Executive Summary

This report concludes a two-year study of workforce service delivery in eight states, sixteen local areas, and more than thirty local One-Stop Career Centers operating under the auspices of the federal Workforce Investment Act (WIA) of 1998 (Public Law 105-220). WIA represented the first major reform of the nation’s workforce development policies and programs in fifteen years, replacing programs that had previously operated under the Job Training Partnership Act (JTPA).

WIA is based on seven guiding principles, most of which have now been adopted by state and local workforce development systems:

- Streamlined services.
- Individual empowerment.
- Universal access.
- Increased accountability.
- A strengthened role for local Workforce Investment Boards (WIBs) and the private sector.¹
- Enhanced state and local flexibility.
- Improved youth programs.

Major changes for workforce development programs authorized under Title I of WIA include the following:

- **Fostering more coordinated, longer-term planning for workforce development programs.** The long-term planning was not only for WIA, but also for the Employment Service (labor exchange services supported under the Wagner-Peyser Act), and related funding streams such as Temporary Assistance for Needy Families (TANF) work programs, Adult Education and Family Literacy, Career and Technical Education, and Vocational Rehabilitation programs.

- **Institutionalizing One-Stop Career Centers as the cornerstone of the local workforce delivery system.** All states applied for and received One-Stop infrastructure grants (financed by national Wagner-Peyser Act funds) in the 1990s. These grants promoted and financed voluntary One-Stop approaches to workforce service delivery. WIA relies on One-Stop Career Centers as the “front-end” of the local workforce system; partners are required to contribute a portion of their funds to support the One-Stop Career Centers’ infrastructure.

- **Sequencing services for job seekers through three tiers: core, intensive, and training services.** Core services involve the provision of information on job openings, the labor market, and providers of training services, youth activities, adult education, vocational rehabilitation activities, and vocational education

¹ Local boards are business-led “boards of directors” for the local areas.
activities. Intensive services involve individualized activities such as counseling and assessment to help customers choose training programs and select occupational areas. Training consists of classroom or on-the-job preparation for a specific occupation or set of occupations.

- **Implementing universal eligibility for core services via One-Stop Career Centers.** In a departure from its predecessor JTPA, WIA is structured to provide core services to all participants in the labor market. Training funds, however, are reserved for low-income individuals if funds are insufficient to serve all customers.

- **Increasing reliance on market mechanisms** by 1) delivering training services using Individual Training Accounts (ITAs) that allow customers to select training from an eligible provider list with provider performance information available on a consumer report card, and 2) linking performance incentives to standards for three programs: WIA, Adult Education and Family Literacy, and Vocational Education.

The purpose of this study is to provide useful information for both national policymakers in the Executive Branch and Congress for WIA and related reauthorizations (e.g., Perkins, TANF) and for program administrators and policy researchers. The research has been designed to enhance understanding of the way workforce service delivery has been operating across the country.

Individual published reports on each case study state (i.e., Florida, Indiana, Maryland, Michigan, Missouri, Oregon, Texas, and Utah) are available on the U.S. Department of Labor (USDOL) and Rockefeller Institute websites. A report on a Colloquium on this research, held in Washington, D.C. on May 6, 2004, is also available on the Rockefeller Institute website.

### Methodology

The field network methodology adopted for this WIA service delivery study has been used to inform policymakers, administrators, and researchers about the effects of a number of federal/state policy initiatives over the past several decades. Key features of field network studies include:

- A focus on major implementation issues of one or more programs by institutions of interest.
- Reliance on knowledgeable senior researchers in the field.
- Coverage of relevant levels and units of government.
- Application of a uniform research design that enables researchers to draw on field data across sites to synthesize findings.

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In each of the eight study states, a spectrum of workforce system actors was interviewed. Researchers used a structured guide for interviews of elected officials (e.g., legislators), policymakers, agency officials, program directors, community and technical college administrators, business and chamber of commerce leaders, state and local WIB directors and staff, One-Stop Career Center directors and staff, advocates, and employees of community-based organizations. In addition, leaders and staff of workforce development, education, human services, vocational rehabilitation, economic development, and related programs were interviewed to obtain a broad perspective on workforce development activities.

The box below lists the study states and areas, and the field researchers. The study sites were selected using a purposive selection strategy. States and local areas were selected by region, urban/rural population, the organizational approach of One-Stop Career Center systems, and WIA early-implementation status. Some sample states were chosen in part because of the research connections to the work of the Rockefeller Institute and its network of field researchers in related policy areas (e.g., welfare reform) and to ensure that the information requested by the USDOL for WIA reauthorization was collected.

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<thead>
<tr>
<th>State</th>
<th>Workforce Areas Studied</th>
<th>Researchers</th>
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<tbody>
<tr>
<td>Florida</td>
<td>First Coast (Region 8), Citrus, Levy, and Marion Counties (Region 10)</td>
<td>Burt Barnow, Amy Buck</td>
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<tr>
<td>Indiana</td>
<td>Ft. Wayne (Northeast), Indianapolis/Marion County</td>
<td>Patricia Billen, Richard Nathan</td>
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<tr>
<td>Maryland</td>
<td>Baltimore City, Frederick County</td>
<td>Burt Barnow, Amy Buck</td>
</tr>
<tr>
<td>Michigan</td>
<td>Lansing (Capital Area), Traverse City (Northwest)</td>
<td>Christopher King, Daniel O’Shea</td>
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<tr>
<td>Missouri</td>
<td>Kansas City and Vicinity, Central Region</td>
<td>Peter Mueser, Deanna Sharpe</td>
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<tr>
<td>Oregon</td>
<td>Marion, Polk, and Yamhill Counties (Region 3)</td>
<td>Laura Leete, Neil Bania</td>
</tr>
<tr>
<td>Texas</td>
<td>Austin (Capital Area), Houston (Gulf Coast)</td>
<td>Christopher King, Daniel O’Shea</td>
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<tr>
<td>Utah</td>
<td>Salt Lake City (Central), Moab/Price (Southeast)</td>
<td>Christopher King, Daniel O’Shea</td>
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The sample includes small and large states and urban and rural areas that exhibit a range of organizational structures and service delivery practices. The sample is weighted to leading-edge states in workforce development. Florida, Michigan, Texas, and Utah had implemented workforce reforms in the mid-1990s before WIA was enacted. Indiana, Missouri, and Oregon also had begun to revise their systems prior to WIA. The emphasis on leading rather than representative states affects the findings. As a group, these states were less likely to have difficulty with some of WIA’s new features because they either had already begun to implement some of them on their own or, given their experience with workforce reform, would be expected to have an easier time doing so.

The study’s findings are based on WIA policies and service delivery experience observed during the summer and fall of 2002, when field researchers conducted site visits. Changes that have occurred in each area since that time are described briefly in Appendix A of this report.

Findings

Findings are organized according to five major topics which the study addressed: (1) leadership, including the role of employers and the private sector; (2) system administration and funding; (3) organization and operation of One-Stop Career Centers; (4) service orientation and mix; and (5) the use of market mechanisms such as the Eligible Training Provider (ETP) list, performance standards, and Individual Training Accounts (ITAs).

Leadership. The study states exhibited a range of leadership patterns in setting up, implementing, and operating their workforce development systems. In Florida, Texas, Michigan, Indiana, Oregon, and Utah, the governor’s office played a strong leadership role, but in others (e.g., Maryland), the governor gave discretion to local workforce areas. The state legislature had a leadership role in Florida, Texas, and Utah, resulting in bipartisan state workforce legislation. Business’ role was strong at the state level in only a few of the states. At the local level, however, business engagement was found to be strong in half of the states (i.e., Florida, Oregon, Texas, and Utah) with local agencies pursuing their own approach.

System Administration and Funding Allocations. WIA’s administrative structure is complex, distinguishing between policy development, program administration, and service delivery more explicitly than earlier workforce legislation. It also requires states to balance state and local responsibilities and make decisions about how to administer WIA in conjunction with other state employment security, economic development, and related programs. The most common approach is that policy was developed by the state and local WIBs, program administration was undertaken by agencies at the state and local level, and service delivery was carried out by vendors. Some study states (notably Florida and Texas) adopted this separation of responsibilities several years prior to WIA, while others (e.g., Maryland) chose not to do so. States in the study also varied in the extent to which there was centralized control over individual programs at the state and local level. Texas, Florida, and Michigan gave control over most programs to local WIBs and One-
Stop Career Centers, while in Utah the state retained control over these funding streams as a state-administered system. In other states (e.g., Maryland), there was little centralized control over local-level programs.

Funding to states and local areas is driven by WIA’s statutory allocation formulas. Officials of state and local boards in the study sample expressed the position that funding was inadequate to provide the services called for in WIA to all participants. Some local workforce boards studied found it necessary to ration costly services such as training. Although WIA law calls for universal eligibility, it does not create an entitlement for all services to all people, and workforce systems have not had enough funding to serve more than a fraction of those eligible. Initially, officials of some of the local areas studied said that they had sufficient funding to provide training to all participants for whom the service was considered appropriate; however, this was later found not to be the case. State officials interviewed noted the desire for greater flexibility to move funds within the state and among the WIA funding streams, and to do so more quickly.

One-Stop Career Centers. One-Stop Career Centers are at the heart of WIA. It is important to keep in mind that One-Stop Career Centers are places, not programs. Challenges have arisen related to how the WIA mandatory and optional partners relate to each other at the Centers, and how the Centers are operated and funded. States and local workforce investment areas have interpreted the One-Stop service delivery mandate differently. In some states, programs such as WIA, the Employment Service, and TANF are integrated. Utah is furthest along in this respect, but Florida and Texas also have highly integrated One-Stop Career Centers.

This study examined how Employment Service, TANF, Unemployment Insurance, and community colleges are related in the One-Stop Career Centers. The Employment Service is usually a key partner, but its relationship with WIA varies, despite the fact that it is a mandatory partner under WIA. Michigan has permission from the USDOL to use merit staff from public agencies other than the Employment Service to deliver labor exchange services. In most Centers in the study, the One-Stop Career Center operator or a WIA Title I contractor also provides core services. Specific roles and relationships can vary within local workforce investment areas.

The relationship between WIA and TANF, which is an optional One-Stop partner under the WIA legislation, depends on state and local goals, program philosophy, management style, and political culture. In Florida, Michigan, Texas, and more recently Missouri, the state workforce development agency receives and spends the state’s TANF workforce development funds, while in Utah the state workforce agency controls all TANF funds. TANF is a mandatory partner in Oregon and Missouri, but the relationship is not as strong as in other states. In Indiana and Maryland, TANF is an optional partner, and TANF’s presence in the Centers varies across local areas.

Although Unemployment Insurance (UI) is a mandatory partner under WIA, changes predating the law have caused the UI system to be a minimal partner. In most states, UI staff are now often housed in “call centers” and interact with claimants.
primarily by telephone (or the Internet) instead of in person. At the time of field observations, Indiana was the only state in the study not intending to use the call-center approach for UI eligibility determination.4

Community colleges have been a major source of training for the nation’s workforce system. Relationships between community colleges and WIA programs varied among the states, in part because states vary in how established their community colleges are. The major issue affecting the relationship between community colleges and the WIA system involves ITAs and the Eligible Training Provider list requirements.5

TANF, Vocational Rehabilitation, and Veterans’ Employment and Training Service were generally depicted as partners that did not fit as well in One-Stop Career Centers either because of conflicting goals, cultures, or other differences.

States in the sample varied in the extent to which other funding streams are administered by the local WIBs, and whether or not optional partners (notably TANF) were mandatory partners. Under WIA, there is no prescribed method of paying for One-Stop Career Center infrastructure costs such as rent and utilities. A wide variety of arrangements were found in the sample states, ranging from one partner paying all rent and utilities to a formula assigning infrastructure costs to partners based on criteria such as their full-time equivalent staff or square footage used. The issue of funding One-Stop Career Centers was a source of contention in most study states.

Service Orientation and Mix. When WIA was initially implemented, states and local areas interpreted the statutory language to require a work-first, or labor market attachment, orientation based on early guidance provided by USDOL. Later, the USDOL Employment and Training Administration made it clear that a work-first orientation was not required, and that states were free to place greater emphasis on training. The eight states in the research sample reacted to this policy clarification in a variety of ways. Florida and Indiana retained a work-first emphasis, reserving training as a last resort for customers who went through core and intensive services without finding employment. Maryland and Michigan did not take a state position on this subject, leaving it up to local boards to develop their own policy. Both states do, however, encourage local boards to use training for occupations associated with economic growth. Texas emphasizes work-first in its rhetoric, but in practice the state generally allows local boards to make their own decisions about program orientation. Missouri and Oregon offer a contrast to Texas. In these states, there is an emphasis on human capital development at the state level, but the orientation is more one of work-first at the local level. Finally, the Utah system reflects a balanced orientation that combines elements of both work-first and human capital development.

4 It was beyond the scope of this study to determine if the benefits of moving UI staff to remote call centers outweigh the costs of not having them at the One-Stop Career Centers.
5 An Individual Training Account (ITA) is established for a set amount on behalf of a WIA participant (adult or dislocated worker) who uses the ITA funds to purchase training services from providers on the Eligible Training Provider (ETP) list. WIA requires each state to maintain an ETP list of all eligible training providers in the state, which must be accompanied by program performance and cost information.
Use of Market Mechanisms. All states have labor market information (LMI) systems that provide information at the state and sub-state level on wages and employment as well as ten-year projections of employment growth and openings by occupation and industry. In several study states, local WIB officials expressed disappointment that the LMI produced by their state did not include current job vacancy data and that contracts with private vendors to produce additional information were necessary.

Because customers have several choices of training programs and providers under WIA, it is important for them to have access to user-friendly information that can help them make an informed choice. Requiring states to maintain an Eligible Training Provider (ETP) list is one way to enhance customers’ ability to make choices. Officials in all states in the sample said they approved of the ETP concept, but state experiences with implementation varied. Florida experienced the fewest problems because the state already had a system in place prior to WIA that required training institutions to provide the necessary data. Utah and Michigan reported few problems with ETP requirements. Officials in Texas, Missouri, and Oregon all experienced problems initially, but modified their systems to reduce the data collection and reporting burdens on training institutions. Respondents in Maryland and, to a lesser extent, in Indiana indicated that the ETP was a burden for training institutions. Officials of several states said that small programs or institutions stopped participating in WIA because of the reporting burden.

The WIA requirement that most training vendors for adult and dislocated worker programs be selected through voucher-like instruments called Individual Training Accounts (ITAs) was a significant change for federally sponsored training programs. USDOL regulations gave states leeway as to how much they wanted to restrict ITAs in terms of cost, match with customer aptitude and ability, and characteristics of the training occupation. States in the study sample often left decisions on implementing ITAs to the local boards, which often used a “guided choice” approach for customer choice. The local boards commonly established time and cost limits, but there were variations. Choice was limited either because many providers did not list their programs on the ETP or there were a limited number of providers in the state.

Officials of states and local areas in the study sample expressed concerns about the WIA performance management system. Most indicated that the system is a step backwards to the approach used under JTPA. They especially complained about the absence of a procedure to adjust for characteristics of participants served and local economic conditions. State officials also expressed concern that the USDOL Employment and Training Administration regional office officials did not enter into meaningful negotiations with state officials about their performance management system problems and needs.

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6 The ITA requirement does not apply to customized training, on-the-job training, and other training situations.
7 In the guided choice approach, counselors provide customers with guidance in selecting training programs, with the final decision left to the customer.
This study, consistent with previous studies of performance management for training programs, found evidence that local areas engaged in behavior to make their performance appear better than it actually was. This included “creaming,” whereby preference in enrollment is given to customers most likely to improve their measured performance, and strategic behavior regarding the timing of program entries and exits. Officials of several states in the sample implemented their own distinctive practices. Florida and Texas added additional performance measures to provide more timely measures of outcomes, and Florida, Texas, Maryland, and Oregon added measures that capture systemic performance for an entire labor market rather than a specific program.

Conclusions and Challenges

This study drew the following conclusions:

1) States and localities in the sample embraced newly devolved authority and responsibility for workforce investment under WIA, giving rise to an increasingly varied workforce development system. States and local areas — led by governors, mayors, and county executives, as well as legislators and state and local workforce administrators — have served as “laboratories of democracy,” experimenting with new ways of doing business in workforce investment. A number of the study states (e.g., Florida, Michigan, Texas, Utah) had been in the vanguard of workforce policy reform, some of them advancing innovative service delivery approaches, governance reforms, and market-oriented mechanisms years before WIA introduced and encouraged such changes nationally.

2) The current approach to measuring and managing performance under WIA has not been productive, nor does it fit well with the intergovernmental approach to workforce policy that has evolved in recent decades. State and local officials and One-Stop Career Center staff were nearly unanimous in expressing displeasure with performance measurement and management under WIA. The predominant view was that prior to WIA, program participation and outcome data were of higher quality, performance standards negotiations processes were more balanced between the federal and state governments and between the states and local WIBs, and there was more emphasis on managing programs for improved results as opposed to the achievement of what tended to be viewed as arbitrary numeric goals.

3) Leadership makes a difference in workforce policy. In a number of the sample states, legislatures and governors were ahead of the policy curve early in the process in fostering an enhanced role for employers and achieving a more demand-driven workforce. Systems of the kind envisioned in the WIA legislation depend more on the type of role that employers play than on their numbers. Areas that have a strong employer role — ranging from leadership in governance to curriculum design to the provision of training — tend to be those in which employers play a substantive role, often associated with the adoption of sectoral or cluster-based strategies for economic and workforce development.
4) The separation of workforce policy development, program administration, and service delivery functions under WIA embodies what are viewed as sound management and administrative principles and, where it is being well implemented by states and localities, is contributing to the effectiveness of workforce investment programs. Several of the states in the study (e.g., Texas) separated these functions prior to WIA implementation in reforming their workforce systems in ways that survived changes in governors, legislative leadership, and political parties. However, other states in the study (e.g., Maryland) allowed local government agencies responsible for program administration to deliver services and at least one state in that position exceeded its negotiated performance standards.

5) States and local areas with more integrated workforce investment programs provide services more seamlessly with less fragmentation and duplication. Policymakers and administrators encounter criticism when they make decisions to retain traditional program structures reflecting categorical federal funding streams (i.e., the “silos”), consolidate programs under common administrative control, or integrate service delivery by administrative function. Issues arise at the state level as well as in the WIBs and One-Stop Career Centers locally. Of all of the sample states, Utah comes closest to delivering seamless services to customers, though other states (e.g., Florida, Texas) were not far behind.

6) Both state and local officials indicated that current and anticipated funding levels for workforce investment services, including WIA, the Wagner-Peyser Act, and related programs, are not sufficient or sufficiently flexible to meet needs. Funding levels have declined both absolutely and in inflation-adjusted terms despite the increasingly dynamic nature of labor markets. It is unlikely that efficiencies realized through innovations such as Internet-based job search and One-Stop Career Center service delivery can make up for these reductions.

7) One-Stop Career Centers are best viewed as places of service delivery, rather than programs, and are the key to providing seamless, comprehensive services. As such, it is important that the principal workforce partners — especially WIA, Employment Services, and TANF — be represented at the Centers along with effective education and training referral. Practice varies on both counts. The best One-Stop Career Centers serve clients well. Some programs do not appear to be a good “fit” for One-Stop Career Centers, for example, Unemployment Insurance, due to the emergence of claimant call centers, veterans’ programs because staff can only provide services to veterans, and Vocational Rehabilitation due to mission and target group mismatches.

8) There is no single best way to operate a One-Stop Career Center. Rather there are a number of differing providers, philosophies, and orientations. There is variation in operators, operating styles, and orientations — from strong work-first in Lansing, Michigan, to a balance of human capital development and work-first throughout Utah. The key to success appears to be how well the One-Stop Career Centers are managed and operated, not who operates them and their program orientation.
9) One-Stop Career Centers need stable infrastructure funding. The USDOL supported the early implementation and operations of the One-Stop Career Centers through discretionary national Wagner-Peyser Act grants to states and localities, but Centers must now carve out their support from ongoing programs and partners. The negotiation of One-Stop Career Center operating agreements and extended negotiations over finances may well have diverted resources from the provision of much-needed services, a phenomenon that is only going to worsen with declining resource levels.

10) Federal policy has become more flexible regarding services and program orientation than in the early days of WIA implementation. Recent research on workforce service strategies suggests that labor force attachment approaches yield employment and earnings impacts for some groups in the near term; however, over the longer run (three to five years), human capital development in the form of on-the-job training (OJT) and occupational skills training are likely to outperform them. States and local WIBs appear to be increasingly cognizant of this and have instituted more balanced strategies.

11) A number of the new market mechanisms introduced by WIA, including ITAs and, to a lesser extent, eligible provider certification processes, appear to be working better than expected. Despite early implementation difficulties, for the most part the study states and local areas studied have now incorporated these features into their policy frameworks and day-to-day operations for adults and dislocated workers. In part, this may reflect low demands for training services in the first few years of WIA implementation due to the booming economy. Based on the field research, leaders of many local boards and One-Stop Career Centers appear to be pursuing a “guided choice” approach to ITAs. More variation was found among the states in the sample in how well the Eligible Training Provider list requirements function. There is widespread support for the concept, but requirements for its operation were said to be overly rigid.

WIA went into effect in all states in July 2000; WIA reauthorization discussions began in 2003 and continued in 2004. This is long enough to get a general idea about how the program is working, but it is too short a time for conducting a rigorous impact evaluation or cost/benefit analysis. The report concludes with a listing of challenges for the future:

• Balancing accountability and flexibility under a broad-based federal grant-in-aid program.
• Maintaining cooperative federal-state-local relationships on an ongoing basis.
• Assuring that reporting and performance requirements do not adversely affect customer selection, services provided and outcomes.
• Balancing the effects of UI call centers and Internet-based claims processing with the role of One-Stop Career Centers.
• Balancing the goals of universal access and serving those most in need.
• Determining effective roles for business in workforce programs and how to achieve and sustain them.
• Designing One-Stop Career Centers so orientation, management structures, and the layout for customer flow maximize outcomes.
• Integrating workforce services at One-Stop Career Centers and at other locations.
• Developing return-on-investment measures as a component of workforce performance management systems.