop infrastructure and developing equitable cost sharing agreements has not always been successful, largely because of the limitations in the way funds for some of the mandatory programs can be spent. Third, the current provision for certifying training providers as eligible is considered overly burdensome by many providers and may reduce training options for job seekers as providers have withdrawn from the WIA system. Finally, state officials have told us that they need more help from Labor in the form of clearer guidance and instructions and greater opportunities to share promising practices in managing and providing services through their one-stop centers.

WIA's Performance Measurement System May Be Causing Some Clients to Be Denied Services and Does Not Provide an Accurate Picture of WIA's Effectiveness

The performance measurement system developed under WIA may be causing some clients to be denied services and does not allow for an accurate understanding of WIA's effectiveness. First, the need to meet performance levels may be the driving factor in deciding who receives WIA-funded services at the local level. Officials in all five states we visited for one study told us that local areas are not registering many WIA participants, largely because local staff are reluctant to provide WIA-funded services to job seekers who may be less likely to find employment or experience earnings increases when they are placed in a job.[8] For example, one state official described how local areas were carefully screening potential participants and holding meetings to decide whether to register them. As a result, individuals who are eligible for and may benefit from WIA-funded services may not be receiving services that are tracked under WIA. We found similar results in our studies of older workers and incumbent workers.[9]

Performance levels for the measures that track earnings change for adults and earnings replacement for dislocated workers may be especially problematic. Several state officials reported that local staff were reluctant to register already employed adults or dislocated workers. State and local

[8]See, *Workforce Investment Act: Improvements Needed in Performance Measures to Provide a More Accurate Picture of WIA's Effectiveness*, GAO-02-275 (Washington, D.C.: Feb. 1, 2002).

[9]See, for example, *Workforce Training: Employed Worker Programs Focus on Business Needs, but Revised Performance Measures Could Improve Access for Some Workers*, GAO-03-353 (Washington, D.C.: Feb. 14, 2003); *Older Workers: Employment Assistance Focuses on Subsidized Job and Job Search, but Revised Performance Measures Could Improve Access to Other Services*, GAO-03-350 (Washington, D.C.: Jan. 24, 2003).

officials explained that it would be hard to increase the earnings of adults who are already employed or replace the wages of dislocated workers, who are often laid off from high-paying, low-skilled jobs or from jobs that required skills that are now obsolete. In addition, for dislocated workers, employers may provide severance pay or workers might work overtime prior to a plant closure, increasing these workers' earnings before they are dislocated. Many dislocated workers who come to the one-stop center, therefore, have earned high wages just prior to being dislocated, making it hard to replace —let alone increase —their earnings. If high wages are earned before dislocation and lower wages are earned after job placement through WIA, the wage change will be negative, depressing the wage replacement level. As a result, a local area may not meet its performance level for this measure, discouraging service to those who may need it.

Second, outcomes are measured largely using unemployment insurance (UI) wage data, but these data suffer from time delays of up to as much as 14 months, making the data outdated by the time they are available. For example, we asked states in a survey we conducted in 2001, how quickly job placement outcome data would be available to them from UI wage records. We found that for 30 states, the earliest time period that job placement data would be available was 6 months after an individual entered employment, with 15 states reporting that it may take 9 months or longer. Similarly, over half of states reported that obtaining the necessary information on employment retention could take a year or longer. In fact, current available data on the wage-related measures reflects performance from the previous program year. While UI wage records are the best data source currently available for documenting employment, the lack of timely data makes it difficult for state and local officials to use the performance measures for short-term program management, including improving one-stop services. Some states and localities have developed other means, sometimes adding additional performance measures, to fill this information gap.

Finally, there are no measures to gauge the performance of the one-stop system as a whole. At least 17 programs provide services through the one-stop system and most have their own performance measures. Although these performance measures may be used for assessing outcomes for individual programs, they cannot be used to measure the success of the overall system. For example, no program has a measure to track job seekers who use only self-service or informational activities offered through the one-stop, which may constitute a large proportion of job seekers. Not knowing how many job seekers use the one-stop's services limits the one-stop's ability to assess its impact. Furthermore, state and

local officials told us that having multiple performance measures has impeded coordination among programs. There has been limited progress in developing overall performance measures for the one-stop system. Labor convened a working group in September 2001 to develop indicators of the one-stop system's performance, but they have not yet issued them.

Funding the System Envisioned under WIA Is Hampered by Flawed Funding Formulas and the Lack of a Specific Funding Source for the One-Stop Infrastructure

As states and localities have implemented WIA, they have been hampered by funding issues, including flawed funding formulas and the lack of a funding source dedicated specifically to the one-stop infrastructure. We identified several issues associated with the current formulas. Formula factors used to allocate funds are not aligned with the target populations for these programs, there are time lags in the data used to determine these allocations, and there is excessive funding volatility associated with the Dislocated Worker Program that is unrelated to fluctuations in the target populations. As a result, states' funding levels may not always be consistent with their actual need for services. In addition, no funding source exists with which to fund the one-stop infrastructure, and the volatile funding levels that states have experienced in the past 3 years have limited their ability to plan and develop their one-stop systems under WIA.

Formulas Used to Allocate Funds Have Limitations

Some of the factors used in the formulas to allocate funds are not clearly aligned with the programs' target populations.[10] For example, the Youth program targets a specific group of low-income youth with certain barriers to employment. However, two-thirds of its funds are distributed based on two factors that measure general unemployment rather than youth unemployment. The remaining third is distributed according to the number of low-income youth in states, but even this factor does not measure low-income youth who face barriers to employment. The target population and formula for the WIA Adult program also are misaligned. Basic services provided through the Adult program are open to all adults regardless of income, while low-income adults and public assistance recipients have priority for training and other more intensive services. However, the WIA Adult allocation formula is more narrowly focused on states' relative shares of excess unemployment, unemployment in Areas of Substantial Unemployment (ASUs), and low-income adults. Finally, the Dislocated Worker Program is targeted to several specific categories of individuals, including those eligible for unemployment insurance and

[10]The formulas for distributing these funds to the states were left largely unchanged from those used to distribute funds under JTPA.

workers affected by mass layoffs. The factors used to distribute Dislocated Worker funds are not, however, specifically related to these populations. Two-thirds of program funds are distributed according to factors that measure general unemployment. One-third is distributed according to the number of long-term unemployed, a group that is no longer automatically eligible for the program.

In addition to formula misalignment, allocations may not reflect current labor market conditions because there are time lags between when the data are collected and when the allocations are available to states. The oldest data are those used in the Youth and Adult program formulas to measure the relative numbers of low-income individuals in the states. The decennial Census is the source for these data, and allocations under this factor through 2002 are based on data from the 1990 Census. The data used to measure two of three factors for both the Youth and Adult programs are more recent, but are still as much as 12 months out of date. The time lags for the data used to calculate Dislocated Worker allocations range from 9 months to 18 months.

Finally, funding for the Dislocated Worker Program suffers from excessive and unwarranted volatility—significantly more volatile, as much as 3 times more so, than funding for either the Youth or Adult program. Some states have reported that this volatility makes program planning difficult. While some degree of change in funding is to be expected due to changing dislocations in the workforce, changes in funding do not necessarily correspond to these changes. For example, changes in the numbers of workers affected by mass layoffs from year to year—one measure of dislocation activity—ran counter to changes in Dislocated Worker allocations in several states we examined. In New York, for example, dislocations due to mass layoffs increased by 138 percent in 2001, but funding allocations that year decreased by 26 percent. Conversely, in 1999, New York's dislocations decreased by 34 percent, while funding allocations actually increased by 24 percent.

Several aspects of the Dislocated Worker formula contribute to funding volatility and to the seeming lack of consistency between dislocation and funding. The excess unemployment factor has a "threshold" effect—states may or may not qualify for the one-third of funds allocated under this factor in a given year, based on whether or not they meet the threshold condition of having at least 4.5 percent unemployment statewide. As a result, small changes in unemployment can cause large changes in funding, and when the economy is strong and few states have unemployment over 4.5 percent, the states that do qualify for this pot of

funds may experience large funding increases even if their unemployment falls. In addition, the Dislocated Worker formula is not subject to the additional statutory provisions that mitigate volatility in Youth and Adult program funding. These provisions include "hold harmless" and "stop gain" constraints that limit changes in funding to within 90 and 130 percent of each state's prior year allocation and also "small state minimums" that ensure that each state receives at least 0.25 percent of the total national allocation. While these provisions prevent dramatic shifts in funding from year to year, they also result in allocations that may not as closely track changes in the program target populations.

Developing alternative funding formulas to address the issues we have identified is an important but challenging task. This task is complicated by the need to strike an appropriate balance among various objectives, such as using formula factors that are best aligned with program target populations and reducing time lags in data sources, while also using available data sources to measure these factors as accurately as possible. In addition, there have been proposals for reauthorizing WIA that would substantially modify the program target populations and funding streams, which in turn would have consequences for revising the funding formulas.

Funding One-Stop Infrastructure Has Been Challenging

Many of WIA's mandatory partners have identified resource constraints as a major factor in their ability to participate in the one-stops. In fact, the participants in a GAO-sponsored symposium[11] identified insufficient funding levels as one of the top three WIA implementation problems. Labor also found that in many states, the agencies that administer the Employment Service program had not yet been able to co-locate within the one-stops. We were told by Employment Service officials and one-stop administrators we spoke with that this was often because they still had leases on existing facilities and could not afford to incur the costs of breaking those leases. Limited funding made it even more difficult to assign additional personnel to the one-stop or to devote resources to developing electronic linkages with the one-stop. In the states we visited, mandatory partners told us that limited funding was a primary reason that, even when they co-located staff at the one-stop, they did so on a limited basis. As a result, mandatory partners had to employ a wide range of methods to provide the required support for the operation of the one-

[11]The symposium included officials from the key associations representing state and local implementers, such as the National Association of Workforce Boards and the American Association of Community Colleges.

stops. Across all the sites we visited for an early implementation study, WIA's Adult and Dislocated Worker programs and, across most sites, Employment Service, were the only partners consistently making monetary contributions to pay for the one-stops' operational costs. Other mandatory partners tended to make in-kind contributions—for example, Perkins and Adult Education and Literacy partners provided computer or GED training.

Mandatory partners also noted that restrictions on the use of their funds can serve as another constraint affecting their ability to contribute resources to the one-stops. Some programs have caps on administrative spending that affect their ability to contribute to the support of the one-stop's operations. For example, WIA's Adult and Dislocated Worker programs have a 10-percent administrative cap that supports both the one-stops' operation and board staff at the local level. In addition, as we have reported in the past, regulations often prohibit states from using federal program funds for acquisition of real property or for construction.[12] This means partners, such as those carrying out Perkins, cannot provide funds to buy or refurbish a one-stop building. Moreover, Adult Education and Literacy and Perkins officials noted that under WIA they can only use federal funds for the purpose of supporting the one-stop, though only a small portion of their funds come from federal sources.

WIA's System for Certifying Training Providers May Reduce Training Options for Job Seekers

Training options for job seekers may be diminishing rather than improving, as training providers reduce the number of course offerings they make available to WIA job seekers.[13] According to training providers, the data collection burden resulting from participation in WIA can be significant and may discourage them from participating. For example, the requirement that training providers collect outcome data on all students in a class may mean calling hundreds of students to obtain placement and wage information, even if there is only one WIA-funded student in that

[12]See *Workforce Investment Act: Better Guidance Needed to Address Concerns Over New Requirements*, GAO-02-72, (Washington, D.C.: Oct. 4, 2001).

[13]The most recently available data on the proportion of WIA job seekers who receive training shows an overall decline from JTPA figures. During program year 2001, 43 percent of participants who exited the adult and dislocated worker programs had received training under WIA. By comparison, during program year 1998, 73 percent of JTPA exiters (including adults, dislocated workers, and older workers) had received training. This decline may result from a variety of factors, one of which may be fewer training opportunities.

class. Even if they used other methods that may be less resource-intensive, training providers said privacy restrictions might limit their ability to collect or report student outcome data. Training providers also highlighted the burden associated with the lack of consistency between the states use for WIA and for other mandatory partners. For example, the definition a state establishes for "program completer" for students enrolled in WIA can be different from the definition a state establishes for students enrolled in Education's Carl D. Perkins Vocational Education Program (Perkins). Training providers find the reporting requirements particularly burdensome given the relatively small number of individuals who have been sent for training. Guidance from Labor and Education has failed to address how training providers can provide this information cost-effectively.

States and Localities Seek More Help from Labor

In addition to challenges arising from implementing portions of the law, state and local officials often cite the need for more help from Labor in terms of clearer guidance and definitions and greater opportunities for information sharing. Although Labor has provided broad guidance and technical assistance to aid the transition from JTPA to WIA, some workforce officials have told us that the guidance has not addressed specific implementation concerns. Efforts to design flexible programs that meet local needs could be enhanced if Labor addressed the concerns of workforce officials with specific guidance and disseminated information on best practices in a timely manner. A number of our studies have recommended that Labor be more proactive and provide better guidance and clearer definitions

- on participant registration policies and on performance measure definitions to allow for accurate outcome tracking and better program accountability[14]
- on how to better administer the WIA dislocated worker program, including how to provide additional assistance to local areas using rapid response funds[15]

[14]See *Workforce Investment Act: Improvements Needed in Performance Measures to Provide a More Accurate Picture of WIA's Effectiveness*, GAO-02-275 (Washington, D.C.: Feb. 1, 2002).

[15]See *Workforce Investment Act: Better Guidance and Revised Funding Formula Would Enhance Dislocated Worker Program*, GAO-02-274 (Washington, D.C.: Feb. 11, 2002).

- on how to more effectively administer the WIA youth program, including how to recruit and engage parents, youth, and the business community; improve competition in contracts for services to youth; determine eligibility; and retain out-of-school youth[16]

- on a definition of unliquidated obligations so that it includes funds committed at the point of service delivery, specifies what constitutes an obligation and the timeframe for recording an obligation in order to improve financial reporting.[17]

Labor has taken limited steps to respond to these recommendations. It has released revised guidance on the performance measurement system and has allowed states to revise their negotiated performance levels, which may address possible disincentives to serving certain job seekers. Labor is also currently finalizing guidance for state and local areas on services for dislocated workers. In response to our recommendations pertaining to the WIA Youth Program, Labor agreed to issue a toolkit on effective youth councils; reach out to new providers to enhance competition; simplify eligibility documentation; and develop a best practices Web site on serving out-of-school youth. In addition, Labor agreed with our findings and recommendations related to providing clearer definitions of unliquidated obligations; however, it declined to consider obligations in assessing WIA's financial position. Finally, Labor has convened a one-stop readiness workgroup that included representatives from Education, HHS, and HUD. This group has developed a set of suggested strategies for addressing major WIA implementation issues and plans to disseminate a national issuance, signed by the heads of all the federal partner agencies, that would emphasize the commitment of these federal partners to the one-stop system.

We have also recommended that Labor be more proactive in sharing various promising practices to help states and localities still struggling with implementation challenges. Our reports have recommended that Labor share promising practices in areas that include cost-effective

[16]See *Workforce Investment Act: Youth Provisions Promote New Service Strategies, but Additional Guidance Would Enhance Program Development*, GAO-02-413 (Washington, D.C.: Apr. 5, 2002).

[17]See *Workforce Investment Act: States' Spending Is on Track, but Better Guidance Would Improve Financial Reporting*, GAO-03-239 (Washington, D.C.: Nov. 22, 2002).

methods of collecting training provider information, addressing the difficulties of using UI data in measuring outcomes, better ways to coordinate services for TANF clients through the one-stop, and better spending management strategies.

While Labor has developed several mechanisms for providing guidance and allowing local one-stop administrators to share best practice information, these efforts have been limited. Labor is establishing a new unit within ETA—the Office of Performance and Results—whose function will be to coordinate efforts to identify and share promising approaches in areas such as the use of supplemental data sources to close gaps in UI data. In addition, Labor's primary mechanisms for distributing information about promising practices at one-stop centers are a Web site, forums, and conferences. The promising practices Web site, in particular, represents a good step toward building a mechanism to support information sharing among one-stop administrators. However, neither Labor nor the Web site's administrators have conducted a customer satisfaction survey or user evaluation of the site, so little is known about how well the site currently meets its objective to promote information sharing about promising practices at one-stop centers. In addition to the Web site, Labor cosponsors several national conferences to promote information sharing and networking opportunities for state and local grantees and stakeholders. Labor also hosted several forums during WIA implementation to allow information exchanges to occur between the department and state and local one-stop administrators. While these conferences and forums provide a venue for one-stop managers to talk with one another about what is and is not working at their centers, participation is limited to those who can physically take part.

Concluding Observations

WIA represents a fundamental shift in the way federally funded employment and training services are delivered to job seekers and employers. It was, perhaps, a far more radical change than it initially appeared. But, in just under 3 years, states and localities have learned to embrace its flexibility, developing systems that meet local needs. They are doing what WIA envisioned—bringing on new partnerships and forging new relationships at all levels. They are actively working to engage the employer community and involve intermediaries and others to address the economic development needs of local communities. The process of implementation has not been perfect, but it is moving forward. Some aspects of the law that have caused difficulties may deserve attention during reauthorization. But, given the significant changes brought about by

WIA, more time may be needed to allow a better assessment of what is working and what is not before making major changes in WIA's structure.

Mr. Chairman, this concludes my prepared statement. I will be happy to answer any questions you or other Members of the Subcommittee may have.

GAO Contact and Acknowledgments

For future contacts regarding this testimony, please contact Sigurd R. Nilsen at (202) 512-7215. Individuals making key contributions to this testimony included Dianne Blank, Elisabeth Anderson, Katrina Ryan, and Tamara Harris.

Related GAO Products

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