

## *Workforce Investment Act Reform Proposal*

In recognition of the challenges posed by the global economy, the Administration has proposed reform of the Workforce Investment Act of 1998 (WIA). The “Workforce Investment Act Amendments of 2007” would reauthorize and reform title I of WIA and is designed to move the entire workforce investment system in a direction that supports and advances our nation’s competitiveness.

Under the proposal, funds appropriated for the WIA Adult, Dislocated Worker and Youth Programs and the Employment Service would be consolidated and allocated to states – and through states to local areas – as a single funding stream for Career Advancement Accounts (CAA) and employment services for job seekers and employers. The proposal seeks to increase education and training opportunities for American workers, provide greater flexibility to states and local areas, and strengthen the One-Stop Career Center system.

## *Responding to the Challenges of the 21<sup>st</sup> Century Economy*

The WIA reform proposal recognizes that the 21<sup>st</sup> century economy brings with it new challenges to workers, businesses, and the American economy. Globalization, innovation, and technological advancements are transforming occupational requirements, job sectors, and entire industries. The workforce investment needs of this “new economy” are significantly different from those we have known in the past. Today’s economy demands higher levels of education and skills from American workers than at anytime in their history. “Knowledge workers” equipped with specialized skills gained through post-secondary education and training will fill the fastest-growing jobs.

Increasing the skills and education levels of the American workforce is vital for opening up career opportunities for workers. Educational achievement, particularly beyond high school, is a key predictor of success in the labor market. For example, in 2006, the unemployment rate was 6.8% for high school dropouts, versus 3.0% for individuals with an associate’s degree, and only 2.0% for those who have earned a bachelor’s degree. Average earnings also greatly increase with higher levels of education.

The nation’s workforce investment system has not kept pace with the challenges brought on by the need for new and higher levels of worker skills and competencies. This failure is due, in part, to the lack of integration in the system, which causes too much money to be spent on competing bureaucracies, overhead costs, and unnecessary infrastructure, and not enough on meaningful training and education that leads to employment and advancement opportunities for workers and economic prosperity for communities. Aligning the workforce investment system with new economic realities facing the United States is among the critical factors in ensuring that American workers and businesses are successful in the global marketplace.

## *Increasing Education and Training Opportunities*

In response to the demand for higher levels of skills, the WIA reform proposal will increase opportunities for American workers to participate in post-secondary education and training. The proposal would establish CAAs – self-directed accounts that would enable current and future workers to pay for the education and training needed to successfully enter, navigate, and advance in occupations that are in demand in the 21<sup>st</sup> century. The accounts would be available

to both adults and out-of-school youth entering the workforce or transitioning between jobs. Incumbent workers in need of new skills could use CAAs to remain employed or to move up the career ladder. CAAs would provide workers with up to \$3,000 for one year to pay for expenses directly related to education and training, such as tuition, fees, and text books. Accounts could be renewed for one additional year, for a two-year account of up to \$6,000 per worker.

In addition to establishing CAAs, the proposal takes other steps to enhance access to education and training:

- The proportion of WIA funds devoted to education and training activities would be greatly increased, resulting in significantly more individuals that are trained through the workforce investment system today.
- The proposal would simplify complex eligibility requirements and address provisions in current law that have deterred many education and training providers – including community colleges – from participating in WIA.
- The proposal would more clearly define administrative costs to ensure that the One-Stop system is maximizing the amount of funding available for education and training and other employment services.

### *Promoting State and Local Flexibility*

States and local areas need more flexibility to be able to design workforce systems that align with their economic development strategies and respond to the unique workforce needs and challenges of their regional economies. The WIA reform proposal seeks to promote state and local flexibility by:

- Empowering governors and local elected officials to design systems that meet regional economic needs and priorities, such as providing greater flexibility in the designation of local areas to match regional economies and labor markets.
- Providing enhanced waiver authority for provisions that inhibit flexibility and innovation, such as the number and location of One-Stop Career Centers.

### *Strengthening the One-Stop System*

One-Stop Career Centers will continue their important role in the workforce investment system by providing employment services and access to CAAs. The One-Stop principle of integrated service delivery across Federal programs is also maintained. However, the WIA reform proposal would take steps to strengthen One-Stop Career Centers and the system's governance structure:

- Membership requirements for state and local Workforce Investment Boards would be streamlined, enabling boards to function in a more agile and focused manner in setting direction for state and local workforce systems.
- The operational costs of the One-Stop system would be financed through dedicated “one-stop infrastructure” funding, ensuring more equitable and stable funding for One-Stop infrastructure costs.
- One-Stop Career Center performance accountability would be simplified by focusing on three primary performance measures – employment, retention, and earnings.