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# Reauthorizing the Workforce Investment Act

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## The House Workforce Block Grant Bill Heads in the Wrong Direction

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On March 29, 2012, Rep. Virginia Foxx, Rep. Joseph J. Heck and Rep. Howard P. McKeon introduced a Workforce Investment Act (WIA) reauthorization bill (H.R. 4297). The bill consolidates a number of national and state-administered workforce programs, including WIA adult, dislocated workers and youth, into a new Workforce Investment Fund that would be distributed by formula to states and local areas. It also creates two new competitive grant programs: Statewide Youth Challenge Grants and Statewide Grants for Adults with Barriers to Employment.

## Analysis of H.R. 4297

To help advocates and stakeholders, CLASP has developed a set of criteria for evaluating this bill and other proposals that consolidate programs offering workforce services to low-income families and individuals. These criteria are informed by a review of the merits and problems of block grants, program consolidation and super-waivers. The six criteria for any such legislation are:

- Does the stated purpose of the legislation include a vision and provide sufficient direction for improving outcomes for low-income adults and youth?
- What is the likely impact on funding?
- What is the likely impact on access to services for populations currently targeted for services?
- Are there strong safeguards or incentives to focus appropriate services on those most in need?
- Does it support the capacity needed to administer and deliver services?
- Does it include data collection and accountability provisions designed to ensure equitable service provision and robust outcomes?

In applying these criteria to H.R. 4297, CLASP finds that the bill fails on most counts. It consolidates programs targeting specific populations into a block grant, which is expected to serve all job seekers without providing adequate assurances that individuals with employment challenges will receive suitable services. More specifically,

1. It is likely to shift funding and services away from currently targeted populations and to weaken the capacity to serve them effectively.
2. It limits the range of services needed to assist low-income individuals, low-wage workers, those with barriers and unemployed workers generally, instead of providing a more comprehensive set of services.
3. It has inadequate safeguards or incentives to ensure that states and local areas improve outcomes for individuals with barriers to employment, although it strengthens some accountability provisions.

**H.R. 4297 is likely to shift funding and services away from currently targeted populations and weaken the capacity to serve them effectively.**

- Under the proposed Workforce Investment Fund, HR 4297 eliminates a separate youth funding stream for local areas and pits youth against other populations. A large proportion (about two-fifths) of the fund comes from funding streams currently dedicated to serving low-income and disadvantaged youth. Yet it caps funding for Statewide Youth Challenge Grants at 18 percent of the total amount allotted to a state rather than setting this as a floor. In practice, a governor could spend much less than 18 percent on youth programs. The statewide competition for these youth grants would put national programs based on established models into direct competition with local programs. Together, these changes are likely to weaken or potentially dismantle local programs that exited about 122,000 young people in PY 2010.[1]
- The new Statewide Youth Challenge Grants include no protections to prevent funding from shifting away from economically distressed communities toward other parts of the state. At the same time, the Workforce Investment Fund is likely to divert funding away from areas with large concentrations of disadvantaged adults because it drops this factor from the formula for distributing federal workforce dollars to states and within states.
- The bill eliminates the current priority of service for low-income adults under the new Workforce Investment Fund, while allowing unlimited spending on incumbent workers regardless of income eligibility or barriers to employment. Trends observed under WIA are likely to accelerate if current programs are replaced by a broad block grant designed to serve a wide range of job seekers, including adults, dislocated workers, youth, older workers and others. Low-income adults now represent only about half of those receiving intensive or training services with adult employment and training funding. Elimination of the priority of service would further undercut access to services for the nearly 254,000 low-income adults who exited after receiving intensive or training services during PY 2010.[2]
- Creating Statewide Grants for Adults with Barriers to Employment is likely to weaken existing capacity to provide services by depriving programs of reliable funding and by pitting national programs against local programs and for-profit organizations. It is also likely to shift management responsibilities and administrative costs from the federal government to the states without increasing efficiency. States do not have, and would have to build from scratch, the administrative capacity to procure and oversee programs serving the individuals currently served by the national programs.[3] It is difficult to envision that requiring states to administer multiple competitive grant programs would add to the efficiency or effectiveness of delivering comprehensive services to adults or youth with barriers.
- Equally troubling is the inclusion of a form of super-waiver that allows states to consolidate funds from a list of mandatory and discretionary programs (including Temporary Assistance for Needy Families, Trade Adjustment Assistance and Unemployment Insurance as well as Adult Education and Vocational Rehabilitation programs). These funds can be diverted from serving unemployed and low-income individuals targeted by those programs and added to the new block grant for states—to be used for a wide range of functions and services without respect to the original intent of Congress.

**Instead of providing a more comprehensive set of services, H.R. 4297 restricts the range of services needed to assist low-income individuals, low-wage workers, those with barriers and unemployed workers generally.**

- While the bill provides more options for delivering training, it eliminates the ability of local areas to provide supportive services, such as transportation and child care, and needs-related payments for low-income individuals and unemployed workers who need assistance while participating in services. Supportive services are critical to helping participants stay engaged with and complete education and training programs.
- Elimination of supportive services limits rather than expands customer choice by making it more difficult for participants to engage in long-term programs or participate in services that are unavailable in the community. A study of the use of Personal Reemployment Services Accounts during a U.S. Department of Labor demonstration found that dislocated workers, who had the choice of how to spend a fixed amount of money on a range of services, spent substantial funds on supportive services; in fact, in five of the seven sites, participants spent more on supportive services than on any other service.[4]
- The bill eliminates the 10 youth program elements authorized in WIA, including leadership development and adult mentoring, which are based on research and what is known about effective youth development. Elimination of this framework for youth services would diminish the appropriate capacity to serve youth, which is quite different from the service capacity typically available to adult participants through one-stop centers.
- The bill reduces the voice in state and local governance of community organizations and stakeholders with expertise and interest in serving vulnerable populations.

**Although H.R. 4297 strengthens some accountability provisions in WIA, it lacks strong safeguards or incentives to require or encourage states and local areas to improve outcomes for vulnerable populations.**

- To its credit, the bill includes some improvements to performance accountability for workforce programs. These proposed changes include the introduction of shared measures for programs; the use of robust outcomes including longer-term employment and credential attainment; and, most important, a new requirement for adjusting state and local performance levels that should remove some disincentives for providing services to participants who are least job-ready. These provisions could be strengthened by including a wage-gains measure in addition to or in place of the proposed earnings measure. A wage-gains measure better captures successful earnings outcomes for welfare recipients and other low-income individuals who receive employment and training services.[5]
- The bill includes enhanced state and local planning requirements that ask for information on how the needs of low-income individuals and other populations are to be met. Yet such requirements are likely to prove hollow because the bill does not hold states and local areas accountable for achieving goals or meeting the needs identified in the plans.
- Apart from the requirement to adjust performance levels, the bill lacks safeguards to prevent services from shifting from vulnerable populations to more job-ready individuals with fewer barriers. Under the proposed framework of performance measures and reporting requirements, a state or local area could

meet the benchmarks while serving few disadvantaged individuals and without improving outcomes for those with severe employment challenges. In a little-noticed but potentially significant change, the bill also requires the Secretary of Labor to reduce funding for states that fail to meet performance levels (and there is a corresponding requirement for governors to reduce local funding). By strengthening financial sanctions and removing performance incentives, the bill is likely to increase the pressure on states and local areas to meet negotiated levels in a way that may dilute or even counteract any benefit to be derived from adjusting performance levels.

- The experience of implementing block grants suggests that tracking and measuring results are a major challenge.[6] In a review of block grants begun during the 1980s, the Government Accountability Office found that Congress received "limited information on program activities, services delivered and clients served" as a result of a reduction in reporting requirements.[7] A more recent review found that, under the Program Assessment Rating Tool system previously used by the Office of Management and Budget, one-third of block grant programs were rated "results not demonstrated."[8]
- The experience of implementing WIA suggests that data collection and reporting are already problem areas. In a series of reports, GAO found that the diversity of local policies for registering and tracking participants made it difficult to obtain comparable and meaningful data.[9] It is already difficult under WIA to track spending by level or type of service—that is, to determine precisely how WIA funds are being used at the state and local levels. Under a broad block grant it would be even more difficult to obtain good data and evaluate services provided to multiple populations.

## Conclusion

As this analysis indicates, H.R. 4297 does not meet the criteria that CLASP has developed for evaluating workforce legislation. Of primary concern is the lack of strong safeguards to ensure that vulnerable populations receive services and that appropriate services reach those most in need. In fact, the bill proposes to eliminate an existing safeguard in WIA—the priority of service for low-income adults. This provision is based on a long-standing principle shared by members on both sides of the aisle.

Focusing public resources on disadvantaged individuals ensures that appropriate services go to those who need them and who are likely to benefit from them. It is also important to ensure that federal funds have maximum impact. In a tight budget environment, public resources should target those who are generally not the beneficiaries of education and training investments made by the private sector.[10]

As research shows, training and intensive services for participants, particularly for disadvantaged adults, are likely to pay off.[11] Recent evaluations of WIA found that workforce services, particularly occupational training, increased employment and earnings for participants served with adult employment and training funds.[12] As WIA reauthorization proceeds, policymakers should not ignore this evidence; rather, they should build on the capacity of the workforce system to improve outcomes for low-income adults, disconnected youth and individuals with barriers to employment.

[1] Social Policy Research Associates, *PY 2010 WIASRD Data Book*, November 2011.
[2] Social Policy Research Associates, *PY 2010 WIASRD Data Book*, November 2011.
[3] Kenneth Finegold, Laura Wherry, and Stephanie Schardin, *Block Grants: Historical Overview and Lessons Learned*, The Urban Institute, April 2004, http://www.urban.org/uploadedPDF/310991_A-63.pdf. This analysis suggests the difficulties of building new state capacity for administering services under a block grant.
[4] *Responses to Personal Reemployment Accounts (PRAs): Findings from the Demonstration States*, Mathematica Policy Research, Inc. and Coffey Consulting, LLC, 2008.
[5] Evelyn Ganzglass, *Recommendations on Performance Accountability in the Workforce Education and Training System*, CLASP, 2010. http://www.clasp.org/admin/site/publications/files/Workforce_Investment_Act_Recommendations_for_Shared_Accountability_System.pdf.
[6] Margy Waller, *Block Grants: Flexibility vs. Stability in Social Services*, Center on Children and Families Policy Brief #34, The Brookings Institution, December 2005, http://www.brookings.edu/papers/2005/12welfare_waller.aspx.
[7] Government Accountability Office, *Block Grants: Characteristics, Experience and Lessons Learned*, Government Accountability Office, February 1995, http://www.gao.gov/products/HEHS-95-74.
[8] Congressional Research Service, *Block Grants: Perspectives and Controversies*, April 5, 2011.
[9] Government Accountability Office, *Workforce Investment Act: Additional Actions Would Further Improve the Workforce System*, June 28, 2007, http://www.gao.gov/products/GAO-07-1051T.
[10] The Aspen Institute, *Sector Strategies in Brief*, Workforce Strategies Initiative, November 2007. Employers tend to invest in training for more educated workers and are least likely to invest in those who earn low wages, have low education and skill levels or occupy entry-level positions.
[11] Neil Ridley and Elizabeth Kenefick, *Research Shows the Effectiveness of Workforce Programs: A Fresh Look at the Evidence*, CLASP, May 2011, http://www.clasp.org/admin/site/publications/files/workforce-effectiveness.pdf.
[12] In a recent letter to Congress, seven researchers cited the evidence showing the value of workforce services to participants, especially disadvantaged adults.