What the European Social Fund Can Learn from the WIA Experience
Overview of the Workforce Investment Act (WIA)

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Abstract

When the Congress passed the Workforce Investment Act (WIA) in 1998 it sought to unify a fragmented employment and training system to better serve job seekers and employers. To create a more comprehensive workforce investment system, WIA required states and localities to bring together most federally funded employment and training services into a single service delivery system, called the one-stop center system. Sixteen different programs across four federal agencies must provide services through this one-stop system, either on-site or through electronic linkages or referrals. Three of the programs authorized under WIA--Adult, Dislocated Workers, and Youth—replaced the former Job Training Partnership Act programs and are the cornerstones of the system. These three programs had a combined appropriation of about $3.3 billion in fiscal year 2009. The Adult and Dislocated Worker programs provide a greater array of services to the general public than previous programs, no longer requiring that jobseekers meet income eligibility requirements before receiving services. The services allowed under the programs include job search, comprehensive assessment and case management, occupational skills and on-the-job training, as well as certain supportive services, such as transportation or child care, that may be necessary to participate in the program. WIA also provided for greater accountability than did earlier programs by establishing new performance measures to gauge the results of the programs and a requirement to use Unemployment Insurance wage data. The three key performance measures for adults and dislocated workers—job placement, employment retention, and earnings—are now being used by other employment and training programs as part of the Department of Labor's common measures initiative. The Workforce Investment Act was due to be reauthorized in 2003, but efforts thus far have stalled.

Introduction

Over time the United States' workforce development system has seen incremental changes in its structure, its services, and the role that federal, state, and local officials play in decisionmaking. Beginning with the Manpower, Training, and Development Act (MTDA) of 1962, and continuing with the Comprehensive Employment and Development Act (CEDA) of 1973 and the Job Training Partnership Act (JTPA) of 1982, services were largely focused on training for low income individuals or those on public assistance. The array of job training programs operated in an uncoordinated patchwork of programs and agencies that served this population, often resulting in inefficiency, duplication of effort, and confusion for the job seeker. But, with the passage of WIA in 1998, the workforce development system has undergone a fundamental shift in the way employment and training services are provided. Comparing the structure of WIA to its predecessor programs we see several key themes emerge in the progression of employment and training policy in the U.S. These include:

- a decreasing focus on income eligibility as the only basis for accessing services;
- a decreasing focus on job training as the primary means for getting a job--assessing and marketing existing skills becomes the service of choice;
- an increasing focus on personal responsibility through self-service and consumer awareness, for example, in choosing training options;
- a greater focus on reducing duplication of effort—but through consolidating services, not programs;
- an increasing role for the private sector in guiding policy and a focus on the employer as customer; and,
- a greater focus on both state and local decisionmaking.

Since 2000, GAO has issued more than 25 separate reports on WIA alone, many that included recommendations regarding various aspects of WIA. This paper draws on GAO work conducted between 2000 and 2009 in which GAO examined the nature of the challenges confronting officials at all levels—federal, state, and local--in implementing the Workforce Investment System, what has been done to address them, and those that remain.

The Key Elements of WIA's Approach and What We Know About How They Work

WIA made several important changes to the existing employment and training system, but two are key—(1) it consolidated services for most federally-funded employment and training programs for adults and youth; and (2) it redesigned services under the largest employment and training program, JTPA, when it created three new funding streams—Adult, Dislocated Workers, and Youth. States were required to implement these changes by July 1, 2000.

Consolidating Services in the One-Stop System

To create a more comprehensive workforce investment system, WIA required states and localities to bring together the services of most federally-funded employment and training programs into a single system, called the one-stop system. Prior to WIA, services to job seekers were often provided through a patchwork of agencies and offices. While many of the programs shared similar goals, their services were rarely coordinated, creating an environment of confusion and frustration and hampering efforts to help job seekers get and keep a job. For about a decade before WIA was passed, states and localities had been experimenting with integrating some of their employment and training services, but none had gone so far as to include the full range required under WIA.

The U.S. Department of Labor has overall responsibility for administering the provisions of WIA. Sixteen federally funded workforce development programs administered by four separate federal agencies, including Labor, are required to provide their services through the one-stop system. In fiscal year 2009, Congress appropriated over $15.9 billion for the 16 mandatory programs, including about $3.3 billion for WIA. In addition, several of these programs, including all of the WIA-funded programs, received additional funding under the American Recovery and Reinvestment Act of 2009. The three WIA-funded programs in particular received a total of $3.2 billion in additional funding. Even without the additional funding, these three WIA-funded programs combined currently constitute the largest federally-funded employment and training program in the U.S. (See table 1.)

Table 1. WIA's Mandatory Programs and Services, and Fiscal Year 2009 Appropriation (dollars in millions)

Federal Agency and Mandatory Program	Fiscal Year 2009 Appropriation	Services provided and target population
Department of Labor		
WIA Adult	$862	Assessment, counseling, job readiness skills, and occupational skills training to individuals age 18 or older. Priority for intensive services and training is given to low-income individuals and public assistance recipients.
WIA Dislocated Worker	1,467	Assessment, counseling, job readiness skills, and occupational skills training to workers age 18 or older who have lost their jobs due to plant closures or layoffs.
WIA Youth	924	Assistance for youth ages 14-21 to complete an education program or to secure and hold employment. 30% of funds used on out-of-school youth.
Employment Service (Wagner-Peyser)	704	Assessment, counseling, job readiness and placement to any individual seeking employment who is legally authorized to work in the United States.
Trade Adjustment Assistance	958	Assistance to workers who lose their jobs due to international trade. Benefits include training, income support while in training, job search, relocation assistance, assistance with health insurance, and wage insurance for certain older workers.
Veterans' employment and training programs	239	Counseling and placement services to veterans, including those with service-connected disabilities; connections to other programs that can fund training.
Unemployment Insurance	2,833	Income support to individuals eligible under state law, who have become unemployed through no fault of their own and are looking for work.
Job Corps	1,684	A residential program that provides job training and job-readiness skills to disadvantaged at-risk youth, ages 16-24.
Senior Community Service Employment Program	572	Assessment, counseling, placement assistance, occupational skills training, and part-time community service employment for low-income persons age 55 and over.
Employment and training for migrant and seasonal farm workers	83	Assessment, counseling, placement assistance, occupational skills training, and other supportive services for economically disadvantaged migrant and seasonally-employed farm workers.
Employment and training for Native Americans	53	Assessment, counseling, placement assistance, occupational skills training, and other supportive services for Indian, Alaskan Native, and Native Hawaiian individuals.
Department of Education		
Vocational Rehabilitation Program	2,975	Assessment, counseling, placement assistance, occupational skills training, and other rehabilitative services to individuals with disabilities; priority is given to those with the most significant disabilities
Adult Education and Literacy	567	Assessment and basic skills and literacy training to adults over the age of 16, not enrolled in school, who lack a high school diploma or the basic skills to function effectively in the workplace and in their daily lives
Vocational Education (Perkins Act)	1,272	Improvement of vocational and technical education programs through curriculum and professional development, purchase of equipment, services to members of special populations, and other activities.
Department of Health and Human Services		
Community Services Block Grant	700	A wide array of assistance, including, but not limited to, employment or training to low-income families and their communities.
Department of Housing and Urban Development		
HUD-administered employment and training	Not available	A wide range of employment and training-related services to residents of public and assisted housing and other low-income persons, including the Community Development Block Grants.

Source: Departments of Labor, Education, HHS, and HUD

Each state must have one or more designated local workforce investment areas, and each local area must have at least one comprehensive one-stop center where core services for all mandatory programs are accessible. WIA allows flexibility in the way these mandatory partners provide services through the one-stop system, allowing co-location, electronic linkages, or referrals to off-site partner programs. While WIA requires these mandatory partners to participate, it does not provide additional funds to support the one-stop system infrastructure, such as facilities or data systems. As a result, mandatory partners are expected to share the costs of developing and operating one-stop centers. In addition to mandatory partners, one-stop centers have the flexibility to include other partners in the one-stop system to better meet specific state and local workforce development needs. Services may also be provided at affiliated sites, defined as designated locations that provide access to at least one employment and training program.

While officials at all levels have generally considered the changes to be moving the system in the right direction, creating these one-stop centers where services were consolidated across a broad range of programs was a daunting task and states and local areas encountered some challenges along the way.

Governance of the One-Stop System

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 (often called the "WIB") 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 to oversee one-stop operations. The WIBs have no control over the funds for most of the mandatory partner programs and have only limited authority over a portion of the WIA funds designated for adult and youth activities.

WIA specifies the categories of members that should participate on the workforce investment boards, but does not prescribe a minimum or maximum number of members. It allows governors to select representatives for the board from various segments of the workforce investment community, including business, education, labor, and other organizations. The specifics for local board membership are similar to those for the state. Private-sector leadership and involvement on these boards has been seen as crucial to shaping the direction of the workforce investment system. In that respect, WIA requires that private-sector representatives chair the boards and make up the majority of board members.

WIA's statutory requirements for the WIBs created some challenges for states and localities, at least initially. As a result of the board membership requirements, boards became rather large and unwieldy. In a 2001 report, we noted that the average number of members on state workforce boards often exceeded 40 and sometimes reached as high as

64. Local boards were just as large. By comparison, major private-sector corporate boards often have around 12 members. Officials reported that the size of the boards made it difficult to recruit the necessary private-sector board members and made it difficult to set-up and conduct meetings. Some local areas experimented with different approaches to reduce the size of boards, including developing extensive committee structures.[1] Currently, Labor reports that the state and local WIBs are about the same size as they were at WIA's inception. However, Labor notes that well-functioning boards have found that dividing into subcommittees has allowed them to function more efficiently.

One-Stop Infrastructure

In 2007, we reported that WIA's service delivery infrastructure was still evolving, and between 2001 and 2007, the number of one-stop centers nationwide—both comprehensive and affiliated sites—had declined somewhat, a fact that states most often attributed to a decrease in funding. At last count, there were 1,850 comprehensive one-stops across the country. Services for mandatory programs were increasingly available through the one-stop system in 2007, though not always on-site. States continued to have services for two key programs—WIA Adult and Dislocated Workers—available on-site at the majority of the one-stop centers. The on-site availability of some other programs—such as, Job Corps, Migrant and Seasonal Farm workers, Senior Community Service and Employment Program, and Adult Education and Literacy—had declined slightly between 2001 and 2007. However, the overall availability of these programs' services increased, largely because of substantial increases in access through electronic linkages and referrals. Despite the increased availability of some programs at one-stop centers, in some local areas the linkages between key programs never really developed. In 2007, we reported that several states had not fully integrated all of their Wagner-Peyser-funded Employment Service into the system. Six states reported in our 2007 survey that they operated stand-alone Employment Service offices, all completely outside the one-stop system. Another four states reported having at least some stand-alone offices outside the system.[2] At that time, we recommended that Labor step up action to require all Employment Services offices be part of the one-stop system. Labor officials tell us they remain committed to a fully integrated system and are providing technical assistance to state and local officials and to system partners to promote better integration.

Lacking a dedicated source of funding to support infrastructure, most states and local areas rely heavily on one or two programs to support one-stop costs, although some states disperse the costs among numerous programs. WIA and the Employment Service were the two programs most often identified in our 2007 survey as funding sources used for infrastructure—the non-personnel costs of operating comprehensive one-stop centers. Of the 48 states that were able to report on infrastructure funding for comprehensive one-stop centers, 23 states identified WIA as the top funding source and 19 states reported that

[1] GAO, *Workforce Investment Act: Better Guidance Needed to Address Concerns Over New Requirements*, GAO-02-72, (Washington, D.C.: October 4, 2001).
[2] GAO, *Workforce Investment Act: One-Stop System Infrastructure Continues to Evolve, but Labor Should Take Action to Require That All Employment Service Offices Are Part of the System*, GAO-07-1096, (Washington, D.C.: September 4, 2007).

Employment Service funds were the largest funding source. In a 2003 report on promising one-stop practices, we noted that some local one-stops were finding other 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 one local area reported that they raised $750,000 in one fiscal year through a combination of fee-based business consulting, drug testing, and drivers' education services.[3]

Coordinating Services Across Programs

WIA sought to reduce the confusion and redundancy that existed in workforce development programs. It did so by requiring that programs coordinate services—it did not consolidate the programs. To facilitate this coordination, WIA provided the flexibility to states and local areas to develop approaches for serving job seekers and employers that best meet local needs. This local flexibility has allowed innovation in streamlining services across the array of programs in the one-stop. In our 2003 study, we reported that states and localities had found creative new ways to serve job seekers. In particular, a group of 14 one-stops, identified as exemplary by government officials and workforce development experts, used at least one of several different approaches to streamline services--they took steps to ensure that job seekers could readily access needed services, they cross-trained program staff on all of the one-stop programs, or they consolidated case management and intake procedures. For example, 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. They consolidated case management and intake procedures across programs through the use of shared service plans for customers and shared computer networks.

Focus on the Employer as Customer

WIA requires that the one-stop system engage the employer as customer by helping employers identify and recruit skilled workers. Engaging employers is seen as critical to successfully connecting job seekers with available jobs. In our 2003 promising one-stop practices study, officials at the exemplary one-stops we visited told us they engaged and served employers using at least three different methods. Most of the one-stops had specialized staff who conducted outreach to individual employers or to industry clusters and served as their primary point of contact for accessing one-stop services. 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

[3] GAO, *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).

system, helping one-stops to assess the workforce needs of employers while connecting employers with one-stop services. Finally, these one-stops also 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.[4]

Despite the efforts of the one-stop centers to engage employers, the extent to which the one-stop center is actually positioned to serve their needs has been a concern to many. In 2004 and again in 2006, we surveyed randomly selected small, medium, and large employers to determine the extent to which they were aware of, used, and were satisfied with the one-stop system. We found that employers mostly used one-stop centers to fill their needs for low-skilled workers. Most medium and large employers were aware of and use the system and were satisfied with its services (see fig 1). Regardless of size, just over 70 percent of employers responding to our 2006 survey reported that they hired a small percentage of their employees—about 9 percent—through one-stops. Two-thirds of the workers they hired were low-skilled workers, in part because they thought the labor available from the one-stops was mostly low-skilled. Employers told us they would hire more job seekers from the one-stop labor pools if the job seekers had the skills they were seeking. Most employers used the centers' job posting service, fewer made use of the one-stops' physical space or job applicant screening services. Still, when employers did take advantage of services, they generally reported that they were satisfied with the services and found them useful because they produced positive results and saved them time and money. When employers did not use a particular one-stop service, in most cases they said that they either were not aware that the one-stop provided the service, said they obtained it elsewhere, or said that they carried through on their own.[5]

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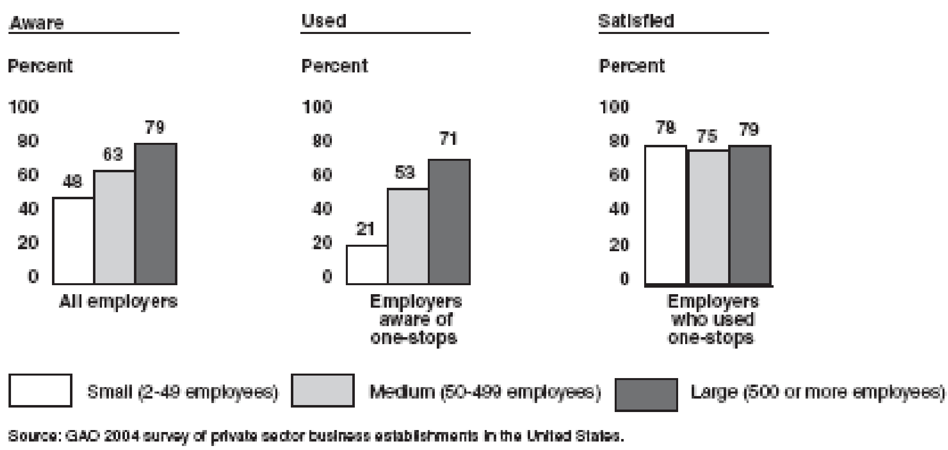
[4] GAO, *Workforce Investment Act: One-Stop Centers Implemented Strategies to Strengthen Services and Partnerships, but More Research and Information Sharing Is Needed*, GAO-03-725, (Washington, D.C.: June 18, 2003).
[5] GAO, *Workforce Investment Act: Employers Found One-Stop Centers Useful in Hiring Low-Skilled Workers; Performance Information Could Help Gauge Employer Involvement*, GAO-07-167, (Washington, D.C.: December 22, 2006. GAO, *Workforce Investment Act: Employers Are Aware of, Using, and Satisfied with One-stop Services, but More Data Could Help Labor Better Address Employers' Needs*, GAO-05-259, (Washington, D.C.: February 18, 2005).

Figure 1: Percentage of Business Establishments Aware of, Using, and Satisfied with One-Stops



The Structure of the Three Programs Authorized Under WIA--Adult, Dislocated Worker, and Youth

Program services provided under the three new WIA funding streams represented a marked change from those provided under JTPA. WIA combined JTPA's year-round and summer youth programs into a single year-round youth program, with summer work experience as one component. WIA's two adult programs provided for a broader range of services to the general public, no longer using income to determine eligibility for all program services.[6] The newly authorized WIA programs no longer focused exclusively on training but provided for three tiers, or levels, of service for adults and dislocated workers: core, intensive, and training. Beyond redesigning services and eligibility, WIA also mandated major changes in the way these programs measured success. The changes to the Adult and Dislocated Worker programs had a greater impact on the overall service structure than those made to the Youth program. This paper will, therefore, focus on the two adult components of WIA—Adults and Dislocated Workers.

<u>WIA-Funded Services to Adults and Dislocated Workers</u>

WIA provided for three tiers, or levels, of service for adults and dislocated workers: core, intensive, and training. Core services include basic services such as job searches and labor market information. These activities may be self-service or require some staff assistance.

[6] Participants are not required to meet income eligibility requirements to receive services, however, when funds are limited, priority for intensive services and training under the Adult program is given to low-income individuals and public assistance recipients.

Intensive services include such activities as comprehensive assessment and case management, as well as classes in literacy, conflict resolution, work skills, and those leading to a high school diploma or equivalent—activities that generally require greater staff involvement. Training services include such activities as occupational skills or on-the-job training. These tiers of WIA-funded services were to be provided sequentially, at least initially. That is, in order to receive intensive services, job seekers had to first access core services and demonstrate that those services alone would not lead to getting a job that would provide self-sufficiency. Similarly, to receive training services, a job seeker had to show that core and intensive services would not lead to such a job. Overtime this requirement has been relaxed, and Labor no longer requires that job seekers access each level of service, but, through their work experience and assessments, be able to show that core (or intensive) services would not lead to getting a job.

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. Because past systems were criticized for lacking outcome data on their training programs, WIA limits participants' use of the vouchers to those training providers who have a track record of positive outcomes. Authorized training providers and their approved course offerings must appear on an eligible training provider list (ETPL). To be on the list, the providers are required to collect and report data, including completion rates, job placement rates, and wages at placement on all the students enrolled in that course. This procedure has to be repeated for any new course offering that training providers may want to place on the ETPL. To stay on the list, training providers must meet or exceed performance criteria established by the state.

In our 2001 report on early implementation issues, we reported that training providers found these requirements overly burdensome.[7] They questioned whether it was worthwhile to assume this burden because so few individuals were being referred to them under WIA, especially when compared to the number of students they served overall. Providers began limiting the number of courses they offered to WIA-funded students, and some providers dropped out completely. To help alleviate these concerns, Labor began issuing waivers of the ETPL requirement. Currently, 40 states have waivers that allow them to forego this requirement.

Despite early concerns about the amount of training under WIA, in a 2005 report, we found that substantial WIA funds were being used to fund training. Local boards used about 40 percent of the approximately $2.4 billion in WIA funds they had available in program year 2003 to provide training services[8] to an estimated 416,000 WIA participants, primarily in occupational skills.[9] However, the vast majority of job seekers receive self-

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

[8] Note that the percentage of job seekers who received training in that year may be somewhat lower than 40 percent due to the cost of training relative to other services.

[9] The estimate of WIA participants may include some participants more than once, because some individuals may have received more than one type of training.

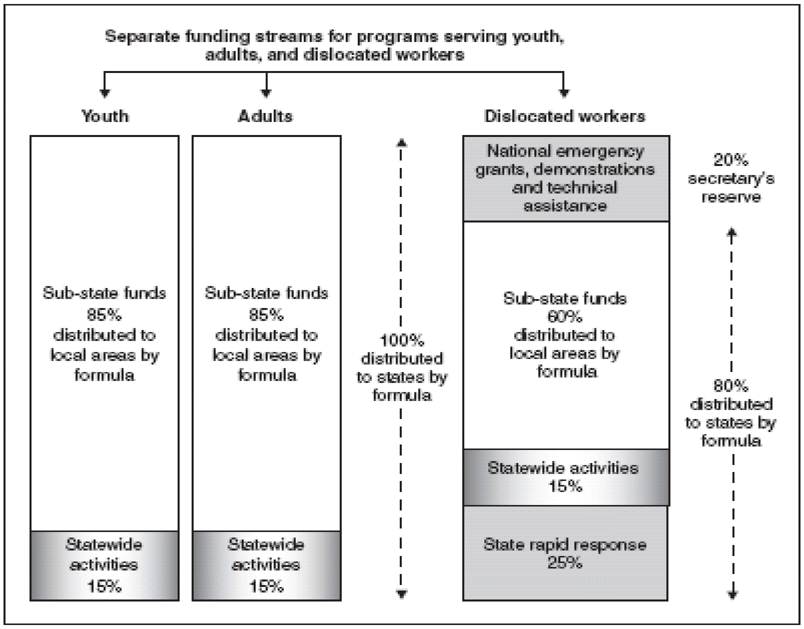
assisted core services, not training. Not everyone needs or wants additional training. And even when they do, they need help deciding what type of training would best match their skill level while at the same time meet local labor market needs—help that includes information on job openings, comprehensive assessments, individual counseling, and supportive services, such as transportation and child care. Of the funds available in program year 2003, 60 percent was used to pay for these other program costs, as well as to cover the cost of administering the program.

WIA's Funding Structure

WIA's funding structure and process is complex. Once the Congress appropriates WIA funds, the amount of money that flows to states and local areas depends on a specific statutory formula that takes into account unemployment for the adult and dislocated worker funding streams, the number of low-income individuals for the adult funding stream, and the number of long-term unemployed for the dislocated worker funding stream[10]. Labor allots 100 percent of the adult funds and 80 percent of the dislocated worker funds to states. The Secretary of Labor retains 20 percent of the dislocated worker funds in a national reserve account to be used for National Emergency Grants,6 demonstrations, and technical assistance and allots the remaining funds to each of the 50 states, the District of Columbia, and Puerto Rico. Upon receiving its allotments, each state can set aside no more than 15 percent to support statewide activities. These may include a variety of activities that benefit adults, youths, and dislocated workers statewide, such as providing assistance in the establishment and operation of one-stop centers, developing or operating state or local management information systems, and disseminating lists of organizations that can provide training. In addition, each state can set aside no more than 25 percent of its dislocated worker funds to provide rapid response services to workers affected by layoffs and plant closings. The funds set aside by the states to provide rapid response services are intended to help dislocated workers transition quickly to new employment. After states set aside funds for rapid response and for other statewide activities, they allocate the remainder of the funds—at least 60 percent—to their local workforce areas (see fig. 2).

[10] For additional information on National Emergency Grants, see GAO, *National Emergency Grants: Labor Is Instituting Changes to Improve Award Process, but Further Actions Are Required to Expedite Grant Awards and Improve Data*, GAO-04-496 (Washington, D.C.: Apr. 16, 2004).

Figure 2. WIA Funding Streams for Adults, Youth, and Dislocated Workers



Source: Employment and Training Administration, and P. L. 105-220.

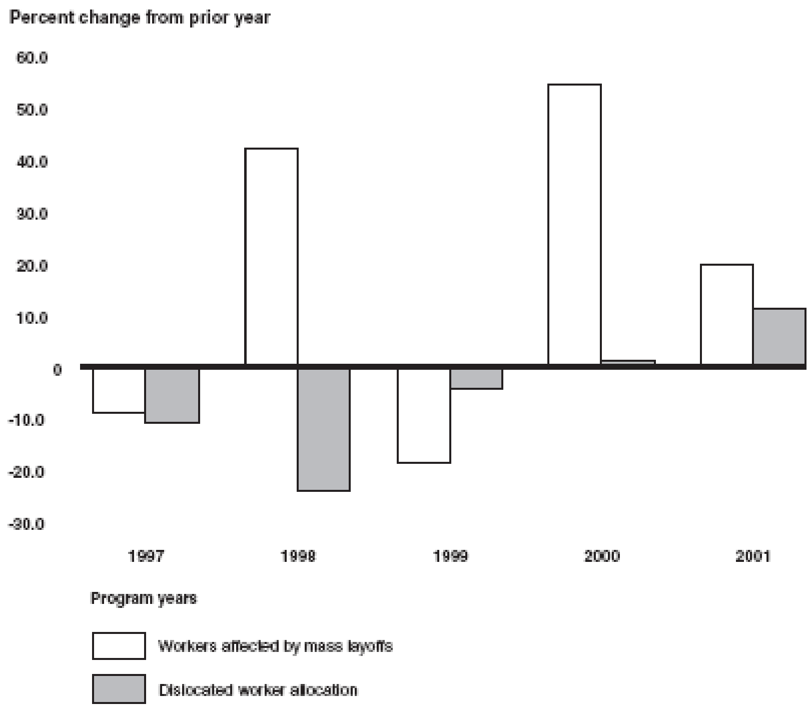
Note: A maximum of 10 percent of local funds may be used for local administration.

The formulas for distributing the funds to the states for the three WIA programs were left largely unchanged from those used to distribute funds under the predecessor program, JTPA, and are based on such factors as unemployment rates and the relative number of low-income adults and youth in the population. However, these formulas do not reflect the current program structure, and, as states and localities have implemented WIA, they have been hampered by funding issues. States' funding levels are not always consistent with the actual demand for services, and in previous work, we identified several issues associated with the current funding formulas.[11] First, formula factors used to allocate funds are not aligned with the target populations for these programs. For example, while long-term unemployed individuals are no longer automatically eligible for the Dislocated Worker program as they were under JTPA, this factor continues to be used. Second, allocations may not reflect current labor market conditions because there are time lags between when the data are collected and when the allocations become available to states. Third, the formula for the Dislocated Worker program is especially problematic, because it causes funding levels to suffer from excessive and unwarranted volatility unrelated to a state's actual layoff activity. 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. In a study we conducted in 2003, we compared dislocation activity and funding levels for

[11] GAO, *Workforce Investment Act: Issues Related to Allocation Formulas for Youth, Adults, and Dislocated Workers*, GAO-03-636, (Washington D.C.: April 25, 2003).

several states. In one example, funding decreased in one year while dislocation activity increased by over 40 percent (see fig. 3). This volatility could be mitigated by provisions such as “hold harmless” and “stop gain” constraints that limit changes in funding to within a particular range of each state’s prior year allocation. The Adult formula includes such constraints, setting the hold harmless at 90 percent and the stop gain at 130 percent.

Figure 3: An Example of the Mismatch between Dislocated Worker Funding Allocation and Dislocation Activity—Massachusetts



Source: U.S. Department of Labor, Bureau of Labor Statistics and Employment and Training Administration.

In our 2007 testimony before Congress we highlighted funding stability as one of the key areas for focusing legislative action. We suggested that if Congress wished to make broader funding formula changes, reducing the volatility in the Dislocated Worker allocation by requiring the use of hold harmless and stop gain provisions in the formula would help stabilize funding and better foster sound financial practices.[12]

WIA’s Performance Accountability Provisions

WIA was designed to provide for greater accountability than its predecessor program by establishing new performance measures, a new requirement to use UI wage data to track and report on outcomes, and a requirement for Labor to conduct at least one multi-site control group evaluation. In general, WIA’s performance measurement system captures

[12] GAO, *Workforce Investment Act: Additional Actions Would Further Improve the Workforce System*, GAO-07-1051T, (Washington, D.C.: June 28, 2007).

some useful information, but it suffers from shortcomings that may limit its usefulness in understanding the full reach of the system and may lead to disincentives to serve those who may most need services. Moreover, despite WIA's efforts to improve accountability, little is known about what the system is achieving.

WIA's Performance Measures. WIA requires that performance measures gauge program results in the areas of job placement, retention, earnings, skill attainment and customer satisfaction. The statute specifically excludes job seekers who receive core services that are self-service or informational in nature from being included in the performance information. Thus, only a small proportion of the job seeker population who receive services at one-stops are actually reflected in WIA outcome data--customers who use self-services are estimated to be the largest portion of those served under WIA. In a 2004 study, we reported that some estimates show only about 5.5 percent of the individuals who walked into a one-stop were actually registered for WIA and tracked for outcomes.

Because not all job seekers are included in WIA's outcome measures, states and local areas must decide when to begin tracking participants for outcomes—a decision that has led to outcome data that are not comparable across states and local areas. The guidance available to states at the time WIA was first implemented was open to interpretation in some key areas. For example, the guidance told states to register and track for outcomes all adults and dislocated workers who receive core services that require significant staff assistance, but states could decide what constituted significant staff assistance. As a result, states and local areas have differed on whom they track and for how long—sometimes beginning the process when participants receive staff-assisted core services, and at other times not until they receive more intensive services. We have recommended that Labor determine a standard point of registration and monitor states to ensure they comply. Labor has taken some actions, but registration remains an issue.[13]

Using UI Data to Measure Outcomes. In contrast to JTPA, for which data on outcomes were obtained through follow-ups with job seekers, WIA requires states to use UI wage records to track employment-related outcomes. Each state maintains UI wage records to support the process of providing unemployment compensation to unemployed workers. The records are compiled from data submitted to the state each quarter by employers and primarily include information on the total amount of income earned during that quarter by each of their employees.

UI wage records provide an objective means to measure outcomes and a fairly consistent national view of WIA performance. At the same time, UI wage records have some shortcomings. Although UI wage records contain basic wage information for about 94 percent of workers, certain employment categories are excluded, such as self-employed persons, independent contractors, federal employees, and military personnel. According to

[13] GAO, *Workforce Investment Act: Labor and States Have Taken Actions to Improve Data Quality, but Additional Steps Are Needed,* GAO-06-82, (Washington, D.C.: November 14, 2005).

Labor's guidance, if a program participant does not appear in the UI wage records, states may use supplemental data sources, such as follow-up with participants and employers, or other administrative databases, such as U.S. Office of Personnel Management or U.S. Department of Defense records, to track most of the employment-related measures. However, only UI wage records may be used to calculate earnings. In addition, UI data suffers significant time delays between the time an individual gets a job and the time it appears in the UI wage records. These time delays limit the data's usefulness in gauging current performance. Furthermore, because these data are maintained by each state, often in different formats, they cannot be readily used to track job seekers who get jobs in other states unless states share data. To assist, Labor established a data clearinghouse--the Wage Record Interchange System (WRIS) to allow states to share UI wage records and account for job seekers who participate in one state's employment programs but get jobs in another state. Labor officials tell us that all states and the District of Columbia currently participate in WRIS.

Establishing Performance Goals. Unlike JTPA, which established expected performance levels using a computer model, WIA requires states to negotiate with Labor to establish expected performance levels for each measure. States, in turn, must negotiate performance levels with each local area. The law requires that these negotiations take into account differences in economic conditions, participant characteristics, and services provided. To derive equitable performance levels, Labor and the states primarily rely on historical data to develop their estimates of expected performance levels

WIA holds states accountable for achieving their performance levels by tying those levels to financial sanctions and incentive funding. States that meet their performance levels under WIA are eligible to receive incentive grants that generally range from $750,000 to $3 million. States that do not meet at least 80 percent of their WIA performance levels are subject to sanctions. If a state fails to meet its performance levels for 1 year, Labor provides technical assistance, if requested. If a state fails to meet its performance levels for 2 consecutive years, it may be subject to up to a 5-percent reduction in its annual WIA formula grant.

In our 2002 report, we noted that many states believed that the established performance levels for some of their measures were set too high for them to meet—either because they were set in absence of historical or baseline data or because negotiations did not sufficiently account for variations in economic conditions or population served. Many states also reported that the need to meet performance levels may be the driving factor in deciding who receives WIA-funded services at the local level.[14] In 2004, we recommended that Labor develop an adjustment model to take these factors into account in these negotiations.[15] Labor recently signaled that it will move ahead with such an approach.

[14] GAO, *Workforce Investment Act: Improvements Needed in Performance Measures to Provide a More Accurate Picture of WIA's Effectiveness*, GAO-02-275, (Washington, D.C.: February 1, 2002).
[15] GAO, *Workforce Investment Act: Additional Actions Would Further Improve the Workforce System*, GAO-07-1051T, (Washington, D.C.: June 28, 2007).

Conducting a Multi-Site Evaluation. WIA also required Labor to conduct at least one multi-site control group evaluation by the end of fiscal year 2005, requiring that such evaluation address the general effectiveness of programs and activities in relation to costs and the impact of these services on the community and participants involved. However, Labor has been slow to initiate the required evaluation and has not made it a research priority. While WIA required such an evaluation by 2005, Labor had declined to fund one in its budget proposals. In 2004[16] and 2007,[17] we recommended that Labor comply with the requirements of WIA and conduct an impact evaluation of WIA services to better understand what services are most effective for improving outcomes. Responding to the 2004 recommendation, Labor cited the need for program stability and proposed delaying an impact evaluation of WIA until after reauthorization. In its fiscal year 2008 budget proposal, Labor identified an assessment of WIA's impact on employment, retention, and earnings outcomes for participants as an effort the agency would begin. Labor completed one evaluation and awarded a contract for another—termed the "WIA Gold Standard Evaluation"—but it is not clear whether the research design will be approved.

Since 2000, GAO has issued multiple reports related to the WIA performance management system. For more information on our specific findings, please see GAO's paper, "Progress and Challenges in Performance Measurement in Implementation of WIA", for another session of this conference.

Some Concluding Observations on Reauthorization

The Workforce Investment Act was due to be reauthorized in 2003, but efforts thus far have stalled, most often due to competing demands requiring the attention of the authorizing committees. When bills have been forwarded, competing philosophies regarding governance and service delivery strategies have kept them from being passed. Some are optimistic that WIA may be reauthorized in this Congress.

Reauthorizing WIA has never been more urgent than it is today. Workforce trends and the economic downturn have placed greater demands on the workforce investment system than ever before. At present, the system is stretched thin. If we as a nation are to maintain our competitiveness for the higher skilled jobs, we must place more emphasis on training workers to keep their skills current--before they are threatened with layoff; we must develop better linkages between education and employment; and we need greater involvement of employers in federal, state, and local workforce development efforts. Increasing labor force participation will require improving basic skills levels, including language skills, and greater involvement of employers and unions in designing education and training opportunities. But all of this comes at great financial cost. Large and growing

[16] GAO, *Workforce Investment Act: States and Local Areas Have Developed Strategies to Assess Performance, but Labor Could Do More to Help*, GAO-04-657, (Washington, D.C.: June 1, 2004).
[17] GAO, *Veterans' Employment and Training Service: Labor Could Improve Information on Reemployment Services, Outcomes, and Program Impact*, GAO-07-594, (Washington, D.C.: May 24, 2007).

federal deficits are constraining government spending, just as state and local budgets are already struggling to meet the growing needs with less revenue. In light of these concerns, and in the process of reauthorizing WIA, some key questions need to be answered:

- How can we ensure that policymakers have the information they need—information about what works and what doesn't--to make critical decisions about where to place their scarce resources?
- How might the key players in this system at all levels—federal, state, local, and the private sector—be brought to the table to participate as stakeholders and investors?
- How can we balance flexibility and accountability without unintended consequences in who gets served? and
- What can be done to make the system more nimble and able to adapt to changing economic and budgetary conditions?

GAO's Products Related to the Workforce Investment Act

These products may be accessed at www.gao.gov.

Workforce Investment Act: Labor Has Made Progress in Addressing Areas of Concern, but More Focus Needed on Understanding What Works and What Doesn't. GAO-09-396T. Washington, D.C.: February 26, 2009.

Employment and Training Program Grants: Evaluating Impact and Enhancing Monitoring Would Improve Accountability. GAO-08-486. Washington, D.C.: May 7, 2008.

Workforce Investment Act: One-Stop System Infrastructure Continues to Evolve, but Labor Should Take Action to Require That All Employment Service Offices Are Part of the System. GAO-07-1097. Washington, D.C.: September 4, 2007.

Workforce Investment Act: Additional Actions Would Further Improve the Workforce System. GAO-07-1051T. Washington, D.C.: June 28, 2007.

Workforce Investment Act: Employers Found One-Stop Centers Useful in Hiring Low-Skilled Workers; Performance Information Could Help Gauge Employer Involvement. GAO-07-167. Washington, D.C.: December 22, 2006.

Workforce Investment Act: Labor and States Have Taken Actions to Improve Data Quality, but Additional Steps Are Needed. GAO-06-82. Washington, D.C.: November 14, 2005.

Workforce Investment Act: Substantial Funds Are Used for Training, but Little Is Known Nationally about Training Outcomes. GAO-05-650. Washington, D.C.: June 29, 2005.

Workforce Investment Act: Labor Should Consider Alternative Approaches to Implement New Performance and Reporting Requirements. GAO-05-539. Washington, D.C.: May 27, 2005.

Workforce Investment Act: Employers Are Aware of, Using, and Satisfied with One-Stop Services, but More Data Could Help Labor Better Address Employers' Needs. GAO-05-259. Washington, D.C.: February 18, 2005.

Workforce Investment Act: Labor Has Taken Several Actions to Facilitate Access to One-Stops for Persons with Disabilities, but These Efforts May Not Be Sufficient. GAO-05-54. Washington, D.C.: December 14, 2004.

Workforce Investment Act: States and Local Areas Have Developed Strategies to Assess Performance, but Labor Could Do More to Help. GAO-04-657. Washington, D.C.: June 1, 2004.

National Emergency Grants: Labor Is Instituting Changes to Improve Award Process, but Further Actions Are Required to Expedite Grant Awards and Improve Data. GAO-04-496. Washington, D.C.: April 16, 2004.

Workforce Investment Act: Labor Actions Can Help States Improve Quality of Performance Outcome Data and Delivery of Youth Services. GAO-04-308. Washington, D.C.: February 23, 2004.

Workforce Training: Almost Half of States Fund Worker Training and Employment through Employer Taxes and Most Coordinate with Federally Funded Programs. GAO-04-282. Washington, D.C.: February 13, 2004.

Workforce Investment Act: Potential Effects of Alternative Formulas on State Allocations. GAO-03-1043. Washington, D.C.: August 28, 2003. Also related report GAO-03-636.

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. *Also related testimony GAO-03-884T.*

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.: February 14, 2003.

Older Workers: Employment Assistance Focuses on Subsidized Jobs and Job Search, but Revised Performance Measures Could Improve Access to Other Services. GAO-03-350. Washington, D.C.: January 24, 2003

Workforce Investment Act: States' Spending Is on Track, but Better Guidance Would Improve Financial Reporting. GAO-03-239. Washington, D.C.: November 22, 2002.

Workforce Investment Act: States and Localities Increasingly Coordinate Services for TANF Clients, but Better Information Needed on Effective Approaches. GAO-02-696. Washington, D.C.: July 3, 2002. *Also related testimonies GAO-02-739T and GAO-02-500T.*

Workforce Investment Act: Youth Provisions Promote New Service Strategies, but Additional Guidance Would Enhance Program Development. GAO-02-413. Washington, D.C.: April 5, 2002.

Workforce Investment Act: Better Guidance and Revised Funding Formula Would Enhance Dislocated Worker Program. GAO-02-274. Washington, D.C.: February 11, 2002.

Workforce Investment Act: Improvements Needed in Performance Measures to Provide a More Accurate Picture of WIA's Effectiveness. GAO-02-275. Washington, D.C.: February 1, 2002.

Workforce Investment Act: Better Guidance Needed to Address Concerns Over New Requirements. GAO-02-72. Washington, D.C.: Oct. 4, 2001. Also testimony GAO-02-94T.

Workforce Investment Act: Implementation Status and the Integration of TANF Services. GAO/T-HEHS-00-145. Washington, D.C.: June 29, 2000.

Other Related Products

Veterans' Employment and Training Service: Labor Could Improve Information on Reemployment Services, Outcomes, and Program Impact. GAO-07-594. Washington, D.C.: May 24, 2007.

Senior Community Service Employment Program: Labor Has Made Progress Implementing Older Americans Act Amendments of 2000, but Challenges Remain. GAO-06-549T. Washington, D.C.: April 6, 2006.

Unemployment Insurance. Factors Associated with Benefit Receipt. GAO-06-341. Washington, DC: March 7, 2006. Also testimony GAO-06-484T.

Trade Adjustment Assistance: Most Workers in Five Layoffs Received Services, but Better Outreach Needed on New Benefits. GAO-06-43. Washington, DC: January 31, 2006.

Older Workers: Labor Can Help Employers and Employees Plan Better for the Future. GAO-06-80. Washington, D.C.: December 5, 2005.

Unemployment Insurance: Better Data Needed to Assess Reemployment Services to Claimants. GAO-05-413. Washington, D.C.: June 24, 2005

Workforce Challenges and Opportunities for the 21st Century: Changing Labor Force Dynamics and the Role of Government Policies. GAO-04-845SP. Washington, D.C.: June, 2004.

Multiple Employment and Training Programs: Funding and Performance Measures for Major Programs. GAO-03-589. Washington, D.C.: April 18, 2003.