

Responding to the Great Recession

How the Recovery Act Boosted Training and Innovation in Three States



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Introduction

Two years after the American Recovery and Reinvestment Act (Recovery Act or ARRA) became law, Congress is preparing to take up reauthorization of the Workforce Investment Act (WIA). With its one-time infusion of resources, the Recovery Act nearly doubled federal funding for adult, dislocated worker and youth programs under WIA during 2009-2010 and set national priorities for the public workforce system's response to what is now being described as the Great Recession.¹ The lessons from Recovery Act implementation should inform WIA reauthorization as it proceeds.

This report examines the response of three states and local areas to the urgency of the recession, additional funding and the opportunities and challenges afforded by the Recovery Act. The state and local experience during 2009-2010 also sheds light on various long-standing challenges that need to be addressed if the public workforce system is to move in the direction charted by ARRA.

In this report, CLASP finds that a significant boost in funding, combined with clear policy direction and increased flexibility in the provision of training allowed by ARRA, led to:

- greater focus on and investment in training;
- increased use of training and career advancement strategies for low-income adults;
- innovation in training design and delivery and development of career pathways, and;

- efforts to connect training to the jobs and industries that were expected to drive growth.

State and local administrators in the three states (Illinois, New York and Pennsylvania) made different choices during ARRA implementation. In some areas, local administrators ramped up the level of services, took advantage of new flexibility to contract with colleges and providers for group training and scaled up innovations that had been initiated with foundation or other funding. In other areas, administrators focused mostly on increasing the level of training and providing reemployment services to low-income and jobless adults affected by the recession.

Each of the profiled states built on innovations in their workforce systems that were already underway prior to ARRA. **Illinois** took to scale new education and training strategies targeted at low-skill, low-income adults. **New York** implemented joint initiatives funded by WIA and Temporary Assistance for Needy Families (TANF) programs. And **Pennsylvania** built on industry partnerships designed to bring together employers within a cluster or industry to address joint training or human capital needs.

Although this report focuses on trends and issues within the WIA adult program, it describes implementation within a broader ARRA context.² This was just one of multiple programs being implemented during 2009-2010. States and local areas successfully mounted a summer youth employment program, responded to a sharp increase in demand for reemployment and other services through one-stop career centers, and, in some cases,

assisted highly educated and highly skilled dislocated workers who came to the public workforce system for the first time.

About the Report

Research for this report—which was supported by the Ford Foundation—included site visits and phone interviews with state and local administrators, service providers and policy advocates in three states. The local workforce investment areas profiled in the report represent a mix of urban and rural regions. Service providers include community colleges, other postsecondary educational institutions and community-based organizations. Some of these organizations were long-term WIA training providers and some were new providers under ARRA. (See Appendix for list of people interviewed in each state).

States and Local Areas Profiled in this Report:

Illinois

- Boone and Winnebago Counties
- Chicago

New York

- Broome and Tioga Counties
- New York City

Pennsylvania

- Lehigh Valley
- North Central
- Philadelphia

Trends in WIA Prior to the Recovery Act

Enacted in 1998, WIA establishes a framework for the nation's federally funded workforce development system and authorizes funding streams that support employment and training services for eligible adults, dislocated workers and youth. Under WIA, states and local areas are required to form workforce investment

boards (WIBs) that develop policy and oversee implementation. Local areas operate a network of one-stop career centers that provide universal access to jobseekers and services to employers. The workforce development system provides a range of services to adults and dislocated workers, including:

- *core services*, such as job search assistance and information about the labor market
- *intensive services*, such as counseling and case management
- *training services*, such as occupational skills training, on-the-job training, customized training and adult education and literacy in combination with other types of training³, and
- *supportive services*, such as child care and transportation assistance, and *needs-related payments* that are stipends for individuals in training

Programs in WIA: Title I includes funding streams for adults, dislocated workers and youth. Other sections of the law cover adult education and literacy, the Wagner-Peyser Act (which authorizes the Employment Service) and vocational rehabilitation.

Federal Funding: In Fiscal Year (FY) 2010, the adult program received \$861.5 million. The dislocated worker program received \$1.2 billion, with additional federal funding to provide for a national response to major layoffs. These programs also received funds through the Recovery Act enacted in 2009, as described in this report.

How Funding Flows: Formula grants to states with most of the funds flowing to local workforce investment areas (typically composed of cities, counties or groups of local jurisdictions)

Under WIA, training is primarily offered through the mechanism of Individual Training Accounts (ITAs), which can be used to obtain services through a community college, university, proprietary school or non-profit organization. Contracts for training are allowable in certain circumstances. Public assistance

recipients and low-income adults served through the WIA adult program receive priority of service when funds are limited at the local level.

There were four major trends in WIA enrollment and services in the years preceding the passage of ARRA. First, the number of WIA adult and dislocated workers who exited program services increased by nearly 300 percent between 2004 and 2008. This increase is partly explained by more Employment Service participants served in the WIA adult program and rising demand for services with the onset of the recession.⁴ Second, the number of adult and dislocated worker exiters receiving training and the share of WIA adults and dislocated workers receiving credentials declined.⁵ Third, the participation of low-income adults in training also declined, falling from 66.5 percent in PY 2004 to 54.7 percent in PY 2008.⁶ Fourth, federal funding for the WIA adult program declined by 5 percent (not adjusted for inflation) between 2004 and 2008 and the budget for dislocated workers remained flat during the same period. By early 2009—the eve of the Recovery Act—the public workforce system was strained due to declining federal resources, yet was serving increasing numbers of participants mostly with high-volume, employment services rather than education and training.

The Recovery Act was designed to preserve and create jobs, promote the nation's economic recovery and soften the impact of the recession on those affected by the economic crisis. With its one-time infusion of resources, the Recovery Act nearly doubled federal funding for adult, dislocated worker and youth programs under WIA during 2009-2010.⁷ The legislation strongly encouraged states and local areas to provide training and supports to adults and dislocated workers in coordination with resources from other programs. A new provision in the law provided greater flexibility for local areas to contract directly for training services instead of relying almost entirely on ITAs.⁸ Another provision reasserted a priority of service for low-income adults and public assistance recipients for use of ARRA WIA adult

funds.⁹ In subsequent guidance, the U.S. Department of Labor (USDOL) reinforced and clarified these priorities for the public workforce system's response to the recession. The USDOL guidance envisioned implementation of the Recovery Act leading to “an invigorated, more innovative public workforce system capable of helping enable future economic growth and advancing shared prosperity for Americans.”¹⁰

The Recovery Act Led to Greater Focus on and Investment in Training

During 2009-2010, the three states profiled in this report modified policies and directed funding to increase the focus on skill development. Local areas interviewed for this report responded by dedicating most of the one-time ARRA funding to provide training and supports and by increasing the number of adults and dislocated workers in training.¹¹ Some local areas also took advantage of the new flexibility within ARRA to contract directly with colleges and eligible providers for training services.

State action as a result of ARRA

States issued guidance to encourage local areas to increase investment in training. Pennsylvania and New York issued new guidance that encouraged local workforce areas to use a greater share of federal workforce funds for training. Spurred by strong federal guidance and the urgency of the recession, state leaders issued guidance in March 2009 that encouraged local areas to spend at least 60 percent of ARRA funds on training, such as occupational training, on-the-job training and other types. New York State required local areas to spend at least 50 percent of ARRA funds on training services.¹² New York State also issued a policy designed to streamline and expedite approval of ITAs. Under the new guidelines, any staff person who conducted the comprehensive assessment and identified the training program was authorized to recommend participants

for training. The infusion of ARRA resources for training gave momentum to the new policy. The third state, Illinois, expected local areas to maintain the minimum training expenditure requirement that had been established prior to ARRA. The state policy issued in 2007 required local areas to spend at least 40 percent of WIA formula funds on a variety of activities supportive of education and training. After ARRA was enacted, state officials urged local areas to continue to focus on training instead of paying for infrastructure or additional staffing.

State policies on what would count as training varied widely. Pennsylvania and New York State emphasized direct training activities, such as occupational training, on-the-job training, customized training and other forms of skill development. Illinois's existing policy included a range of training-related activities, such as prevocational services, support services, needs-related payments and work experience.¹³

Local implementation following passage of ARRA

Local areas provided more robust training services with a combination of ARRA and WIA funds. Local areas reported spending most ARRA funds on training services as demand spiked for services at one-stop career centers. The increase in training showed up in two ways at the local level. First, some local areas temporarily increased the value of ITAs, thus making it possible to support longer-term and previously unaffordable training. The Lehigh Valley WIB in northeast Pennsylvania, for example, expanded a community college program that provided unemployed adults with free tuition for up to 12 credits or one semester of courses. The WIB increased the maximum amount of an ITA from \$6,000 to \$10,000 to enable individuals to complete a two-year degree while many of them were collecting unemployment insurance benefits. Second, local areas increased the number of adults and dislocated workers in training or the overall amount of funding dedicated to training services. New York City more

than doubled the number of people who received training through ITAs in 2009, compared to those trained in 2008. Chicago spent \$15 million on ITAs for adults and dislocated workers in 2009—a 250 percent increase compared to the period before ARRA. And Philadelphia nearly doubled the number of adults and dislocated workers who received services and spent the vast majority of its ARRA adult funds on training. Local areas outside major metropolitan areas also ramped up services. The Boone and Winnebago Counties WIB in northern Illinois doubled the number of adults served and tripled the number of dislocated workers served. In addition, the North Central WIB in Pennsylvania spent 70 percent of ARRA funds on training, compared to about 30 percent with WIA funds before 2009.¹⁴

Early evidence from national data confirms the trends described by states and local areas. According to the U.S. Department of Labor, the number of WIA adult participants in training across the nation jumped by 56 percent during the four quarters ending on March 31, 2010—a period that roughly coincides with the initial period of ARRA implementation.¹⁵

Most local areas reported maintaining or increasing use of supportive services as spending on training increased. The Boone and Winnebago Counties WIB spent more on transportation assistance to enable workers to enroll in training programs in surrounding counties or at a distance from their homes. New York City also reported a temporary increase in use of supportive services, especially transportation assistance. The Broome-Tioga workforce area in New York had not funded supportive services prior to ARRA because of limited resources. During ARRA implementation, the WIB put in place a local policy and increased use of supportive services, especially transportation assistance, as more adults and dislocated workers entered training. Other local areas reported little change in the use of supportive services under ARRA. One WIB indicated that supportive services had not been available in the past and were not offered under ARRA.

However, needs-related payments, which are in essence stipends for individuals in training, were not used as extensively as supportive services. Following the enactment of ARRA, local areas in New York and Illinois adopted policies and planning guidance governing eligibility and use of needs-related payments for adults and dislocated workers. In Chicago several agencies receiving WIA funds provided needs-related payments for hard-to-serve individuals. Managers at Inspiration Corporation, a Chicago provider that serves homeless individuals, suggested that use of needs-related payments helped to improve retention and ongoing relationships with individuals in training. However, most WIB administrators reported they had not used needs-related payments under WIA and did not greatly expand use with ARRA resources. According to some local administrators, many dislocated workers were receiving Unemployment Insurance or Trade Readjustment Assistance benefits and therefore would not qualify for additional needs-related payments.¹⁶ Most local administrators cited the administrative challenges of managing, distributing and tracking payments. The additional documentation and financial management responsibilities also tested the capacity of local providers.

Local areas took advantage of greater flexibility under ARRA to contract for training services and, in some cases, brought in training providers that had not been funded under WIA. The Broome-Tioga workforce area in upstate New York, which had generally used ITAs for training, contracted with the local vocational technical institution (BOCES) for class-size training in medical office technology, certified nursing assistant, PC LAN certification, CNC machining, welding, and equipment repair/operations. The North Central WIB contracted with a campus of Penn State University to provide training to a group of workers leading to a credential in the field of telecommunications network maintenance. The Philadelphia WIB, which had contracted with a mix of providers for customized training before ARRA, placed a greater emphasis on

occupational training that would result in college credit. This policy shift led to a greater number of contracts with the local community college and two four-year colleges and universities. Other local areas in the profiled states were more cautious about experimenting with contract-based training.

Challenges to increasing investments in training and supports in WIA

The Recovery Act provided the impetus to offer more robust training and support services. The one-time infusion of ARRA funds allowed states to set policies directing more funds to training and allowed local areas to increase the level and duration of services. Local areas reported that costly longer-term training was possible because of the allocation of ARRA funds.

However, as ARRA funds dried up, local areas faced the long-standing challenge of maintaining or increasing investments in training and supports in WIA. Local administrators and advocates reported a sizeable “cliff effect,” resulting in waiting lists for services in the following program year and declining enrollments in training. Because WIA Title I funds and Wagner-Peyser Act funds typically provide the bulk of support for one-stop center operations and infrastructure, local areas again faced tough trade-offs between paying for infrastructure, staffing, training and supportive services.

The Recovery Act also opened the door to greater use of contract-based training. This experience generated lessons about the benefits and limitations of this training strategy:

- **First, contracting is an important option that makes it easier to support innovative programming and wrap-around support services.** The big city WIBs we interviewed used contracts to support innovative customized training, bridge and other training programs to serve special populations.

Several of the providers we interviewed indicated that the unpredictable flow of funds through ITAs makes it difficult for them to provide the kind of programming that helps students referred by WIA succeed in training and gain marketable postsecondary credentials. For example, it is difficult to customize instruction, implement innovative programs or provide adequate support services. One provider indicated that, when a contract supports the cost of a whole class, it is easier to assign a single on-site case manager to work with the group and to provide support services consistently.

- **Second, contracts may be more cost-effective than ITAs.** Several providers indicated that a cohort model funded through a contract may be more cost effective than procuring training through ITAs, especially if a group of individuals needs a similar set of services. It is easier to bundle resources, leverage services and bring staff together for a group of students than for individuals provided with ITAs. In addition, there are the costs of monitoring and administering ITAs.
- **Third, while contracts have some advantages, use of ITAs provides the flexibility to address supply and demand for training and skills in the local labor market.** Several WIBs outside metropolitan areas pointed out that in less densely populated areas, there may be neither sufficient demand for training in a specific field nor sufficient demand among the small employers in the local labor market to warrant contracting for a whole class. To make contract training work in this environment, employers must be involved up front to assure that there will be employment opportunities for the people trained.

The Recovery Act Spurred Greater Use of Training and Career Advancement Strategies for Low-Income Adults

In addition to emphasizing training and supports, the Recovery Act reasserted priority of service for public assistance recipients and low-income adults. During ARRA implementation, some states and local areas re-instituted training strategies and expanded career advancement initiatives geared toward low-income adults and those with multiple needs. The Recovery Act also spurred collaborations between the workforce and welfare systems in developing and implementing subsidized employment programs for low-income parents.

State action as a result of ARRA

States urged greater attention to the needs of low-income adults through state policy or guidance. During ARRA implementation, Pennsylvania issued strong guidance requiring use of priority of service in the WIA adult program and urging WIBs to demonstrate how they would align adult education, workforce services, postsecondary education and supportive services to meet the needs of low-skill adults. The Recovery Act's renewed attention to priority of service policy provided an opportunity for New York State workforce leaders to reinforce policy and planning guidance. Consequently, a technical advisory was issued in 2009 to ensure that every local area had adopted policies and procedures in compliance with ARRA requirements. Another technical advisory required local areas to collect data on low-income status as part of the WIA tracking system. The third state, Illinois, maintained its long-standing policy that required local areas to prioritize services for low-income adults.¹⁷

In addition to policy changes, New York State used combined discretionary ARRA funds with TANF funds to expand a career pathways initiative targeted at public assistance recipients, TANF-eligible young

adults ages 18 to 24 and adults who qualify for WIA services (household income at or below 200 percent of the federal poverty level). Participants received work readiness services and occupational training leading to industry-recognized credentials, diplomas or certificates. A combination of performance-based and cost reimbursement contracting was used to encourage providers to work with participants over time to obtain credentials and enter employment. For example, providers received payments for employment and retention outcomes and for each credential participants received, such as a diploma, GED, occupational credential or National Work Readiness credential.

Local implementation following passage of ARRA

Local areas maintained or were able to re-institute strategies geared to adults with multiple needs. Large cities were using contracts to serve special populations with WIA funding and continued this strategy during ARRA implementation. The City of Chicago, for example, contracted with existing affiliates—community-based organizations that specialize in assisting hard-to-serve adults, including the homeless and ex-offenders. Using ARRA funding, New York City was able to re-start a strategy that had been used in the past when more funding was available. The city contracted with nine predominantly community-based organizations to serve groups of adults and dislocated workers with obstacles to employment. Most providers, which included Seedco, Per Scholas, Fortune Society, Goodwill Industries and others, were expected to deliver intensive services, one-on-one support and training services leading to employment in a promising sector.

Local areas developed new partnerships with state and local TANF agencies to provide training and to run subsidized employment programs. New York City used ARRA funds to provide electrician training to participants in a welfare-to-work program called the Parks Opportunity Program. In Philadelphia the

WIB and human services agencies developed a process to share information on ARRA-funded training opportunities through the job centers that serve TANF recipients. Moreover, the one-stop centers and human service agencies used a single set of protocols and procedures to refer prospective participants to a subsidized employment program for adults and youth.

A number of the WIBs in the profiled states—most for the first time—administered local subsidized employment programs funded by the TANF Emergency Fund.¹⁸ These programs provided time-limited, wage-paying jobs to welfare recipients and low-income parents. In many cases, the WIBs had built the capacity and the connections to business needed to run subsidized employment programs during the successful experience with ARRA-funded summer youth employment programs in 2009. For example, Rock River Training Corporation, under the auspices of the Boone and Winnebago Counties WIB, was one of 26 contractors for the Put Illinois to Work program—a large-scale subsidized employment program. Rock River Training Corporation recruited about 250 participants with assistance from the Department of Human Services, identified businesses for temporary job placements, distributed transportation assistance, and monitored participants' activities. The Heartland Alliance, a non-profit direct service organization, managed the statewide program and served as the employer of record for all participants, who were paid \$10 per hour. Most WIBs in Pennsylvania and several in New York also ran subsidized employment programs.

Recovery Act funds in one instance also were used to support career advancement initiatives for low-wage workers. New York City used ARRA funds to expand a new service strategy called Advance at Work, which was designed to serve working adults who earned less than \$14 per hour and were seeking to advance in their careers. The program model was developed by SEEDCO and initiated by the New York City Center for Economic Opportunity (CEO) with local funds. ARRA funds were used to expand

the service strategy to most one-stop centers in the city. Unlike typical one-stop center services, Advance at Work provided a battery of career coaching, career planning, education, training and employment services as part of a year-long engagement with the individual. Participants were also screened for work supports, such as tax credits, child care, Medicaid and other programs, and had access to financial counseling.

An evaluation prepared for CEO in 2010 found positive results. Participants in Advance at Work had higher rates of placement, higher hourly wages and more hours of work than employed participants served by New York City's one-stop centers. The study also found that program participants who received training through an ITG were more likely to be placed than comparable participants served by one-stop centers. However, Advance at Work participants spent more time in services prior to placement than one-stop participants. Every dollar invested in the program was estimated to result in a \$1.10 return to taxpayers during a five-year period.¹⁹

Challenges to increasing services for low-income adults and those with multiple needs in WIA

The Recovery Act led some states and local areas to re-examine their priority of service policies and support initiatives targeted at low-income adults and public assistance recipients. Early evidence from national data suggests a slight increase in the percent and number of low-income adult program exiters receiving intensive or training services. However, it is not yet possible to judge the full effect of ARRA on services to those most in need.

Although the Recovery Act reinforced priority of service in WIA, it did not remove the most significant challenges to increasing services to low-income adults:

- **States and local areas have inconsistent policies and procedures for serving low-**

income individuals. Because of the ambiguity of priority of service provisions in WIA, states and local areas can determine what type of policy to develop and whether to apply it. Some local areas prioritize access to intensive and training services; other local areas limit access only to training services.²⁰ There are different triggers for priority to take effect and different income eligibility thresholds ranging from 70 percent of the Lower Living Standard Income Level to more than 200 percent of the federal poverty level. The policies reflect an uneven focus on serving low-income individuals. Some areas have a long-standing, historic commitment to serving welfare recipients and other low-income individuals through the local delivery system. Other areas are oriented toward serving a broader range of unemployed or dislocated workers.

- **Long-term engagement strategies for working adults are difficult to implement.** According to administrators and advocates, it is difficult to enroll individuals in multi-year services because of the instability of WIA funding and the powerful pressure to generate positive exits for performance purposes and spend funds in the year in which they are made available. Performance-based contracts that are written on an annual basis also reinforce a preference for short-term engagement with participants. It is also difficult to engage working adults in long-term career advancement strategies because those services are likely to increase “time to placement,” require increased staff resources for counseling and follow-up, and necessitate a range of service options (such as part-time training) that are suitable for employed workers.²¹

The Recovery Act Supported Innovation in Training and Development of Pathways to Education and Employment

The Recovery Act and the subsequent USDOL guidance encouraged preparation of adults and youth for career pathways leading to credentials and jobs in promising industries. Because of the pressure to spend ARRA funds quickly and effectively, states and local areas mostly built on existing initiatives designed to help lower skilled adults enter and succeed in postsecondary education instead of creating new programs from scratch. Recovery Act funds were used to expand access to career pathways in promising sectors and help adult learners succeed in college.

State action as a result of ARRA

States used additional discretionary funding to support career pathways and bridges to postsecondary education and training for low-skilled adults. Illinois issued sector-based grants for incumbent worker training in critical industry sectors, such as health care and health care information technology, manufacturing, transportation/logistics/distribution and green initiatives. A number of these projects were intended to target low-skilled adults by combining academic skills with occupational training suitable for the workplace. New York State, as mentioned, expanded a career pathways initiative designed to increase the number of low-income individuals with industry-recognized credentials, degrees or diplomas. One of the grantees, Per Scholas, provided a battery of work readiness and occupational training to a group of young people ages 18-24. The goal of the program was to help the students obtain the knowledge and skills needed for A+ and Microsoft certifications, which are required for entry-level jobs in information technology. Students completing the program also

were eligible for 10 college credits that could be applied toward further college work. Another grantee, Seedco, prepared a group of low-income youth and adults for jobs in health care, building maintenance, retail/customer service and construction.

Local implementation following passage of ARRA

Several local areas used Recovery Act resources to support bridge models that provide contextualized instruction combining basic skills and occupational training, workforce readiness preparation, and support services. Chicago built on the momentum generated by a foundation-supported Shifting Gears initiative, which was intended to increase use of bridge programs across adult education, community college and workforce development partners. The city contracted with community organizations to develop and deliver five bridge programs for lower-skilled adults. One of the grantees, Central States SER, joined forces with the City Colleges to offer an eight-week health care bridge program for public housing residents and low-income residents from the surrounding Latino and African-American neighborhoods. The program provides contextualized instruction and an internship to help participants meet the requirements for the college's certified nursing assistant (C.N.A.) program. (See Figure 1 for a diagram of the bridge and connecting pathways)²² After completing the C.N.A. program and starting work, participants are encouraged to take additional credit-bearing coursework toward higher-level medical technician or nursing programs at the college. Central States SER is responsible for recruitment, counseling and one-on-one student support; the college provides the "bridge" and C.N.A. instruction. Other Chicago grantees were Instituto del Progreso Latino, which developed a health care bridge program as part of a career pathway and Jane Addams Resource Corporation, which expanded a manufacturing bridge program that led to entry-level jobs and further education and training.

Illustration 1. Career Pathways

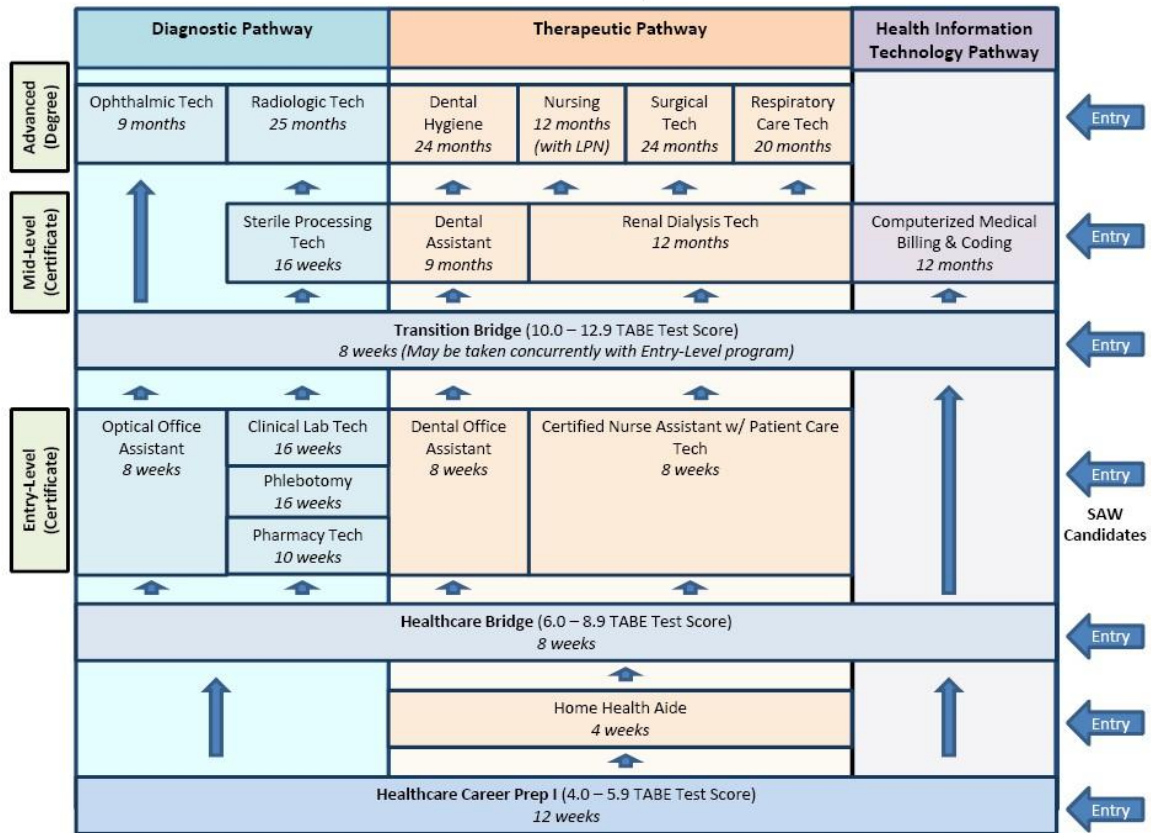


Figure 1: Diagram of Health Care Pathways
 Source: City Colleges of Chicago and Central States SER

New York City contracted with LaGuardia College to deliver cohort training in health care occupations. Each of the programs included 4-6 weeks of “vestibule” pre-training to allow individuals to determine whether they wanted to pursue concentrated work in health care. This was followed by a medical office clinical technician program, which shared the goals and structure of the innovative Integrated Basic Education and Skills Training (I-BEST) model.²³ Like the Washington State I-BEST model, the LaGuardia program was designed to provide access to students who would typically be excluded because of basic skills entry requirements and included a team of two instructors (English Language and occupational) working with the class. The nine-month program integrated technical instruction with language instruction and provided additional academic support, such as

tutoring. Educational Case Managers funded mostly by non-ARRA sources were assigned to help students stay on track with coursework, solve problems and identify community resources. Students had access to group and individualized counseling, in addition to a peer support group.²⁴

Local areas maintained or expanded innovative programs to help adult learners succeed in college. The City of Chicago used Recovery Act funds to further develop an innovative program called Nursing Scholars that provided on-site counseling to participants in college programs. Counselors funded by ARRA were out-stationed at City College campuses and provided one-on-one counseling, problem-solving and other supports needed to help students stay in college and complete a program. During 2009-2010, the Philadelphia WIB, in

partnership with the United Way of Southeastern Pennsylvania, continued to operate a program called Graduate! Philadelphia, which was founded in 2005 to increase the number of adults with college degrees in the region. Co-located in one-stop centers, Graduate! Philadelphia counselors help students find a college, complete forms and paperwork, obtain financial assistance through Pell grants, WIA or other sources, and balance work and family schedules.

Challenges to increasing services for low-skill adults

The boost in ARRA funding allowed some states and local areas to use WIA Title I funds, or a combination of workforce and adult education funds, to support programs that feature contextualized instruction, workforce readiness and student supports. However, the state and local experience with Recovery Act implementation underscored the challenges to serving low-skill adults:

- **Local training policies in some cases do not support individuals with low education and skill levels.** Some providers observed that it is difficult to sustain occupational “bridge” programs with the limited and uncertain funding provided through ITAs—the primary training mechanism in WIA. Contract-based training is a delivery strategy better suited for individuals that need basic skills and occupational skills development with supports. Some local areas have policies that ensure that only training-ready individuals have access to WIA-funded education and training. For example, local areas in Pennsylvania issue ITAs only to individuals with a high school diploma or GED and those achieving a certain score on a WorkKeys assessment.
- **The WIA performance measurement system has disincentives to serving adults who have low education and skill levels.** High performance standards and some of the

measures themselves encourage local administrators to provide services to individuals who are most likely to get and keep a job.²⁵ As a result, local program operators are likely to take on performance risk if they enroll individuals with remediation needs, limited work experience or other obstacles to employment.

- **Relationships between adult education and workforce providers vary in strength and quality.** The providers that run one-stop centers and deliver Title I services are generally not the same ones that deliver adult education services in the community. Adult education and workforce providers may have weak working relationships and may lack protocols for joint services. Moreover, WIA Title I and Title II have different policy goals and performance expectations.

Recovery Act Funds Supported Connections between Training and Promising Jobs and Industries

Faced with a challenging labor market, states and local areas drew on existing policies and took additional steps to connect training with the jobs and industries that were expected to drive economic growth. Recovery Act funds were used to upgrade the skills of employed workers and stimulate hiring.

State action as a result of ARRA

States used on-the-job training, incumbent worker and customized training to stimulate hiring and support business growth. New York State used discretionary ARRA funds to launch a statewide On-the-Job Training program that was designed to encourage businesses to hire dislocated workers. Companies that hired a dislocated worker were eligible to receive reimbursements covering 30

percent of a new employee's wages up to a maximum of \$5,000 in exchange for providing initial training. Companies that hired a long-term unemployed worker (an individual who had exhausted unemployment insurance benefits or was within five weeks of exhaustion) were eligible to receive an additional 20 percent reimbursement of the newly hired employee's wage rate.

The Illinois workforce agency, using state-level Recovery Act funds, issued grants to spur training for incumbent workers in targeted sectors—health care and health care information technology, transportation/logistics/distribution, manufacturing and energy. State workforce leaders envisioned that upgrading the skills of incumbent workers would strengthen businesses and ultimately lead to job growth. The incumbent worker training grants in some cases went to existing regional workforce partnerships that were able to identify employer needs in a sector and create education and training pipelines. For example, the City of Rockford, Illinois received a grant to work with seven area hospitals and prepare certified nursing assistants to enroll in and complete long-term nursing programs leading to higher wages.²⁶ Another grantee, the National Latino Education Institute, contracted with several local providers to train low-skill incumbent workers on use of electronic medical records.

During ARRA implementation, Pennsylvania continued to support a statewide network of industry partnerships charged with bringing together companies and worker representatives in an industry cluster to identify human capital needs, especially similar or cross-cutting training needs. According to state and local workforce officials, industry partnerships have tended to focus on designing and conducting industry-specific incumbent worker training. These partnerships have historically received financial support mostly from state general revenue funds. Several industry partnerships, such as the Keystone Utilities Partnership, received ARRA funds through a statewide competitive grant process. State and local officials said that, despite the severe

recession, employers remained committed to industry collaborations and continued to provide incumbent worker training. Although state officials recognized that industry partnerships were not well-connected to local one-stop centers across the state, the relationships built with employers in some areas proved valuable during the rush to implement ARRA. The Lehigh Valley WIB, for example, was able to tap into industry partnerships to provide summer jobs for youth and on-the-job training opportunities for adults and dislocated workers.

Local implementation following passage of ARRA

Local areas aligned training with emerging jobs and industries. Local areas worked with community partners to identify jobs likely to be created as a result of ARRA investments. In Lehigh Valley, Pennsylvania, a Recession Task Force composed of the Lehigh Valley WIB, community colleges, community action agency and other partners set goals for the community's recovery and improved coordination among ARRA grantees. Two programs funded through the task force were the Community Health Worker program and the Employment Pilot program. The Community Health Worker program trained unemployed individuals and placed them into community health agencies to provide information and referrals for care; the Employment Pilot Program offered assessment and GED classes. In addition, the Lehigh Valley WIB and the community colleges developed the partnership that led to use of ARRA funds to supplement the existing free tuition program. The one-stop center also identified likely transportation jobs in the area and cultivated employers that would be interested in hiring individuals using the one-stop centers. The Broome and Tioga Counties WIB recruited individuals and provided on-the-job training for weatherization jobs developed through ARRA energy investments in the region.

Local areas used ITA and training policies that were designed to strengthen the connection between

training and jobs in demand. The City of Chicago used a two-tiered structure (\$5,000, \$8,000) that made additional funding available for high-growth, high-demand occupations. New York City's policy included a multi-tiered structure to award ITAs at three different levels (up to \$1,300, \$2,200, and \$3,800) based on the value of the training outcome for the selected occupation. Unlike most local areas, the Philadelphia WIB used customized training with employers more than ITAs issued to individual participants. The WIB contracted with a mix of training providers (community organizations, proprietary and postsecondary institutions) to deliver training closely linked to the needs of an employer or consortium of employers in a priority growth industry.

Local areas in Pennsylvania used the state's High-Priority Occupations policy to align training with occupations that were expected to generate job openings and to pay family-supporting wages. During the recession, the North Central WIB was able to add new occupations to the list based on employer input showing that oil and gas jobs related to the Marcellus Shale discovery would be expanding.²⁷ The Lehigh Valley WIB combined information on occupational and industry trends generated by the state Center for Workforce Information with employer input to disseminate a local job outlook for jobseekers, educational institutions and other partners.

Challenges to connecting training to jobs

In response to a challenging labor market, states and local areas used a variety of strategies to align training with available jobs. Although training providers in the three states reported a drop-off in job placements, many participants successfully entered employment during the worst phase of the recession. Early evidence from USDOL data suggests that more than two-thirds (69.6 percent) of adults and three-quarters (75.6 percent) of dislocated workers who received WIA training successfully landed jobs in 2008-2009, despite a difficult job market.²⁸

Nevertheless, the heightened focus on training with ARRA funds created challenges for the public workforce system in a high unemployment economy. Stable, high-demand occupations—the target of training since the enactment of WIA—were elusive in a recession that produced deep job losses in most industries, including manufacturing, construction, financial services and retail trade. State administrators suggested the need for improved national planning and adjustment of performance expectations that would be appropriate for a high-unemployment economy.

The state and local experience with Recovery Act implementation also highlighted challenges to greater use of incumbent worker training within the public workforce system:

- **There are unresolved tensions surrounding use of incumbent worker training.** State administrators, on the one hand, strongly support use of incumbent worker training to improve the skills of individuals who are employed and support businesses that are expected to create new jobs. USDOL's policy decision to restrict use of incumbent worker training solely for the purpose of layoff aversion was viewed as creating new policy and programmatic obstacles for states and local areas. Advocates for unemployed and low-income individuals, on the other hand, recognize the potential value of incumbent worker training, but have urged greater attention to the needs of the unemployed and those most seriously affected by the recession.
- **Incumbent worker training may not reach low-wage, low-skill workers.** Sectoral and industry partnerships have successfully involved groups of employers in many industries. However, employers tend not to target training resources on low-wage workers or those with low education and skill levels.²⁹ Advocates observe that low-wage, low-skill workers may not be the natural focus for

incumbent worker training, unless the industry has a high concentration of those workers.

- Aligning workforce, education and other programs to build career pathways that lead to postsecondary credentials and family-sustaining jobs in key sectors

Conclusion

This report describes how Recovery Act funding and policy priorities generated early signs of “an invigorated, more innovative public workforce system” in three states. During 2009-2010, states and local areas experienced the most challenging labor market in decades and the public workforce system became the “front line” of the Great Recession.

The Recovery Act’s expanded investments in training were particularly productive at a time of high unemployment. In good times, a major barrier to upgrading skills is what economists call “opportunity cost”—the trade-off between spending time in training and at work. During the recession, jobs were scarce and the opportunity cost of education and training was low, making it an ideal time for many unemployed and low-income adults to build skills and earn credentials.

The state and local experience with Recovery Act implementation also underscored long-standing challenges facing the public workforce system that could be addressed during WIA reauthorization. These challenges include:

- Improving services, supports and the capacity to serve low-skill, low-income adults while providing universal access to employment services
- Providing greater flexibility in the delivery of training so that colleges and training providers can customize education and training strategies for low-skilled workers
- Revamping the WIA performance measurement and the standard-setting system, which is currently an obstacle to serving low-skill adults and those with multiple needs

As WIA reauthorization moves forward, policymakers should build on the lessons from Recovery Act implementation to create a more effective and inclusive public workforce system.

Appendix

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¹ When the American Recovery and Reinvestment Act (Recovery Act or ARRA) became law in February 2009, the nation was undergoing one of the most severe recessions since the end of World War II. The nation lost 8.7 million jobs between December 2007 and February 2010 and unemployment rose sharply, reaching 10 percent by the end of 2009. Unemployment rates for minorities and adults with low education levels soared even higher. Economic Policy Institute, “Labor market moving in two directions at the same time,” February 4, 2011 and Economic Policy Institute, *State of Working America: the Great Recession*, 2011.

² Administrators used both regular WIA and ARRA funding in providing services to adults and dislocated workers and implemented WIA programs in coordination with other resources, such as Wagner-Peyser Act reemployment services.

³ By adult education, this report refers to adult basic education, adult secondary education and English as a Second Language.

⁴ Employment and Training Administration, U.S. Department of Labor, *TEGL 34-09: WIA Adult and Dislocated Worker Training*, March 18, 2010.

⁵ Employment and Training Administration, U.S. Department of Labor, *TEGL 15-10: Increasing Credential, Degree and Certificate Attainment*, December 15, 2010.

⁶ Employment and Training Administration, U.S. Department of Labor, *TEGL 34-09: WIA Adult and Dislocated Worker Training*, March 18, 2010. These trends were largely driven by increased co-enrollment in WIA and the Wagner-Peyser Act.

⁷ The Recovery Act provided one-time funding of \$500 million for Adults, \$1.25 billion for Dislocated Workers and \$1.2 billion for Youth.

⁸ Senator Patty Murray referred to this new authority during a colloquy with Senator Harkin on the Senate floor: “In the workforce provisions under consideration, we provide that training may be provided for jobs in high-demand occupations, through the award of contracts to institutions of higher education, as long as a customer’s choice is not limited.”

⁹ As Senator Harkin said during the colloquy before passage: “I included a provision in this Recovery bill that reinforces the requirement in the WIA to use adult state grant funding to serve priority populations, such as those with low incomes or on public assistance.”

¹⁰ Employment and Training Administration, U.S. Department of Labor, *TEGL 14-08: Guidance for Implementation of the Workforce Investment Act and Wagner-Peyser Act Funding*, March 18, 2009.

¹¹ These observations are mostly supported by other ARRA studies and by PY 2009 data that cover the early phase of ARRA implementation. See Burt S. Barnow, *Early Implementation of the Recovery Act*, University of Texas at Austin Symposium, October 19, 2010.

<http://www.utexas.edu/research/cshr/pubs/pdf/Barnow%20-%20Early%20Implementation%20of%20the%20Recovery%20Act.pdf>

¹² Prior to ARRA implementation, state officials also released a new policy to expedite use of training by authorizing state and local staff (either Employment Service or WIA) to issue ITAs.

¹³ Timothy Harmon and Julio Rodriguez, *Training Policy in Illinois: A Minimum Training Expenditure Requirement for WIA Title I*, Office of Community College Research and Leadership, September, 2009. Administrators in several local areas noted that an inclusive definition of training also would include case management and counseling provided by one-stop staff.

¹⁴ It should be noted that local administrators referred to increases in training for adults and dislocated workers served with WIA or ARRA funds.

¹⁵ Employment and Training Administration, U.S. Department of Labor, Workforce System Results, March 31, 2010.

¹⁶ A local ARRA study reports that nearly all of dislocated worker participants were receiving UI benefits; however, only 27 percent of adult participants were receiving UI benefits and 60 percent were Food Stamp recipients. The Workforce Boards of Metropolitan Chicago, *Status Report: Use of American Recovery and Reinvestment Act Funds Expanding the Workforce Investment Act Program*, October 2010.

¹⁷ Illinois state policy requires more than 50 percent of adult participants receiving intensive and training services to be low-income or more than 50 percent of adult funds to be spent on low-income adults.

¹⁸ Workforce agencies, workforce boards or workforce providers were involved in program administration in many of the 39 states with operational programs. See LaDonna Pavetti, Liz Schott and Elizabeth Lower-Basch, *Creating Subsidized Employment Opportunities for Low-Income Parents: The Legacy of the TANF Emergency Fund*, CLASP and CBPP, 2011.

¹⁹ Westat and Metis Associates, *Workforce Innovations: Outcome Analysis of Outreach, Career Advancement and Sector-Focused Programs*, January 2010.

²⁰ CLASP, *Prioritizing Services for Low-Income Adults under WIA*, June 2010.

²¹ As the CEO evaluation found, a career advancement strategy is likely to increase “time to placement” for individuals receiving intensive career coaching, planning and other services. Westat and Metis Associates, *Workforce Innovations: Outcome Analysis of Outreach, Career Advancement and Sector-Focused Programs*, January 2010.

²² Early evidence based on information from Central States SER shows that the vast majority of bridge participants completed the program and the subsequent C.N.A. training.

²³ For more information on I-BEST, see http://www.sbctc.ctc.edu/college/e_integratedbasiceducationandskillstraining.aspx

²⁴ Early evidence based on information from LaGuardia College shows that 75 percent of participants in the integrated program completed the program and 73 percent achieved basic skills gains measured on the TABE.

²⁵ Dianne Blank, *What the European Social Fund Can Learn from the WIA Experience*, U.S. Government Accountability Office, November 2009. Also, see, Government Accountability Office, *Disconnected Youth: Federal Action Could Address Some of the Challenges Faced by Local Programs that Reconnect Youth to Education and Employment*, February 2008.

²⁶ The ARRA grant was also used to help incumbent workers complete training and receive certification in diagnostics (CT and MRI).

²⁷ The North Central WIB also adopted a policy to restrict the number of ITAs to half the level of projected annual openings by occupation.

²⁸ Employment and Training Administration, U.S. Department of Labor, Workforce System Results: April—June 2010.

http://www.doleta.gov/Performance/results/quarterly_report/June_30_2010/WSR_June_30_2010.pdf#page=1 Also see, Employment and Training Administration, U.S. Department of Labor, WIASRD Databook PY 2009, Tables II-37 and III-40.

²⁹ The Aspen Institute, Workforce Strategies Initiative, *Sector Strategies in Brief*. November 2007.