MEMORANDUM

TO	Jennifer Stiddard, Jake Baker, Senate HELP Committee staff
FROM	Tamar Jacoby
RE	WIOA reauthorization
DATE	April 26, 2021

The 2014 Workforce Innovation and Opportunity Act (WIOA) made important changes to the public workforce system: a long-overdue streamlining of services, enhanced performance metrics and more opportunities for employer engagement, among other reforms. But much remains to be done to deliver the workforce system America needs to ensure equitable opportunity in years ahead as automation and workplace restructuring transform the labor market.

Even without a wholesale overhaul, Congress can begin to move in the direction that's needed, reworking incentives, removing barriers and reinforcing neglected or misunderstood provisions of the 2014 act. Even a routine reauthorization offers an opportunity to improve the law.

What follows is a short list of areas where a relatively small change could potentially make a big difference for job seekers and employers.

More money for training. Decades of declining federal spending have taken a deep toll on the public workforce system, leaving not just less and less money but also a smaller share of the overall budget for the core business of training unemployed workers. This must be reversed. Congress should stipulate a minimum percentage of state formula funding that must be devoted to training.

More flexible training. Despite WIOA's clear intent to strengthen relationships between local workforce boards and employers, not much has changed. Many employers remain skeptical of the workforce system, and few look to it as a training provider of choice.

One way to address this: in cases where an employer agrees to cover a portion of a job seeker's training costs, allow individual training account (ITA) dollars to flow to providers not otherwise included in the state eligible training provider list (ETPL).

Training better aligned with the local labor market. More training alone will not equip workers for the rapidly changing 21st-century economy. Instruction must be up-to-date and aligned with shifting labor market trends, preparing workers for jobs in demand today and likely to grow in years ahead.

State and federal governments can do their part by ensuring that local workforce boards have access to state-of-the-art labor market information – data about demand and about trainees' employment outcomes. One idea: a dedicated stream of federal funding that governors can use as they see fit to improve the workforce data available to local workforce boards and other entities.

In some states, this will mean providing better, more sophisticated data directly to the workforce system. In other states, it may mean modernizing unemployment insurance data systems. Also essential: closing the loopholes that currently allow many workforce boards to evade WIOA reporting requirements.

Yet important as data are, ultimately there is no substitute for first-hand input – no better way to align training with labor market trends than through relationships with employers.

Employer engagement. Local workforce boards need more resources for business outreach, stronger incentives to collaborate with employers and more meaningful consequences if they fail to engage business and industry.

One place to start: a stream of funding dedicated to employer outreach – money the local board must use to engage industry partners and deliver results for them. Outcomes should be tracked and measured, and boards that don't produce results should face consequences.

Another idea: no local workforce board should be training for jobs not available in the region – Java for Java's sake, whether or not any local employers are hiring Java coders. One way to avoid this: add requirements to the ETPL or limit the use of ITAs to prevent their use for training that has no demonstrable relevance for the local labor market.

Among potential ways to demonstrate relevance: with corroborating labor market information, attestation by employers, training that embeds industry certifications with proven currency in the local labor market or even a requirement that there be employers standing by ready to interview program completers.

Potential incentives for employers: those that agree to guarantee interviews would get easier access to WIOA on-the-job training (OJT) subsidies or allowable OJT payments could cover a larger share of workers' wages.

Still another area for improvement: although WIOA includes several funding streams designed to pay for employer-provided training, uptake has been disappointing. Workforce board budgets are so constrained that there is often little money left over for these subsidies. Employers don't know what assistance is available. Often, the paperwork required to secure funds poses an insurmountable barrier for a small or medium-sized company.

One way to address this: allow incumbent workers to use ITAs – easier to secure and more flexible than an on-the-job training subsidy – to pay for upskilling at the firm. Another option: give governors more leeway to lift caps on the percentage of adult and dislocated worker funding that can be used for incumbent and on-the-job training.

Still another potential way to make better use of employer-provided training: create incentives for firms that anticipate layoffs or plant closures to train workers before they lose their jobs, enabling them to move more quickly to other, related positions at other firms. Employers who engage in this way could be granted easier access to on-the-job training subsidies or allowable payments could cover a larger share of workers' wages.

Individualized career services. Along with more training, more flexible training and training better aligned with the local labor market alignment, job seekers also need more targeted training – faster, more focused and better suited to their individual circumstances.

Among the most important innovations pioneered in recent years by the disruptive innovators taking over a growing share of the adult training market is the concept of an "adjacent job." It's a long way from waiter to welder and longer still from office clerk to industrial maintenance technician – in both cases, many months of instruction and hands-on experience are needed to cover the distance.

An adjacent job, in contrast, requires many of the same skills that a worker needed in his previous position, allowing him to build on what he already knows even as he reinvents himself. A potential adjacent job for an out-of-work waiter or bartender, for example: online customer service representative or customer service manager. The only training needed might be a short IT course, but it could open the door to a new career in a new industry.

The challenge for the workforce system: to assess incoming job seekers – their interests, aptitudes and abilities – then map adjacent jobs and steer workers toward targeted training that gets them back to the labor market as quickly as possible.

What's needed to make this work: more funding for individualized career services and, perhaps, professional development for job center staff.

Eligibility criteria. No matter how much workforce spending grows or the workforce system improves its services, its impact will remain limited as long as employers and job seekers see it as a program for the hardest to serve.

Workforce boards need not turn away from their traditional constituencies. What's needed is an expanded mission and broader client base.

Change might start with marketing and deliberate efforts to reach a broader range of job seekers. Also essential: new thinking about eligibility requirements – both earnings thresholds and requirements relating to barriers to employment.

Collaboration with community colleges. A globally competitive United States cannot afford two overlapping, duplicative job training networks: the public workforce system and community colleges.

Both systems are administered at the state level. But the federal government holds a powerful lever for change: the 15 percent set-aside carved out of every state's WIOA funding that goes directly to the governor for job training initiatives. Why not make this funding contingent on the governor's efforts to better integrate the state's community colleges and its workforce system?

Some governors may start with small, practical steps: colocating job centers on community college campuses, combining staff or encouraging the two systems to share labor market information.

A more ambitious reform would create incentives for community colleges and local workforce boards to join forces and create a single point of contact for employers seeking trained workers, building a single, integrated talent pipeline for the region.

Still another potential, far-reaching step: hold the two networks to the same standards – a yardstick, like the WIOA performance indicators, that measures employment outcomes, including job placements and wages.

A relatively minor reworking of the WIOA provision stipulating uses of the governors' reserve fund could unleash a torrent of experimentation in the states, and over time, the most promising innovations would come to the fore nationally.