Statement Submitted for the Record

by

HR Policy Association

Before the

House Education and the Workforce Committee Subcommittee on Higher Education and Workforce Training

Hearing on

Modernizing the Workforce Investment Act [PL 105-220]: Developing an Effective Job Training System for Workers and Employers

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CHAIRWOMAN FOXX, RANKING MEMBER HINOJOSA AND HONORABLE MEMBERS OF THE SUBCOMMITTEE:

On behalf of the members of the HR Policy Association, I want to thank you for the opportunity to appear before you today. Unfortunately, neither the Chair of our Workforce Development Committee, Eva Sage-Gavin, Executive Vice President, of Human Resources and Corporate Affairs for Gap, Inc. nor the Chair of our Public Policy Committee Sue Suver, Vice President, Human Resources, of the U.S. Steel Corporation could be with you here today due to longstanding prior commitments. I am very pleased to appear in their place and we appreciate the opportunity to be here to discuss the views of chief human resource officers regarding the role of business in federally funded Workforce Investment Act programs.

HR Policy Association is the lead organization representing chief human resource officers of major employers. The Association consists of more than 330 of the largest corporations doing business in the United States and globally, and these employers are represented in the organization by their most senior human resource executive. Collectively, their companies employ more than ten million employees in the United States, nearly nine percent of the private sector workforce, and 20 million employees worldwide. They have a combined market capitalization of more than $7.5 trillion. These senior corporate officers participate in the Association because of their commitment to improving the direction of human resource policy. Their objective is to use the combined power of the membership to act as a positive influence to better public policy, the HR marketplace, and the human resource profession.

By way of personal background, I started working in the workforce development system back in 1995. I've held positions in both large and small states. I've also spent about 10 years here in Washington working at the National Association of State Workforce Agencies and the U.S. Department of Labor's Employment and Training Administration. Most recently, I served as Deputy Secretary of Employment and Workforce Development for Governor Arnold Schwarzenegger where I had responsibility for workforce programs including our State Workforce Investment Board.

As chronicled in the Association's *Blueprint for Jobs in the 21st Century: A Vision for a Competitive Human Resource Policy for the American Workforce,* HR Policy Association members believe America is experiencing fundamental long-term structural economic changes that require long-term policy changes to restore the nation's competitiveness. The 21st century has brought with it new global economic forces that are transforming the way work is done, where it is done, by whom it is done, and the skills needed to get it done.

Caught in the middle of this transformation is the American worker, who is discovering that the skills and infrastructure that enabled success in the 20th century have fundamentally changed. Technology is being deployed at increasingly rapid rates, resulting in high productivity and less expensive products and services, but also lower employment levels. New products and services are born and then become obsolete in a matter of months, and the skills needed to produce, market, service, and sell them are in constant evolution. Americans are not being educated in sufficient numbers to meet the demands of today's highly technical work processes and products. Most importantly, there is not enough coordination between all the various institutions involved in generating economic opportunity—employers, educators, government, and employees—to take the steps necessary to restore America's competitiveness and provide employment security for today's workers.

The members of HR Policy Association are the chief human resource officers responsible for employing more than ten million Americans. Most of their companies operate globally, and they have firsthand knowledge of government polices and economic systems that work as well as those that fail to provide employment security and job growth for their citizens. These are their unique perspectives on the role of employers in a newly redesigned workforce investment system to make the system stronger and more effective for employers and jobseekers alike.

The Federally Funded Workforce Development/Job Training System Must Be Employer-Driven

Background:

The authors of the Workforce Investment Act of 1998 crafted the legislation so that businesses would have a great deal of influence in how the programs funded under the law are carried out.[1] The current law requires that state and local workforce investment boards that oversee the activities of the federally funded system be led by business majorities. The strong role of business was built into the law to ensure a close link between those who create jobs and hire workers and the job training programs funded to prepare workers with the skills they need for the jobs of today and the future.

Status:

While some state and local workforce boards have flourished under strong business leadership, this has not been the case everywhere. Business leadership on some state and local boards has deteriorated to the point where the boards struggle to maintain the required business majority. Many ineffective state and local boards deteriorated through a cycle that saw the board dealing with administrative matters instead of key policy making decisions which resulted in the business representation being relegated to progressively less and less influential leaders in the business community. This, in turn, led to a further decline in the influence the business leaders had over the activities of the system. Though some might argue which factor contributed first or most to the cycle of decline, few would argue that strong and engaged business leadership has been one of the most critical elements present in effective state and local boards.

One of the most effective efforts used by boards to connect the skill needs of employers to the workforce system is "sector strategies."[2] These partnerships bring together employers, education and training providers, community based organizations, and other key partners around a specific regional industry. Their goal is to develop strategies to meet the workforce needs of employers by aligning programs to meet those needs. Over the last decade, industry sector initiatives have developed in most of the major industries and in nearly every state.[3]

However, in spite of the success of these initiatives developed by the business led state and local boards, under the discussion draft of the Workforce Investment Act reauthorization legislation released by the Senate Health, Education, Labor and Pensions Committee the employer majority led state boards would be replaced by boards consisting of one-third business, one-third employee representatives and one-third government program providers.

HR Policy Association members believe it is critical to further strengthen the links between employers and job training programs and the proposal to weaken the role of business on state boards would be a grievous strategic error. This diminishment of the role of private sector employers in the programs would not only weaken their effectiveness but would be a tremendous disservice to those who rely on these programs to obtain the skills employers need to be competitive.

If anything, the WIA Reauthorization process should strengthen the connection between employers and the workforce system. Employers are under even more intense competitive pressure than they were when WIA was passed in 1998. Employers have to be in a perpetual cycle of innovation to find better ways to do everything. If our job training system is to be successful, it has to be receiving real-time information from employers on the skills they need and adjusting training programs to meet those requirements.

Position:

The federally funded workforce investment system must be employer driven. The nation's workforce investment system can only be successful in building the skills of jobseekers and helping them secure employment if it is closely linked with employers. State and local workforce investment boards must continue to be led by business majorities and be chaired by business leaders. For those boards to achieve their objectives, they will need to be driven by business leaders in order to make the current and future workforce/skill needs of their regions' business community the central focus of all the training decisions and investments made with these scarce resources. This will also receive greater engagement by employers in curriculum development, identifying needed credentials and implementing sector partnerships.

Industry Recognized Credentials Should Be the Focus of Training Funded Through the Workforce Investment Act

Background:

Congress designed the federally funded workforce investment system to provide employment and training opportunities for Americans to "meet the challenge of the changing workplace by enabling men and women to acquire the skills required to enter the workforce and to upgrade their skills throughout their careers."[4] It was meant not just to help workers keep up, but to get ahead. However, as unemployment rose and hiring slowed during the recent recession, it became more challenging for the system to place unemployed jobseekers in jobs.

There are approximately 5 unemployed Americans for every available job opening compared to less than 2 for every job opening in 2007.[5] Moreover, there is a significant mismatch between what skills the unemployed have and where the job openings are. For example, in 2010, there were almost 25 unemployed construction workers for every job opening in the construction industry, 9 unemployed manufacturing workers for every job opening in manufacturing, and almost 7 unemployed transportation and utility workers for every job opening in those industries.[6] On the other hand, in May 2011, professional and business services and the health care industry had the most job openings and relatively few unemployed workers with those skills looking for jobs.[7]

The success of the workforce investment system rests on its ability to complete the very difficult challenge of assessing the skills of jobseekers, helping them quickly develop the skills that employers need and are currently looking for in the workplace, and then assisting the newly skilled jobseeker to secure employment.

Status:

One proven and effective way to ensure the skills developed through job training programs meet the needs of employers is to fund more training resulting in employer recognized credentials that document skills. However, as the economy worsened, the ranks of the unemployed ballooned and demand for services skyrocketed, the training funded by the workforce investment system resulted in fewer credentials being received. In program year 2005, more than 75 percent of those who received training obtained a credential. But by program year 2008, that number had dropped to just over 66-percent.

The U.S. Department of Labor has recognized the value in and the need for more credentialing and has made it an agency goal that by June 2012, there will be an increase of 10 percent (to 220,000) in the number of people who receive training and attain a degree or certificate through programs funded through the Workforce Investment Act.[8]

Some in Congress realize the importance of industry recognized credentials. Senator Kay Hagan, (D-NC) has introduced the American Manufacturing Efficiency and Retraining Investment Collaboration Achievement Works Act or AMERICA Works Act (S 1243) to amend the Workforce Investment Act of 1998 to require state and local workforce boards to give priority consideration to programs that lead to an industry-recognized and nationally portable credential.[9] The bill also requires the Secretary of Labor to create a registry of skill credentials and to list in the registry credentials that are required by federal or state law for an occupation and all industry-recognized and nationally portable credentials.

The President is also promoting industry recognized credentials and has gone so far as to announce a partnership with the Manufacturing Institute to credential 500,000 manufacturing workers by 2016.[10] While not all industries are as advanced in identifying industry skills, developing curriculum to build those skills and creating the credentials that signify the skills have been obtained, business led state and local workforce boards are positioned to bring together the workforce training and education partners to complete the process required to develop these industry recognized credentials.

Position:

Industry recognized credentials should be the focus of training funded through the Workforce Investment Act. The value of training is measured in the quality of job opportunity participants receive. The best way to ensure training results in quality job opportunities is to invest in training that leads to industry recognized credentials which certify that jobseekers have the skills in demand by employers and have mastered proficiency in those skills.

Access to the Services Provided through the Workforce Investment System Must be Made Easier for Employers with Facilities in Multiple Locations

Background:

While the workforce investment system is funded by the federal government, nearly all of the services are provided at the state and local levels. Practically speaking, one of the predominant activities of the workforce system is to help match skilled local jobseekers with jobs in local businesses. For jobseekers, the system is easily accessible regardless of whether they are seeking work across the street or across the nation. In any case, all a jobseeker has to do is go online and search for jobs or register for services at one of the 3,000 local career centers located near their home or near where they want to work.[11]

Conversely, that same national network of 3,000 one stop career centers operated by more than 500 local workforce investment boards located across the 50 states presents a tremendous challenge for large national employers with facilities in multiple locations throughout the nation. Although, most hiring still happens at the local level, the sheer complexity of having to form relationships with such a vast, disconnected array of separate organizations causes the time and effort required to outweigh the benefit that can be gained by most large national employers.

Status:

The U.S. Department of Labor has recognized the challenges of navigating the vast national network of one stop career centers and tried to take steps to ease the process. Under President Bill Clinton, the Department created America's Service Locator (www.servicelocator.org or 877-US2-JOBS) to help jobseekers and businesses locate the one stop career center nearest them. Under President George W. Bush, the Department created a Business Relations Group (BRG) within the Employment and Training Administration to serve, in part, employers by creating partnerships between the workforce system and business. The mission of the BRG was to find innovative approaches to help large national employers better access the services of the state and local workforce investment system and to educate the public and the workforce system about the jobs in demand with career paths. Although the BRG served an important role, the small staff (approximately 20) was limited in the number of employers they could assist.

Under the Obama Administration, the Employment and Training Administration (ETA) has continued the effort to find meaningful and effective ways to engage employers with the workforce development system. In October 2010, President Obama announced the launch of a new initiative called Skills for America's Future alongside five HR Policy Association member companies (Gap, PG&E, United Technologies Corporation, Accenture and McDonalds).[12] The initiative is an effort to improve industry partnerships with community colleges to ensure that America's community college students are gaining the skills and knowledge they need to be successful in the workforce.

The complex structure of workforce system has caused many large national employers with good jobs to choose not to participate in the programs. In a 2010 survey of the Association membership, 54 percent of companies reported not taking advantage of government training programs, 43 percent use them only modestly, while only three percent make strong use of them. Only nine percent of Association members reported being satisfied with the government programs that they use. More than 60 percent believe that federal, state, and local policymakers need to spend far more time ensuring that their training resources fit contemporary workforce needs. Two-thirds believe that there is too much red tape and bureaucracy in these programs, and 65 percent believe employers should be given a far greater voice in the design of them.

Position:

Access to the services provided through the workforce investment system must be made easier for employers with facilities in multiple locations. Employers with locations in multiple workforce investment areas are forced to complete multiple processes with multiple local boards in order to participate in the services offered. This problem is greatly amplified for employers who are located in multiple locations throughout the nation. The magnitude and complexity of forming partnerships with multiple workforce investment areas and one-stop career centers dissuades many large national employers from participation in the workforce development system. More needs to be done during the reauthorization process to ensure employers with facilities in multiple locations are able to access all of the services available so jobseekers can more easily be placed into available positions.

The Workforce Investment System Needs to be Evaluated on How It Meets the Needs of Employers

Background:

When Congress passed the Workforce Investment Act of 1998, its authors were intent on making sure the results of the system they were creating were carefully measured. They believed that by closely measuring the performance of the programs, the providers not meeting their measures could be sanctioned, and if necessary, defunded.[13] In order to achieve this goal of thoroughly measuring the success of the system, program providers were required to report the outcomes of 100 varying and incomparable performance measures.[14] One of these measures was "customer satisfaction" of employers as measured by surveys of employers. However, by July 1, 2005, the Department of Labor had worked to simplify these very cumbersome measures into common measures that could help provide comparable data across various education and training programs.

Status:

As the Senate Health, Education, Labor and Pensions Committee works to reauthorize the Workforce Investment Act, HR Policy Association is pleased to see the bipartisan draft legislation calls for the Performance Accountability System to include the creation of at least one yet to be identified measure to evaluate the effectiveness of the programs in serving employers.

Specifically, the legislation gives the Secretaries of Labor and Education one year from the passage of the new law to work with representatives of "States and political subdivisions, business and industry, employers, eligible providers of activities carried out through the core programs, educators, researchers, participants, the lead state agency officials with responsibility for the programs carried out through the core programs, individuals with expertise serving individuals with barriers to employment and other interested parties to develop the measure(s)."

The Association is pleased to see renewed interest in measuring the effectiveness of how these programs serve employers. We hope this Committee, as well as the Departments of Labor and Education will consider us as a resource in this area. Our members would be more than happy to be engaged in the discussion of identifying meaning measures for employer services.

Position:

The workforce investment system needs to be evaluated on how it meets the needs of employers. The effectiveness of the workforce investment system is currently measured on how it serves jobseekers. However, a close, effective working partnership with employers is the foundation upon which these results depend. Therefore, a new performance measure needs to be developed to help measure the effectiveness of the workforce system's services to businesses.

Employers and Local Boards Need More Flexibility to Negotiate Training Agreements that Develop Skills That Are Connected to Real Jobs

Background:

The Workforce Investment Act of 1998 was a bipartisan enactment passed with broad support from both parties in each chamber.[15] It passed with the support of 343 members of the house and 91 members of the Senate. One reason the bill had such broad bipartisan support in both houses was because it was written to give each state and each local workforce investment area within the states the ability to design a workforce development system that would best meet the needs of that region as long as it met certain federal guidelines and performance measures.

However, some safeguards have developed around the law that limit the flexibility of the local areas in certain cases. For example, while the legislation allows for on-the-job training and customized training, other legislative and regulatory guidelines generally limit flexibility at the local level by capping the percentage of the cost that could be paid using WIA funds depending on the program and the size of the employer.

In addition, the law allows local areas to transfer funds between the Adult and Dislocated Worker programs but only if the Governor approves the transfer and only if the transfer does not exceed certain limits.[16]

Status:

As employers and local boards work together to create training strategies to develop the skills of the workers in their region, they are sometimes frustrated by unnecessary restrictions. This lack of flexibility for employers and local boards to negotiate training agreements that work best in their local area has caused a proliferation of waiver requests to the Department of Labor. As of March 31, 2011 all 50 states, the District of Columbia and five territories have applied for and received waivers under certain provisions of the WIA legislation.[17] Some of the most common waiver requests are to waive restrictions related to training agreements negotiated between employers and their local boards. Some of the most common waivers include:

- Waiver of the requirement for a 50 percent employer contribution for customized training, to permit a sliding scale contribution for small- and medium-sized businesses (27 states)

- Waiver to increase the employer reimbursement for on-the-job training for small- and medium-sized businesses (32 states)
- Waiver to permit the use of a portion of local area formula allocation funds to provide incumbent worker training (30 states)
- Waiver to permit a state to use a portion of rapid response funds to conduct incumbent worker training (25 states)

Unfortunately, the waiver process is a poor substitute for the flexible system the authors of the legislation envisioned.

Position:

Employers and local boards need more flexibility to negotiate training agreements that develop skills of the region's workforce that are relevant to employers' needs. Although the workforce investment system was created to be a locally designed and flexible system, barriers have developed over the life of the programs that limit the flexibility employers and local workforce investment boards have to negotiate training agreements that meet the needs of the local area. These agreements, generally aimed at preventing layoffs or upgrading the skills of existing workers, could help maximize highly effective and proven services to employers such as incumbent worker training and on-the-job training. Federal restrictions to these proven practices and others like them need to be removed and more flexibility given to employers and local workforce investment boards to form the partnerships that are most beneficial to the regional economy.

A Cross-Industry National Workforce Investment Board Made Up Solely of Employers Should Be Created

Background:

The authors of the Workforce Investment Act made it a priority to establish a "strong and active role" for business at both the state and local levels.[18] It was their intent that business-led state and local boards would lead the efforts to design and implement the new training system established by the law. They believed a close link with employers was the best way to make sure the training provided to jobseekers is for the high-skill, high-wage jobs of the future in demand occupations.

Under the law, business led State Workforce Investment Boards are responsible for advising the Governor on the creation, implementation and continuous improvement of the state's workforce development system. They create policy recommendations designed to make the system efficient, lead the strategic planning process and set priorities for the state's workforce investment strategic plan.

Approximately 15,000 business leaders volunteer their time to serve on local workforce boards across the nation.[19] It is the role of those business leaders on the Local Workforce Investment Boards to work with local Chief Elected Officials to oversee the delivery of workforce services to their local residents and businesses through their network of local one-stop career centers. These centers, through partnerships with other local, state and federal agencies and education and economic development organizations, provide access to jobs, skill development and business services vital to the economic health of their communities.

Status:

Each year the U.S. Department of Labor's Employment and Training Administration (ETA) receives slightly less than $4 billion to fund employment and training related programs.[20] While the vast majority of these funds are distributed directly by formula to states and then to local workforce investment boards, there is still a tremendous amount of funding awarded through national discretionary grant programs administered by the Department.

For example, under the American Recovery and Reinvestment Act alone, ETA awarded approximately $742 million in competitive high-growth job training grants in health care and green jobs.[21] In FY 2011, ETA requested nearly $350 million to fund a national innovation fund discretionary grant program and a Green Jobs Innovation Fund.[22]

In addition to these important annual discretionary funding decisions, the Department is also continuously making policy decisions that greatly affect the state and local workforce development system and the services jobseekers and businesses receive. These policies influence what services are and are not provided, how they are provided, how they are funded and many of the fundamental practices within the system, yet they are made with little or no up-front input from those who create and fill jobs.

Position:

A cross-industry national workforce investment board made up solely of employers should be created. There are employer led local workforce investment boards to guide investments and service delivery strategies at the local level, and state workforce investment boards to guide investments and service delivery strategies at the state level, but there is no such similar business voice at the federal level to help advise the secretary of labor on state and local service delivery policy and strategies and investments at the federal level. The HR Policy Association believes this is a critically important voice that is missing from the WIA system.

Conclusion

We recognize there are many important administrative facets of the law unmentioned in this discussion that do not directly relate to the role of business. We will continue to monitor the debate to reauthorize WIA as it moves forward and will weigh in on these issues when the business perspective is important. Our objective in providing these recommendations is to help articulate, from our unique perspective, the role business can and should play in the general oversight and direction of the nation's publically funded workforce investment system.

Thank you for this opportunity to share with you our views of the role of business in federally funded Workforce Investment Act programs. I'll be happy to take any questions you might have.

Endnotes

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[21] American Recovery and Reinvestment Act of 2009, Excerpts Pertaining to the Employment and Training Administration, HR- 1, Page 59, available at: http://www.doleta.gov/budget/docs/09Rapptxt.pdf.

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