

**Statement of Raymond J. Uhalde**  
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**Before the Subcommittee on Labor, Health and Human Services, Education**  
**and Related Agencies, Committee on Appropriations**  
**United States House of Representatives**  
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Good morning Chairman Rehberg, Ranking Member DeLauro and Members of the Subcommittee. Thank you for inviting me to testify about employment and training programs authorized under the Workforce Investment Act (WIA) – their goals, services, effectiveness, and recommendations to better ensure positive results for job seekers and businesses.

The nation is at a crossroads, facing two urgent priorities. We must restore fiscal discipline by reducing the Federal deficit and shrinking our long-term debt. At the same time, we also must grow the U.S. economy in the face of intense global competition – increasing employer productivity, expanding markets, creating jobs, and expanding employment and economic opportunities for all Americans. Most experts agree economic growth and broadly shared prosperity depend in large part upon the education and skills of America's workforce.

As Congress and the Administration engage in negotiations on the full FY2011 Continuing Resolution and then on to FY2012, it is absolutely essential that the urgency of deficit reduction not override critical investments in the education and skills development of U.S. workers, especially at this fragile point in our economic recovery with 13.5 million Americans still unemployed. We must make smart decisions as we move forward on both fronts.

While my testimony will focus on the goals, results and effectiveness of the nation's workforce system, I am compelled to first explain in very direct terms for Members of the Subcommittee the devastating effects that the funding reductions in H.R. 1 (or similar cuts) would have on the U.S. workforce investment system. H.R. 1 would have eliminated all funding for the WIA Adult, Dislocated Worker, and Youth programs for states and local communities in Program Year (PY) 2011, beginning July 1 of this year. And those who think that unexpended carryover funds would see the system through next year are misinformed, as well over half of these funds are already obligated or encumbered for training and other purposes. The bill would have zeroed out all funding for YouthBuild and ex-offenders, slashed support for the Job Corps and the Senior Community Service Employment Program, and crippled our federal capacity to respond to mass layoffs and the employment consequences of natural disasters. These programs help employers turn vacancies into jobs; prepare workers whose jobs have disappeared for new careers; and train America's workforce for the demands of a 21<sup>st</sup> century global economy.

Imagine the landscape next year if workforce cuts of this magnitude were to be enacted. Who would provide employment assistance to the over 8 million jobseekers served by WIA last year; the over 4.3 million who secured jobs through the system in a severely depressed economy; or the hundreds of thousands of WIA participants who received training to prepare for new careers? We know that nearly 70 percent of adults who received training last year entered employment compared to 53 percent of those who did not; and 76 percent of dislocated workers who received

training entered employment compared to 47 percent who did not. If we see cuts of this magnitude, nearly 3000 One Stop Career Centers that provide access to a broad range of employment and training programs in local communities would be forced to dramatically curtail services and nearly all would close as the year progresses. States' ability to respond quickly to plant closings and mass layoffs would be sharply curtailed if not eliminated. The federal government would be unable to provide vital employment assistance to those impacted by catastrophic natural disasters like floods, hurricanes and oil spills without WIA's National Emergency Grants. Disadvantaged out-of-school youth in YouthBuild and Job Corps would have few places to turn to for help in acquiring the academic and vocational skills and credentials that employers demand. And thousands of low-income senior citizens who provide valuable community services, while earning a much-needed paycheck, would be without employment.

This is clearly not a prescription for shared economic growth and prosperity. Nor is it consistent with the admonition of our current Federal Reserve Chairman who said last month:

**“No economy can succeed without a high-quality workforce, particularly in an age of globalization and technical change... In a dynamic economy in which job requirements are evolving more rapidly than ever, individuals already in the workforce need opportunities to improve their skills throughout their lives. ...Although helping workers acquire up-to-date skills is always important, it is especially critical now, when long spells of unemployment are threatening the longer-term employability and productivity of many.”**

Numerous studies confirm that education and training enhance labor productivity and innovation by developing workers' analytical and job skills, and by advancing creativity.

So I urge Members of the Committee to pursue deficit reduction judiciously. We cannot simply cut our way to prosperity. Avoid cuts to programs that contribute to our economic growth and to meaningful job opportunities for our citizenry and future generations. The Department of Labor's (DOL) workforce development programs play a relatively small yet vital role in this mission by expanding postsecondary education and training opportunities for low-income adults, dislocated workers, and disadvantaged youth, and by helping businesses hire, prosper, and grow.

Of course it matters greatly that our federally funded workforce development programs are effective in boosting employment, earnings and credential attainment for those who are served. In the balance of my statement I will address: (1) evidence on the effectiveness of WIA's employment and training services; and (2) recommendations for system improvement. I respectfully request that the attached summary of study findings and discussion of carry over funds be submitted into the record along with my testimony, providing additional information for the Subcommittee on program effectiveness and the impact of funding reductions.

### **The Effectiveness of WIA's Employment and Training Services**

It is no secret that WIA is in need of reauthorization to better align planning and service delivery, and strengthen the system's relevance for today's economy. It was, after all, originally authorized in August 1998 when unemployment stood at 4.5 percent. Not only do we face a much different economy now, but practice in the field also has progressed significantly, becoming much more sophisticated about employer engagement, community college partnerships, sector training strategies, career pathway initiatives, and regional cooperation in support of economic growth.

These and other proven practices and system innovations are expected to be emphasized in proposals for reauthorization under development by both the House and Senate authorizing Committees.

To say that WIA should be reauthorized is not the same as saying that WIA programs are not effective. On the contrary, the evidence is pretty clear that WIA's core and intensive services and training for disadvantaged adults have been shown time and again to pay off in terms of higher employment rates and improved earnings. The evaluation evidence on training's effectiveness for dislocated workers is mixed, but strong results have been shown in studies examining community college training for dislocated workers, particularly if training is provided for one year or more in technical occupations, including healthcare. This increased focus on longer-term, high demand training is precisely how the workforce system used the additional funding received under the Recovery Act. WIA reauthorization will push these reforms further as well.

*Adults and Dislocated Workers.* The Department of Labor has initiated a new evaluation of WIA with an experimental design, but results are years down the road. The evidence we have in hand from highly credible non-experimental econometric studies (e.g., IMPAQ, Hollenbeck), the Jacobson study on dislocated worker training, and the P/PV-Aspen Institute experimental study on sector-based training is useful in informing public policy decisions. The weight of the evidence is clear and convincing that employment and training services under the WIA Adult Program generate significantly higher earnings and employment rates, and the impacts persist for several years. These programs likely result in a minimum 10 to 15 percent boost in annual earnings for disadvantaged adults, and return \$1.50 for every dollar invested by society. Women's earnings are boosted by as much as 25 percent (\$2400 annually) and men's earnings by 10 to 15 percent (\$1700 annually) from the program's services. Core and intensive counseling and job placement services are cost effective, raising employment rates by 6 to 10 percent quarterly; and training increases earnings by at least 10 percent, with training most closely connected to employers (such as on-the-job and sector-based training) creating returns of 15 to over 20 percent.

While evaluation evidence on WIA's Dislocated Worker Program is more mixed, several studies by Hollenbeck have found strong positive and statistically significant employment and earnings effects from program participation for dislocated workers, ranging from \$310 per quarter increases in Indiana, \$598 to \$855 in Washington State, to \$1189 in a seven state study. Hollenbeck's returns to training averaged 4 to 7 percent of earnings. In an important study by Jacobson, solid evidence was found that one year of technical training at community college can yield handsome returns to participants, on the order of 15 to 20 percent or more. WIA's core and intensive counseling, job search and placement services for dislocated workers appear to be very cost effective, speeding reemployment, increasing earnings and reducing UI payments, based on two experiments evaluated in Texas and New Jersey by Mathematica. In contrast, the 2008 IMPAQ analysis suggests that dislocated workers achieved very modest though significant earnings gains of about \$350 per quarter for women and \$310 for men after three to four years, but that possible selection bias pulled these estimates down. Most of these studies, however, look only at employment and earnings as their measures of net impact. They do not consider benefits to employers such as increased productivity and profitability, nor benefits to workers such as

fringe benefits and improved mental health from peer support, personal and financial counseling, and the encouragement instilled by program participation.

*Youth Programs* - The most recent random assignment evaluation of WIA youth programs has been of Job Corps, the nation's premier residential training program for disadvantaged youth. The authors found the Job Corps program improves outcomes for participants, increasing educational and vocational credential attainment, reducing criminal activity (arrests, convictions and incarcerations), increasing earnings for several program years, and boosting the receipt of health benefits. But based on the most recent follow up analysis using tax data, the earnings increases for Corps members were only sustained beyond four years for participants 20-24 years of age. Nonetheless, the 12 percent statistically significant earnings gain experienced by participants four years after enrollment "makes Job Corps the only large-scale education and training program that has been shown to increase earnings of disadvantaged youth."

Numerous smaller youth programs have been studied with positive results. A 2009 MDRC random assignment evaluation of the National Guard Youth ChalleNge residential program, operating in 27 states, offers considerable promise for high school dropouts ages 16-18 of any income level. Preliminary findings suggest increased rates of high school credential attainment, increased college enrollment and employment. A 2008 DOL-sponsored evaluation of WIA's Youth Opportunity Grant program found positive results, noting increased educational attainment, Pell Grant receipt, labor market participation, employment rates and earnings for more than 90,000 program participants in 36 high poverty neighborhoods. A non-experimental cost-benefit analysis of YouthBuild's program aimed at youthful offenders found that graduates of the Offender Project displayed significant positive outcomes in educational attainment and reduced recidivism compared to participants who do not complete the program. And Hollenbeck found statistically significant employment rate impacts in three states among WIA youth, and a statistically significant impact in earnings for WIA youth in Washington. Finally, I would note that the WIA system responded impressively to the rapid implementation of its Summer Youth Employment programs in 2009, starting virtually from scratch providing over 355,000 disadvantaged young people with valuable summer work experiences in public, nonprofit and private sector workplaces, and recruiting thousands of employers to participate in the program.

Are there negative findings in some of these and other studies on the effectiveness of certain youth programs? Yes, but it is important that we consider the cost of doing nothing. Over 1 million youngsters drop out of high school each year and the costs to society by some estimates exceed \$260 billion in lost wages, foregone taxes, and reduced productivity over their lifetime, not to mention the negative societal costs. Federally funded workforce and education programs are important in helping to provide disadvantaged and out-of-school youth with jobs, hands-on exposure to the workplace, and opportunities to get back on track and earn secondary and post-secondary credentials. We simply must do a far better job, on a much larger scale than we have in the past, especially for disadvantaged out-of-school youth -- for they should be the special focus of the Department of Labor.

After an extensive examination of the literature and their own research, King and Heinrich (authors of two contrasting studies previously referenced) jointly conclude that the weight of the evidence suggests, "Workforce development does work. Workforce investments produce

widespread benefits for employers and society as a whole.” They go on to state that the returns on investment are “particularly remarkable given [the] magnitude and intensity of workforce investments relative to size and complexity of barriers they address.” I agree completely with this summary of the evidence.

### **Recommendations and Conclusion**

When the Workforce Investment Act (WIA) was enacted in 1998, Congress was responding in part to an earlier GAO report that identified 163 federal programs across 15 different agencies that provided employment and training services. WIA consolidated over 50 of these programs into what is now the nation’s primary workforce delivery system. WIA further streamlined service delivery by integrating access to a minimum of 13 federally funded employment and training programs at the “street level” through its One-Stop Career Centers. Further consolidation was considered at that time, but differing Committee jurisdictions thwarted those attempts. Today, the GAO has identified 47 different federal programs, totaling \$18 billion, that provide some form of employment and training services. In reality, 76 percent of all funding and 91 percent of all participants identified by the GAO are served through programs authorized under WIA. That there are multiple programs is not in dispute. It is not the case, however, that there is widespread duplication in the actual provision of services to individuals. Many of these programs were created to address the very special needs of targeted populations such as the disabled, Native Americans, migrant and seasonal farm workers and veterans. Others were established as components of larger block grants with broader purposes such as the employment and training services of TANF. While improved system alignment, more co-location at One Stop Centers, and some consolidation (where appropriate) would likely improve quality and efficiency, significant savings should not be expected. Most of these programs, including those under WIA, have received funding reductions in real dollar terms over many years and are significantly underfunded relative to mission and need. Congress should use the GAO findings as a guide to achieve system alignment and administrative savings, but not as a rationale for further cuts in program services.

In recent years, WIA has experienced a 234 percent increase in demand for services, and the system has risen to the challenge with the employment of millions of individuals annually. The system operates on the front lines as a key partner in the nation’s response to plant closings, mass layoffs, and business realignments; and in the skilling of America’s workers in support of job creation and economic recovery efforts. It provides vital labor market information, skills assessments, career guidance, counseling, employment assistance, support and training services to jobseekers and workers who need help in getting a good job. Programs established under WIA have been driven by very straightforward performance measures for nearly 30 years – measuring how many people get jobs, retain jobs, what they earn, and how many attain industry-recognized credentials. Importantly, DOL is improving WIA’s performance system by introducing regression adjustment of performance targets at the national, state and local levels. Performance management enables the system to continuously assess whether short-term outcomes are consistent with long-term employment and earnings impacts and goals.

The workforce system also provides vital services to employers, especially small and medium sized businesses, brokering training and helping employers find the skilled workers they need to be competitive. Local workforce boards perform the essential function of convening system

stakeholders and service providers – leveraging federal, state, local and private resources and partnering with businesses, labor, economic development, education, community-based and philanthropic organizations to identify and meet the employment and skill needs of their regions. Often overlooked, these partnerships and their resources that expand the reach of the public system, such as the regional funding partnerships spawned by the National Fund for Workforce Solutions which leverage millions in additional funding for workforce services, would be at great risk if budgets for WIA were eliminated or severely cut.

To further enhance the effectiveness of WIA services, especially for dislocated workers, the following strategies would improve participant outcomes and address many of the concerns raised by the evaluations discussed above. First, sector-based and on-the-job training should become common practice nationwide. As the Jacobson and P/PV-Aspen results show, the right training that is market-sensitive and dual customer oriented results in higher earnings and net benefits to workers and society. Second, reduce the substantial foregone earnings dislocated workers experience while in training by accelerating their time to credential attainment, program completion and reemployment through such approaches as: revised course sequencing; full day/full week course scheduling; contextualized and integrated instruction for basic and vocational skills; and credit for prior learning. In other words, restructure postsecondary training programs to better serve the time-sensitive needs of adults. Third, expand the use of effective technologies, tools and career navigation strategies that assess the skills of dislocated workers and match them with the skill sets needed for regional job openings or to determine training for those jobs, improving job placement efficiency and better informing who should receive training. With higher post-completion earnings, lower foregone earnings while in training, and better matches for training and employment, net benefits to workers and society would increase. These seem to be approaches that the House and Senate authorizing Committees are considering as they prepare to reauthorize WIA this Congress. It is also the approach that DOL is taking through guidance and in three new initiatives: (1) a recent award of \$75 million to 41 states for on-the-job training to help dislocated workers learn while they earn; (2) competitive grants under the Trade Adjustment Assistance Community College Career Training program to fund institutional innovations at community and career colleges; and (3) the Re-envisioning Reemployment Services for UI Claimants initiative.

U.S. competitiveness and shared prosperity is dependent on our ability to ensure that all Americans, including low wage and structurally unemployed workers, have genuine opportunities to gain new high-value skills and good jobs through sector strategies, career pathways and other innovations that support regional growth. Make no mistake, the best workforce systems in this country are already engaged in many of these approaches; and the best business-led workforce boards are leading or partnering in efforts to develop regional knowledge-based, innovation economies. The WIA system performed admirably in response to the nation's economic crisis. Is the system perfect? No, but we expect that House and Senate authorizers and the Administration are committed to enacting changes that will update WIA and make the improvements needed to further ensure success for the system's dual customers: America's workers and employers. I strongly urge that you consider this and the importance of the nation's employment and training programs to workers, employers and our economy when making further decisions on the U.S. budget and appropriations. Thank you for the opportunity to share my testimony with you.