

**MEETING THE CHALLENGE:
IMPROVING DISLOCATED
WORKER SERVICES IN OHIO**

A REPORT FROM
POLICY MATTERS OHIO

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EXECUTIVE SUMMARY

Hundreds of thousands of Ohioans lose their jobs each year. Ensuring that they continue to contribute to the economy, use their skills, and have the means to support themselves and their families is crucial. Our ability to meet these challenges has profound implications for these individuals and for bipartisan goals to make Ohio a more educated and more prosperous state. This report discusses the state's most important employment and training program for unemployed workers, the federally-funded Workforce Investment Act (WIA) "dislocated worker" program. Other WIA funding streams serve low-income adults and at-risk youth. Although the Ohio Department of Job and Family Services (ODJFS) is responsible for the overall state administration of federal WIA grants, the initial delivery of services takes place at the local level in one-stop service centers. Local workforce areas have substantial discretion in establishing funding priorities and have the responsibility for making sure organizational partnerships work.

WIA dislocated workers services are underperforming and in need of fundamental reform, as shown by the following issues:

- ◆ The dislocated worker program does not spend all of its resources and carries over large balances from year-to-year, especially in "Rapid Response" services that react to layoff notices by providing assistance and information at the worksite. At the end of the most recent program year in June 2007 (PY 2006), the system had spent only \$10.5 million out of \$29.1 million available Rapid Response funds.
- ◆ Ohio does not serve as many individuals as would be expected for a state of its size. In PY 2006, 3,145 individuals exited the program after receiving intensive staff-assisted services or training. States with smaller populations, such as Massachusetts, North Carolina, and Wisconsin provided comparable services to greater numbers of dislocated workers.
- ◆ Rapid response services are not standardized throughout the state and do not make use of proven service delivery techniques that could help more workers access services. Creative programs to use rapid response to pay for supportive services or health care have been the exception rather than the rule.
- ◆ Ohio does not have good connections between WIA and the state's reemployment program (UCRS) for individuals receiving UC benefits. The number of individuals referred from UCRS to training and education programs fell dramatically from over 1,400 in PY 2003 to under 100 in PY 2006.

Other factors contribute to the underperformance of the system:

- ◆ Employer layoff notices required by the federal WARN Act are the most common triggers for rapid response services. Unfortunately, the WARN Act is full of loopholes and weakly enforced.

- ◆ Ohio does not have an extended unemployment compensation benefits program for workers who are in training, except for workers who are in the federal Trade Adjustment Assistance program. Because benefits expire after six months, workers are reluctant to enter training or may cut short their training experience.

A number of reforms are necessary to improve the system. ODJFS should take four immediate actions:

- ◆ Set minimum numerical targets for dislocated worker participation levels and the delivery of intensive and training services. Areas that do not meet minimum targets should provide a formal explanation for their low levels of service and prepare a corrective action plan, and should face sanctions if they do not improve.
- ◆ Undertake a comprehensive review of local areas' procedures for determining when individuals are eligible for training and create program rules that remove unnecessary barriers to obtaining services.
- ◆ Standardize and ensure high quality rapid response services, in part through more technical assistance and in part through better tracking and measurement of staff activities and the flow of individuals to one-stop centers.
- ◆ Create better linkages between WIA and the unemployment compensation reemployment services and set targets for expected levels of referrals from UCRS to WIA.

In the long-term, Ohio needs legislation to build a more robust system to help train and reemploy dislocated workers. The legislature should make several key reforms:

- ◆ Enact state-level plant-closing legislation that would improve on the WARN Act by eliminating loopholes, covering smaller layoffs, and providing stiffer penalties for non-compliance.
- ◆ Create a program that extends unemployment compensation benefits for dislocated workers who are in training. States that move large numbers of dislocated workers into training, such as Washington, California, and New Jersey have this policy.

OVERVIEW

The WIA dislocated worker program is undergoing significant changes under the Strickland Administration, but is in need of even more fundamental reform. Ohio's program serves fewer dislocated workers than would be expected for a state of its size and local areas show wide variations in their level of commitment to serving them. In the most recently completed program year from July 2006 to June 2007 (PY 2006), 3,145 dislocated workers exited the program after receiving intensive staff assistance or training services. A total of 8,145 received any form of assistance.

The number of individuals receiving such services is no higher than it was four years ago, even though spending nearly doubled since PY 2002. The program historically has paid for no more than about 2,700 workers each year to receive training, and in more recent years the total has been lower. States with smaller populations than Ohio, such as Massachusetts, North Carolina, and Wisconsin provided comparable services to greater numbers of dislocated workers. In eleven of Ohio's nineteen local areas, including some urban counties, fewer than 100 dislocated workers received intensive or training services and exited the program in PY 2006, even as over 77,000 Ohioans ran out of unemployment compensation benefits without finding another job

The WIA program faces pressures for change from many directions. One of these pressures is to fully utilize its financial resources. From its inception the program has had large carry-over balances from year-to-year, especially in "Rapid Response" services that react to layoff notices by providing assistance and information at the worksite. After receiving a new allocation at the beginning of PY 2006 (June 2006), the system had \$29.1 million in total available rapid response funds but ODJFS allocated only \$20.1 million for approved projects.¹ At the end of the year, almost \$10.5 million had been spent, and small amount transferred to other uses. Almost \$9.5 million in unspent funds were obligated or earmarked as major new initiatives are getting underway, but \$9.2 million was left unspent.²

It is possible that these large balances will disappear partly because of greater resolve at the state level to utilize existing resources and partly because of federal cutbacks. The Strickland Administration is using these funds to increase information sharing among local workforce and economic development organizations, and to help companies that are in danger of failing. At the same time, Congressional budget cutbacks passed in December 2007 will force the state to give back an expected \$13.7 million from unspent dislocated worker funds. The exact implications of the rescission are not clear but it will detract from the administration's ability to design more creative programs.

Local areas routinely transfer a significant portion of their dislocated worker funds to meet the demand for services for low-income adults, who are eligible for the same kinds

¹ ODJFS – Office of Workforce Development. Rapid Response Report. Checkbook. Report date July 31, 2007.

² State of Ohio, *Workforce Investment Act Program Year 2006 Annual Report*, Ohio Department of Job and Family Services, p. 9.

of services as dislocated workers. Local areas find it easier to spend all of their adult funds, in part because they tend to deliver less intensive and less expensive services to low-income adults. For PY 2005 funding, these transfers amounted to \$5.2 million over two years, or 18 nearly percent of the original allocation. During the first year of PY 2006 funding, local areas transferred \$3.3 million, or 9.4 percent of the original allocation. These transfers are a concern because they take place in the context of an underperforming dislocated worker system.

In general, the program has not been able to connect well with the business community, and is under greater pressure to help employers by providing more funds for “incumbent worker” training, e.g., training already-employed workers who would not meet traditional program eligibility requirements. To help redirect WIA’s emphasis to incumbent worker training, ODJFS received permission from the U.S. Department of Labor to modify program rules in November, 2007. Some of these rules make it easier for local areas to share the costs of customized training with small business and use rapid response funds for incumbent worker training. Certain incumbent worker training projects fit well with WIA’s traditional mission by averting layoffs at troubled firms or building career ladders to train low-income adults and help them move up within their industry or occupation. Nonetheless, a wholesale move into customized training would be a major departure for the WIA system, and would create pressure for cutbacks on traditional services.

It is difficult even in the best of times to improve the performance of a decentralized service delivery system. As we stand on the verge of another recession, it is essential that ODJFS move forward with key administrative reforms that would make the system work better in the short run. First, the agency needs to set minimum numerical targets for dislocated worker participation levels and delivery of intensive and training services. These targets could be based on measures of unemployment or announced layoffs. Areas that do not meet minimum targets should provide a formal explanation for their low levels of service and prepare a corrective action plan. Ultimately, local areas that fail to raise their service levels should face sanctions. Enforcement of an existing rule that requires local areas to have spent or obligated at least 80 percent of a funding stream by the end of the first year would be a good first step. The point of targets is not to emphasize quantity over quality, or to have “management by numbers,” but to set meaningful, realistic performance expectations. The agency must negotiate employment and earnings performance measures with local areas that take into account the realities of dislocation while making sure that participants are placed into quality jobs.

Second, the system should remove unnecessary barriers to training by streamlining and standardizing local areas’ approaches to the WIA sequence of services, which mandates that participants must progress through certain service delivery steps before they are eligible for training. The interpretation of the sequence of services has been a difficult issue nationally since the WIA program’s inception eight years ago. Despite regulatory guidance to the contrary, WIA has been interpreted by some boards and local staff as a “work first” system in which training services are the last resort for workers who cannot find a job. This has extremely negative consequences for dislocated workers whose time in training is often limited by the end of unemployment benefits after 26 weeks. The

WIA system should take full advantage of the U.S. Department of Labor's official statement to ODJFS that a federal waiver was not necessary to move participants quickly through the system.

Third, ODJFS and local areas have to pay greater attention to how WIA interacts with the unemployment compensation (UC) system. Thousands of UC beneficiaries report to one-stop employment centers across the state for mandatory reemployment assessments, yet few of them are referred to education and training. Sixteen other states refer over 1,000 people to training each year from reemployment services. Ohio is missing a valuable opportunity to leverage these two programs.

Fourth, the state must standardize and ensure high quality rapid response services, in part through more technical assistance and in part through better tracking and measures of rapid response services. At present, rapid response services are not uniform across the state. When a layoff is announced, the rapid response team from the local one-stop is the first contact most workers have with workforce or unemployment compensation systems. In a layoff situation, time is of the essence. Outcomes are improved if workers can begin their job searches or begin to explore training options even before they are laid off. Best practices like labor-management committees and peer networks have been shown to be effective in increasing workers' use of services and should be offered routinely for all layoffs. Rapid response funds can be used in more creative ways than they are now. The Veterans' Rapid Response program is an innovative example of using rapid response funds to provide supportive services for workers in training (e.g., transportation or health care premiums), while using WIA to pay for the cost of training itself. Unfortunately in PY 2006 the program was limited to veterans and reached only 397 people.

In the long run, legislation is needed to bring Ohio's dislocated worker services up to par with other states' programs. Even if rapid response is administered properly, many workers would still be left out because the WARN Act, a federal law requiring advance notification of mass layoffs, is full of loopholes and weakly enforced. U.S. Senator Sherrod Brown has introduced legislation to fix some of these problems (the FOREWARN Act) but in absence of federal movement on the issue Ohio should be prepared to enact its own legislation. Key reforms would give 90 days' notice instead of 60, cover smaller plant closings and layoffs, prevent workers from signing away their notification rights in return for severance pay, and provide real teeth to enforcement. California, Illinois, and Wisconsin have state-level plant closing legislation.

Even if more dislocated workers are brought into the WIA system, the duration of unemployment benefits establishes a cut-off date for many individuals' training programs. Benefits expire after 26 weeks, so many dislocated workers simply do not have the financial means to continue training. The result is that they forego training altogether or follow short-term training plans that do not provide much of a boost in the labor market. This issue is acknowledged in federal dislocated worker policy in the Trade Adjustment Assistance program, which provides extended income support for certain workers in training. States that move large numbers of dislocated workers into education and training, such as Washington, California, and New Jersey, have their own

state-level programs to extend UC benefits for trainees. Ohio should strongly consider this improvement to its UC system as we examine comprehensive reform.

Changes to the WIA system must be accompanied by improvements to Ohio's education and training system and its connection with employers. Workers who undergo training need to know that there are jobs at the end of the pipeline, and a clearly-defined career path that will allow them to improve their wages and benefits over time. One-stop staff need up-to-date feedback from employers rather than relying solely on government labor market data that may quickly become out-of-date. One promising approach is to construct a "career pathway" that has clear steps for occupational advancement defined by certificates or degrees. In this way, working adults who are in training part-time can break a career path into manageable steps, and can see a financial reward for completing each step. The Strickland Administration is starting to make changes to the system by introducing the Ohio Skills Bank initiative, which will establish regional, sector-based alliances between business and training institutions. Although many details have yet to be worked out, the Skills Banks will use the career pathways concept as its guiding strategy.

DISLOCATED WORKER PROGRAMS IN OHIO

The Workforce Investment Act (WIA) is the primary job search and job training program for unemployed workers in the United States. Funding for unemployed worker programs, known as the "dislocated worker" funding stream, flows from the U.S. Department of Labor (USDOL) to the states. Two other funding streams from WIA Title I serve low-income adults and youth. The initial point of contact for people seeking assistance from the public workforce system is a local "one-stop" center. Under WIA, certain basic "core" services that do not require significant staff assistance are available to all individuals who enter the one-stop. Individuals who seek more in-depth services must meet specific eligibility requirements. (See the section on "WIA Sequence of Services" below.)

The Department of Job and Family Services (ODJFS) provides WIA grant funds to local workforce investment boards that oversee a particular local area under their charge. Local areas spent \$29 million to serve dislocated workers in PY 2006, which began in July 2006. Regular dislocated worker funds are distributed through a formula. Local areas also make funding requests for their Rapid Response program. Rapid response is a federally-mandated service that responds to plant closing by informing workers about unemployment compensation, WIA, Trade Adjustment Assistance, and other public programs to assist them in their job searches. Ideally, these services should begin before the plant closure or layoff. Rapid response can also fund efforts to develop a plan to rescue the business or community planning efforts to devise a strategy for economic development to respond to a plant closure.

During the most recently-completed program year (PY 2006), which ended in June 2007, the WIA program divided the state into 19 local areas. The boundaries of these areas follow county lines, but their size can vary dramatically. Some of the urban counties

with large populations, such as Cuyahoga, Franklin, Hamilton, and Lucas each have a one-county local area. On the other hand, Workforce Area 7 includes over 40 counties with numerous sub-areas. In recent months, Ohio added another workforce area as Pickaway and Ross counties left Area 7 to form a new Area 20. In 2008, two workforce areas covering three counties in northeast Ohio (Columbiana, Mahoning, and Trumbull), will merge with a Pennsylvania workforce area, the first such cross-border merger in the country.³

Each WIA local area has at least one full service one-stop center. Each county within the local area will contain at least a satellite one-stop center. Congress included the one-stop concept in WIA as a way to bring together a multitude of federal and state employment and training programs under one roof. Lead partners are required to provide financial support for the administration of the one-stop. Not all partner organizations actually have staff present at the one-stop, but in theory individuals can be referred to services they need. Whether the partnerships work as they should in each local area is an open question, however. The state does not have reliable data to track referrals among one-stop partners.

One stop centers have both state and local staff. Local staff are funded by WIA to provide certain basic services and resources at the one-stop, to provide case management services if necessary, and design and approve individual training accounts for participants who need training. State Employment Service (ES) staff are ODJFS employees who are funded under the federal Wagner-Peyser Act to provide job search and related employment functions. The program is also under pressure from the federal government cutbacks. As discussed below in the section on the unemployment compensation reemployment services program, a significant portion of state staff time is devoted to providing career assessment and job search function for unemployment compensation recipients.

Another major function for state staff in most local areas is to assist participants in the Trade Adjustment Assistance (TAA) program. The TAA program provides training, health insurance, and extended income support for certain dislocated workers who lost their jobs due to international trade. TAA is also funded by the USDOL and administered by the states, but it is run separately from WIA in Ohio except for certain “pilot” program areas. ODFJS plans to phase-in mandatory TAA and WIA integration over the next three years. TAA funding for training is much lower than WIA, typically around \$6 million per year.⁴ A total of 1,088 individuals were in TAA-approved training in the fourth quarter of 2007. At current funding levels, the TAA program cannot pay for case management and supportive services, but WIA can if the programs are integrated.⁵

³ The Ohio state workforce policy board resolution approving the merger is available at: http://www.ohioworkforceboard.org/documents/MeetingMaterials/GWPAB_9_27_07/InterstateRegionResolutionVersion9-21-07.pdf

⁴ Ohio’s TAA funding is \$6.2 million for the current federal fiscal year (FY 2008). (U.S. Department of Labor Training and Employment Guidance Letter 8-07. September 27, 2007. Available at www.doleta.gov. These persons were “In training” as of the last day of the quarter. Data is from the ODJFS quarterly report to the U.S. Department of Labor on TAA activities (ETA 563).

⁵ The TAA program will be the subject of a future Policy Matters Ohio report.

RETRAINING UNEMPLOYED WORKERS

Six years after the end of the most recent national recession, unemployment remains a serious problem in Ohio. The state's official unemployment rate is above the national average, and our economy continues to undergo a wrenching transformation from manufacturing to service sector employment. Unlike other national economic expansions in the post-Second World War period, Ohio's manufacturing sector continues to lose jobs. Many of those displaced from manufacturing must look for new jobs in a different sector of the economy, or get training to meet the new requirements of advanced manufacturing jobs that remain.

Finding a new job with comparable pay and benefit is difficult for many laid-off workers. National data indicate that 20 percent of workers who lost a manufacturing job between 2003 and 2005 were "not in the labor force" in January 2006, meaning that they were no longer seeking employment. While some of these workers may have retired, others simply became discouraged and gave up looking for a new job. Another 15 percent of these workers were still unemployed but actively searching for a job. Altogether, over one-third did not have a new job.⁶

Of those manufacturing workers who lost full-time positions, about 85 percent managed to find another one. Even among these workers, over half (54 percent) were reemployed at wages that were below those of their previous jobs. One-third of them experienced a substantial wage decline of at least 20 percent, while just one in seven experienced a substantial wage increase.⁷

It is clear that better policies are needed to integrate unemployed workers into the state's strategy for human capital development. Unemployment is both the best of times and the worst of times for training. The shock of unemployment may provide the motivation for training and education that adults otherwise would not consider, and the time to take a full load of classes. On the other hand, unemployment is a tough time for training because of the precarious financial situation it creates.

Unemployment means a loss of income and health care benefits that most households cannot tolerate for long. The average weekly benefit amount in Ohio is \$289, a level of income below the poverty threshold for a family of three. UC benefits last for 26 weeks. So, for many workers, the exhaustion of UC benefits looms as a definitive date by which they must complete training so they can take a job. Workers who receive TAA benefits are the exception because they are eligible for extended income support if their training program lasts for more than 26 weeks.

⁶ U.S. Department of Labor News Release, Displaced Worker supplement to the Current Population Survey. Table 4. "Displaced workers by industry and class of worker of lost job and employment status in January 2006." August 17, 2006. Available at www.bls.gov/cps. Accessed 10-19-07.

⁷ *Id.*, Table 7. Displaced workers who lost full-time wage and salary jobs and were reemployed in January 2006 by industry of lost job and characteristics of new job.

The policy issues around reemployment and retraining of unemployed workers stand at the intersection of two difficult policy debates. First, there is a tension in public policy between getting workers back to work quickly and giving them adequate time to improve their skills or change occupations. Second, there is an ongoing debate over how Ohio should improve the educational attainment of its population. The educational level of Ohio's population has improved over time, but still lags U.S. averages. Nearly 25 percent of Ohio's adult population has a bachelor's degree or higher, but the national average is 29.5 percent.⁸

This tension between rapid reemployment and training is reflected in the history of federal job training programs. The federal Job Training Partnership Act (JTPA) program, which was the precursor to WIA, emphasized classroom training but was criticized for failing to connect training with occupations that were in demand by employers. A previous report by Policy Matters Ohio on the JTPA program in Ohio found that training was often short-term and in occupations that were not in demand according to state labor market projections. As a consequence, many dislocated worker participants did not find jobs that matched their training occupations.⁹

When Congress redesigned the public workforce development system through the Workforce Investment Act (WIA) of 1998, it added a "sequence of services" requirement that made it clear that training is reserved for participants who cannot find a job that enables them to attain self-sufficiency. Congress also added a requirement that training must occur in high demand occupations.¹⁰

The fiscal situation of a state's unemployment compensation trust fund also can influence state reemployment policies. One of the justifications for supporting unemployed workers during an extended job search is that it allows workers more time to find jobs using their skills -- thus benefiting individual workers and the overall economy by putting human capital to its most productive use. In theory, employers could support unemployment benefits for this reason and for being an economic stabilizer.

On the other hand, employers must pay into the fund to support unemployment compensation benefits and in general prefer lower rates. The benefits system charges the accounts of employers who layoff workers, so employers may find it objectionable if workers are directed into training rather than toward a job search. In Ohio, policymakers have set employer contribution rates at a low level for over a decade, and payouts have been higher than expected because of a weak economic recovery. The result is an extremely weak trust fund balance that is 60 percent below the "minimum safe level" needed to withstand a moderate recession.¹¹ As discussed later in this paper, some of the

⁸ Hanauer, Amy. *The State of Working Ohio 2007*, Table 1: Labor Force Demographics, 2006, page 2. Available at http://www.policymattersohio.org/sowo_07.htm. These statistics are from the Current Population Survey.

⁹ Honeck, Jon. *Retraining Unemployed Workers in Ohio: Lessons from the JTPA*. Policy Matters Ohio. May 2006. Available at http://www.policymattersohio.org/retraining_unemployed_2006.htm

¹⁰ Workforce Investment Act of 1998, section 134(c)(4)(G)(iii).

¹¹ ODJFS, Office of Unemployment Compensation. "Contribution Rates." Information sheet available at <http://jfs.ohio.gov/ouc/uctax/rates.stm>. Accessed 12-14-07.

tension between rapid reemployment and providing training services may be played out at the local level between the Unemployment Compensation Reemployment Program (UCRS) and the WIA program.

A rapid reemployment policy is most successful when labor markets are tight and job openings permit dislocated workers' skills to transfer readily to a new job in the same industry. Lori Kletzer, a labor economist, analyzed data on worker displacement from 1979 to 1999 and found that displaced manufacturing workers who were reemployed in manufacturing had lower wage losses than those reemployed in retail.¹² Her study also showed that workers who were displaced during the recession of 1981- 1983 had significantly lower rates of reemployment than those displaced from 1993 to 1999, when the economy was expanding. In general, younger workers and better-educated workers were more likely to find new jobs.¹³

Current labor market conditions in Ohio are a far cry from what they were in the latter half of the 1990s, so reemployment in jobs with good wages and benefits will be difficult for many workers. Not every worker wants or needs training, and some that need training just have to brush up on skills. Still, given the profound changes in Ohio's economy, many workers will need long-term training for new occupations.

Training is most successful in raising long-term earnings and when workers enroll in high-quality, skill-intensive long-term training. For example, a well-known study compared dislocated workers enrolled in community colleges in Washington state to similar dislocated workers who did not enroll.¹⁴ On average, these workers completed credits equivalent to about an average of six-tenths of a year of full-time community college coursework.¹⁵ The central findings of this research were that training had net benefits for individuals and for society. The study had a number of interesting results:

- ◆ One year of community college credits increased women's earnings by 13 percent and men's earnings by 9 percent over the comparison group.
- ◆ Gains were higher when workers took courses with quantitative subject matter.
- ◆ Gains were similar for younger workers and older workers, although older workers had higher opportunity costs (e.g., lost wages) from not going back to work.

The researchers cautioned that the length and intensity of the training experiences were much greater than WIA or other typical public programs and concluded that "current

¹² Kletzer, Lori. Testimony prepared for the Committee on Finance, United States Senate, Washington, D.C. July 21, 2001. Peterson Institute for International Economics. Available at <http://www.petersoninstitute.org/publications/papers/print.cfm?doc=pub&ResearchID=418>

¹³ *Id.*

¹⁴ Jacobson, Louis S.; Lalonde, Robert; and Sullivan, Daniel. "Is retraining displaced workers a good investment?" In *Economic Perspectives* (2005, 2nd Qtr). Federal Reserve Bank of Chicago. Available at http://www.chicagofed.org/publications/economicperspectives/ep_2qtr2005_part5_jacobson_lalonde_sullivan.pdf

¹⁵ *Id.*, 59.

public investments in retraining are far too small to substantially mitigate the earnings losses of displaced workers.”¹⁶

These findings are consistent with other recent studies of educational and training outcomes. For example, another study of Washington community college students found that one year of full-time coursework and a credential created a “tipping point” in labor market outcomes for low-skill adults. Those who reached the tipping point had significantly increased average annual earnings when compared to students who earned less than 10 college credits.¹⁷

A focus on short-term training can constrain the occupational choices available to low-skill WIA trainees. For example, a study of employers’ skill needs in low wage labor markets in San Francisco Bay area found that the local WIA program under-trained for the number of available entry-level administrative and office positions, perhaps because the brief training programs could not provide the depth of skills needed for those jobs.¹⁸

However, most researchers and practitioners agree that training outcomes can be improved with better approaches. One promising approach is to construct a “career pathway” that has clear steps for occupational advancement defined by certificates or degrees. In this way, working adults who are in training part-time can break a career path into manageable steps, and can see a financial reward for completing each step. Many studies have looked at the issue of sector specific training consortia, and how they can be combined with career ladders. Studies by the Workforce Alliance, the Workforce Strategy Center, the Corporation for Enterprise Development, and other experts offer important lessons for program design. These include:

- ◆ Target occupations that provide good wages and benefits, and that provide a defined career pathway for upward mobility within an occupation or industry.
- ◆ Create strong partnerships with local employers who will define the essential skills participants need on the job and provide some assurance that jobs are available in the occupations for which individuals have trained.
- ◆ View job-seekers as individuals and avoid a one-size fits all service delivery approach.
- ◆ Understand that occupational skills training is not appropriate for everyone, and when it is needed, it works best in combination with other services.¹⁹
- ◆ Provide financial support during training to enable workers to participate in training while still taking care of themselves and their families.
- ◆ Provide high quality training in hard and soft skills.

¹⁶ *Id.*, p. 47.

¹⁷ Prince, David and Jenkins, Davis. “Building Pathways to Success for Low-Skill Adult Students; Lessons for Community College Policy and Practice from a Longitudinal Student Tracking Study. (The “Tipping Point” Research.” Washington State Board for Community and Technical Colleges. April 2005. Available at http://www.sbctc.ctc.edu/docs/data/research-reports/resh_06-2-tipping_point.pdf

¹⁸ Maxwell, Nan L. *The Working Life: The Labor Market for Workers in Low-Skilled Jobs*. Kalamazoo: MI: Upjohn Institute for Employment Research, 2006).

¹⁹ Smith, Whitney, et al., *Skills Training Works: Examining the Evidence*. Sep. (Washington, D.C.: The Workforce Alliance, 2002). Available at www.workforcealliance.org.

- ♦ Offer job development, placement, retention, and advancement, and workforce supports like help with child care.²⁰

Employers and training institutions are starting to use the career pathways concept in Ohio. The KnowledgeWorks Foundation and the Governor's Workforce Policy Board funded six career pathways pilot programs in 2005. Five programs are in health care and one is in manufacturing. The partnership supporting each pathway is somewhat different, but the core concept is to increase collaboration among community and technical colleges, career centers, adult basic education programs, and one stops to meet employer needs. It is too soon to judge the ultimate success of these programs, but they are starting to have an impact. Over 350 individuals earned manufacturing certificates through the West Central Ohio Manufacturing Consortium, for example, between January 2006 and early fall 2007.²¹ These six programs, as well as other sector-based programs such as WIRE-net in the Cleveland area (manufacturing), the Alliance for Business & Industry in western Ohio, and the Marine Trades Training Program (Ottawa County), provide some interesting models of strong partnerships with employers to structure effective training programs.

The career pathways approach should not be seen as a cure-all for structural labor market problems and may be difficult to implement in certain industries that lack clear links between educational credentials and occupations. Some sectors do not offer enough good jobs for low-wage workers to move into.²² Joan Fitzgerald, one of the foremost researchers in the field, cautions that career ladders work better when accompanied by standards that discourage a "low-road" approach to competition (one that emphasizes low wages, low benefits, and poor working conditions). For a career pathways program to succeed, employers have to be active participants in the process and reform their management practices to reflect a workplace that values human capital.

²⁰ William Schweke, Promising Practices to Assist Dislocated Workers, Working Paper for The North Carolina Rural Economic Development Center. September 2004, p. 41.

²¹ Kinkley, Matt, et al. "Sustaining Advanced Manufacturing in West Central Ohio: A Report of Manufacturing Workforce Development Needs." Rhodes State College (Lima, OH). Fall 2007, p. 6.

²² Mitnik, Pablo and Zeidenberg, Matthew. *From Bad To Good Jobs? An Analysis of the Prospects for Career Ladders in the Service Industries*. Center on Wisconsin Strategy. January 2007. Available at <http://www.cows.org/pdf/rp-bad-good.pdf>

ADULT LEARNERS AND POST-SECONDARY EDUCATION

The second difficult policy issue is how unemployed workers fit into the debate about training and education for Ohio's entire adult workforce. Many employed adults are stuck in low-wage jobs that lack decent benefits and reasonable career prospects. Educational attainment affects economic competitiveness. These concerns found their way into several recent educational commissions and into the current governor's policy platform. Former Governor Taft's Commission on Higher Education and the Economy recommended that the state "Increase the number and proportion of Ohioans who participate and succeed in higher education."²³ Specifically, the commission recommended increasing Ohio's annual college enrollment by 30 percent (180,000) over its fall 2003 level during a ten year period.²⁴ Given Ohio's demographic profile, much of the increase will have to come from adult learners, i.e, working adults who are older than the traditional 18-to-24 year old college student population.

The follow-on Ohio Workforce and Education Training Advisory Council in 2006 focused on how to improve educational outcomes for adult learners.²⁵ The Council's recommendations focused on restructuring the workforce education system, increasing awareness and interest in higher education, creating seamless articulation and transfer of credits among institutions, and improving information systems. Many of its proposals would produce direct benefits to unemployed workers who are seeking training, such as recognition of industry credentials for college credit. The state took a step in this direction through the Accelerate Ohio program, which will design low-cost, brief training modules that allow students to accumulate credits toward a certificate and serve as a foundation for higher education. The legislature also enacted another of the Council's realignment proposals in the most recent state budget by establishing a timeline for the transfer of the oversight of career and technical education centers and adult basic education programs from the Department of Education to the Ohio Board of Regents.

The Strickland Administration's Turnaround Ohio Plan also contained ambitious goals for higher education. The plan called for increasing enrollment in the state's public and private colleges and universities by 230,000 and raising the degree attainment rate by 20 percent by 2017. The legislature responded by approving a tuition freeze that is a first step in dealing with soaring educational costs at public colleges. The administration also received legislative approval to change the governance structure of the Board of Regents through direct gubernatorial appointment of the chancellor.

²³ Governor's Commission on Higher Education & the Economy. *Building on Knowledge, Investing in People: Higher Education and the Future of Ohio's Economy* (April 2004), p. 21. Available at www.ch ee.ohio.gov.

²⁴ *Id.*

²⁵ Ohio Workforce Education and Training Advisory Council. "Recommendations For Focusing and Aligning Workforce Education and Training In Ohio." November 1, 2006. Available at http://www.kwfdn.org/adult_learning/workforce/htdocs/index.html.

The administration's early efforts in workforce development included an explicit focus on unemployed workers through an improvement to the state's rapid response function, waiver requests to the U.S. Department of Labor to improve the flexibility of the WIA program, and designing a sector-based skills training initiative. These concepts were supported by the Ohio Talent Tiger Team, a temporary advisory group with representatives from public and private organizations convened under ODJFS auspices.²⁶ Later sections in the paper will discuss both rapid response and the WIA waivers. At present, it is too early to judge the administration's efforts to reform the WIA program.

WIA SEQUENCE OF SERVICES

The Workforce Investment Act (WIA) establishes a three-level "sequence of services" for adults and dislocated workers. Participants start with universally-available "core" services and then progress through more complex "intensive" and "training" services if they are unable to find or retain employment that leads to self-sufficiency. Someone who wants to receive training services must receive at least one intensive service and be unable to find other financial resources for training.²⁷

WIA law provides a minimum standard for self-sufficiency that varies by family size and geography. The Department of Labor revises the standard annually. For the Cleveland metropolitan area (Ohio's largest), the standard for a family of four is \$33,020.²⁸ Local workforce boards may set a higher standard.

Table 1 lists some of the services that are available in each step of the sequence. The most basic core services, such as searching for job openings and reviewing labor market information, are "self-directed" and require little or no staff assistance. This information is available in the resource room of a one-stop center. It should be noted that core services that require staff assistance include brief training sessions, such as basic computer literacy. The intensive services category also includes some kinds of short-term training such as internships and English-as-a-Second Language classes. The official, WIA-defined "training" services category is reserved for classroom courses or on-the-job training that imparts specific occupational skills.

²⁶ The author of this paper participated in the Tiger Team meetings.

²⁷ 29 CFR 663.240.

²⁸ For the Census-defined Cleveland Metropolitan Statistical Area. U.S. Department of Labor, "Workforce Investment Act; Lower Living Standard Income Level." Notice of Determination. Table 3. Lower Living Standard Income Level (For a Family of Four Persons). 23 MSAs." 72 F.R. 30858, 30860. <http://a257.g.akamaitech.net/7/257/2422/01jan20071800/edocket.access.gpo.gov/2007/pdf/E7-10662.pdf>

Table 1. Definitions of WIA Services

WIA TERM	TYPE OF SERVICES
CORE	<ul style="list-style-type: none"> • Labor market information and job openings • Information about local training providers and financial aid • Occupational/Employment Assessments • Job search, resume writing, and interview workshops • Basic computer literacy • Career counseling • Evaluation of service needs
INTENSIVE	<ul style="list-style-type: none"> • Case management and coordination of services • Specialized or in-depth assessments • Basic job readiness training (e.g., “soft” skills such as communication and interviewing), English as a Second Language, workplace literacy • Adult basic education and GED preparation • Work experience and internships • Job search and relocation assistance
TRAINING	<ul style="list-style-type: none"> • On-the-job or customized training • Occupational skills training

Source: ODJFS.²⁹

Congress devised WIA’s sequence of services due to a widespread perception that the former federal Job Training Partnership Act relied too heavily on a “one-size fits all” approach that placed most participants in training regardless of their needs.³⁰ Congress required the JTPA program to spend 50 percent of its funds on retraining.³¹ Worker advocates claimed that WIA had gone too far in the other direction by restricting access to training, in spite of U.S. Department of Labor’s official guidance that WIA was not a “...work first” system that forces individuals into the first-available employment, regardless of whether or not that employment leads to self sufficiency.”³² For example, a 2003 report by the Center for Law and Social Policy (CLASP) found that the total number of WIA adults and dislocated workers receiving training nationally was far below the number trained under the former JTPA.³³

²⁹ Excerpted from ODJFS. “WIA Transmittal Letter # 14. WIA Core, Intensive, and Training Services.”

³⁰ Amico, Ronald D., and Salzman, Jeff. “Implementation Issues in Delivering Training Services to Adults under WIA,” in *Job Training Policy in the United States*, Christopher J. O Leary, Robert A. Straits, and Stephen A. Wandner, eds. (Kalamazoo, MI: W.E. Upjohn Institute, 2004), pp. 102-103.

³¹ Jacobson, Louis S.; Lalonde, Robert, and Sullivan, Daniel. “Is retraining displaced workers a good investment?” *Economic Perspectives* (2005, 2nd Quarter). Federal Reserve Bank of Chicago, p. 55.

³² The USDOL also took the view that federal regulations do not “impose minimum waiting periods” or “a minimum number of failed job searches to demonstrate eligibility for the next tier of services.” *65 Federal Register* 49328. “Workforce Investment Act; Final Rules.” August 11, 2000.

³³ Frank, Abbey; Rahmanou, Hedieh, and Savner, Steve. “The Workforce Investment Act: A First Look at Participation, Demographics, and Services.” Center for Law and Social Policy (March 2003) Update #1.

Although federal law and regulations do not require a work-first approach, they do not prevent it either. The program gives substantial discretion to local boards to impose additional requirements on individuals seeking training. A 2005 report by the U.S. Government Accountability Office (GAO) looked at local boards' training rules across the nation and found that 50 percent of local boards required participants to document their inability to find a job before seeking training.³⁴ Over 80 percent required a training applicant to undergo a skills assessment, and over 70 percent required the applicant to gather information about his or her proposed occupation. About one-third of the boards required attendance at a workshop before deeming an applicant eligible for training. While some of these rules are reasonable, local areas' use of multiple, time consuming requirements run the risk that dislocated workers will use up weeks of UC support while waiting to enter a training class. These eligibility requirements compound the problem that dislocated workers may have to wait for a new academic semester or quarter to begin before entering classroom training.³⁵

The extent to which Ohio's local workforce areas make use of these requirements is unknown. ODJFS is only beginning to begin to compile and track local workforce area policies.³⁶ In addition to local requirements to implement the sequence of services, other key policies remain under the control of local areas, such as the maximum amount of training funds available to each worker, and the extent to which the local area will provide "supportive services" for individual in training (if at all). Supportive services can include child care, transportation expenses, housing, and income support.³⁷

The Workforce Alliance, a coalition of employers, unions, training providers, and community groups has called for the removal of the sequence of services as Congress examines WIA reauthorization.³⁸ Under this proposal, local areas could tailor services in any order to meet an individual's need. Other organizations, such as the National Association of Workforce Boards, also have called for modifying the sequence of services provision.³⁹ It remains to be seen whether Congress will follow these suggestions, but the elimination of the sequence of services would be a good step toward reforming WIA. The USDOL officially recognized the sequence of services problem in its proposed new WIA regulations in issued in December 2006. The proposed rules formalized a regulatory interpretation would allow an assessment or evaluation of skills

³⁴ U.S. GAO. *Workforce Investment Act: Substantial Funds Are Used for Training, but Little Is Known Nationally about Training Outcomes*. GAO-05-650. June 2005, pp. 21-22.

³⁵ *Id.*, p. 27. GAO also found that more flexible policies by training providers could help overcome this problem.

³⁶ Interview with Linda O'Connor, former Deputy Director, ODJFS, July 27, 2007.

³⁷ 29 U.S.C. § 2801.

³⁸ Rubinstein, Gwen, and Mayo, Andrea. *Training Policy in Brief*. (2nd ed.). Washington, D.C.: The Workforce Alliance (2007), p. 20. Available at www.workforcealliance.org.

³⁹ "Reauthorizing the Workforce Investment Act (WIA)." A Position Paper of the National Association of Counties (NACo), National Association of Workforce Boards (NAWB), the National Workforce Association (NWA), and the United States Conference of Mayors (USCM). Available at http://www.nawb.org/pdf/wia_rec.pdf.

and training needs to serve as an intensive service.⁴⁰ Congress suspended these proposed rules due to an unrelated provision.⁴¹

Even without new regulations, there is ample room for a proactive approach to moving participants through the sequence of services. As noted below, USDOL's response to Ohio's waiver request stated that a waiver was not necessary to move participants quickly through the system. In light of this, state policy should also focus on identifying and removing unnecessary or time consuming local rules, such as policies that duplicate existing UC work search requirements.

PROGRAM PERFORMANCE MEASURES AFFECT SERVICES

Until the current program year, the state was responsible for meeting 17 federally required WIA program performance measures. States can negotiate acceptable performance levels with the USDOL. Local areas, in turn, have some leeway in negotiating performance levels with the state. The state meets its performance measures every year and most local areas meet their performance measures as well.⁴² Performance measures for the dislocated worker program in the most recently completed program year (PY 2006) are shown below.⁴³

- ◆ Entry into employment rate;
- ◆ Employment retention rate;
- ◆ Average earnings;
- ◆ Credential attainment rate.

The WIA program nationally, and in Ohio, provides a clear example of how performance measures that are designed with the best of intentions can backfire. Under the WIA legislation, dislocated worker performance measures included a wage (or earnings) replacement metric that compared a worker's pre-layoff wages to earnings six months after employment began. Due to the realities of economic dislocation, it is very difficult for many workers to find jobs with comparable levels of pay and benefits, even if they successfully complete a WIA-sponsored training program.

The wage replacement measure that used a comparison contributed to under-serving dislocated workers. The intersection of pressures to perform and the realities of dislocation create pressures on local workforce areas to "cream" from the participant pool. The creaming problem is well-known nationally. In a series of reports, the US GAO found that there was considerable evidence that one-stops have been reluctant to enroll higher-wage dislocated workers or older workers in intensive or training services

⁴⁰ See the proposed modification to 29 *CFR* § 240, 71 *Federal Register* 76569.

⁴¹ The proposed rules removed the requirement that Wagner-Peyser Employment Services must be provided by state civil service ("merit") staff.

⁴² ODJFS. *WIA Program Year 2006 Annual Report*, p. 5.

⁴³ USDOL, Training and Employment Guidance Letter 27-04, April 14, 2005.

because these workers make it difficult for local workforce areas to meet their wage replacement performance measures.⁴⁴

A report funded by the USDOL found that the workers with high pre-layoff wages, older workers, and workers who exhausted their unemployment benefits "...had a strong and negative effect on earnings replacement rates of local WIBs."⁴⁵ Consequently, the report found that some WIBs and contractors game the system by enrolling some dislocated workers as adults (because adult earnings gain performance measures were easier to meet), delaying program enrollment or exit, or even refusing to formally enroll them.⁴⁶

In an effort to improve the evaluation of all of its employment and training programs, the USDOL developed a set of "common measures." Ohio received permission from USDOL to report using the common measures. This means federal performance evaluation will use the measures listed above but not the credential attainment measure. ODJFS guidance still requires local areas to track credential attainment for state purposes. There is an expectation that the lack of a comparison methodology in the earnings measure will relieve some of the pressures for creaming in the system. However, with the weakening of the economy at the start of 2008, it will become even more difficult for local areas to meet *all* of the reemployment measures, and there will be renewed pressure to cream. Local areas may respond by enrolling dislocated workers as adults, but the state and local areas have to make sure that performance standards reflect economic realities while pushing service providers to place participants in positions with good jobs and benefits.

Even with the changes, current performance measures are incomplete. They do not drive the system to serve more people, and they do not track the flow of participants (or lack thereof) from rapid response services or from unemployment compensation reemployment services to WIA. Information from these latter two systems has to be integrated into program performance metrics, an issue that we discuss below.

WAIVERS

Under the WIA law, states are permitted to request waivers from specific requirements of federal law or regulations. As the Taft Administration left office, the state had six waivers. One of these waivers allowed local areas to transfer up to 50 percent of their formula funds between adult and dislocated worker services. Another waiver permitted up to 20 percent of adult and dislocated worker formula funds to be used to train

⁴⁴ WIA performance standards are not adjusted for hard-to-serve populations. The U.S. General Accountability Office identified these problems and their impact on dislocated workers in a series of reports on WIA and the Trade Adjustment Assistance Act: *Trade Adjustment Assistance: Reforms Have Accelerated Training, but Implementation Problems Remain* GAO-04-1012 (Washington, D.C., Sep. 2004); *Older Workers: Employment Assistance Focuses on Subsidized Jobs and Job Search, but Revised Performance Measures Could Improve Access to Other Services*, GAO-03-350 (Washington, D.C., Jan. 2003); and, *Workforce Investment Act: Improvements Needed in Performance Measures to Provide a More Accurate Picture of WIA's Effectiveness*, GAO 02-275, (Washington, D.C., Feb. 2002).

⁴⁵ Id.

⁴⁶ Trutko, et al., p. 32

“incumbent” workers.⁴⁷ “Incumbent” workers are individuals who are already employed and do not qualify for services as low-income adults or dislocated workers who have received a layoff notice. These workers are not counted against local areas’ performance standards. Local areas have made extensive use of the ability to transfer between funding streams by moving dislocated worker funds to the adult services, as discussed below in the section entitled “WIA Dislocated Worker Spending.”

The Strickland Administration asked for eight additional waivers as part of the submission of Ohio’s state plan for 2007-2009. The new waiver requests and their brief official explanations are listed below. Most of the waivers were motivated by a desire to increase the ability of the one-stops to respond to employers’ needs by providing more services to incumbent workers and becoming more involved in local economic development, including strategies to avert layoffs at struggling businesses. For example, one of the new waivers permits the use of rapid response funds for incumbent worker training in addition to adult or dislocated worker funds.

The USDOL sent its formal response to the state’s waiver request in November, 2007.⁴⁸ As shown in Table 2, five of these requests were approved, but USDOL replied that two of them were not needed to accomplish the purposes stated in the waiver request. These two were for the sequence of services and funding economic development activities not related to training. Policy Matters Ohio supported the latter request on the condition that the funds be used to develop regional skill alliances or other partnerships that have training as their primary focus. These partnerships should have well-defined mechanisms for the inclusion of low-income people, including people with multiple barriers to employment.

It is not clear whether the misunderstandings between ODJFS and USDOL stemmed from poor USDOL guidance in the past or ODJFS’ overly restrictive interpretation of WIA rules. As discussed above, a rigid application of the sequence of services requirement may have led some local areas to needlessly adopt a “work first” approach to services.

⁴⁷ ODJFS. WIA Transmittal Letter No. 22B, September 22, 2006. Available at http://www.ohioworkforce.org/docs/workforceprof/Waiver_for_Incumbent_Worker_ProgramB.pdf

⁴⁸ Letter from Emily Stover DeRocco, Asst. Secretary for Employment and Training, U.S. Department of Labor to The Honorable Ted Strickland, Governor of Ohio, Nov. 5, 2007. Provided to the author by ODJFS.

Table 2. Waiver Requests and Outcomes

WAIVER DESCRIPTION	OUTCOME
Waive the required 50 percent employer match for customized training	Approved with a sliding scale for fees based on the number of employees
Permit the use of local rapid response funds for incumbent worker training	Approved with a spending cap of 50% of rapid response funding
Waive statutory performance measures and use only common measures for performance	Approved – The state must continue to track adult and dislocated worker program results separately
Permit the use of WIA funds to capitalize a small businesses up to \$5,000	Approved – Funds can be used only in conjunction with entrepreneurial training
Allow WIA funds to be used for economic development activities not directly related to training	USDOL stated that the waiver is not needed to undertake the activities described in its request. The state could proceed without a waiver.
Waive the requirement that incumbent workers provide information for full WIA registration	Approved – incumbent workers would not have to provide certain information about family income but individual outcomes must still be tracked
Waive the sequence of service requirement for WIA participants	USDOL stated that the waiver is not needed to move participants more quickly through levels of service
Permit dislocated workers to receive training services more than 180 days before an announced plant closure	Not approved because it would require a change in the definition of eligibility

ODJFS is just starting to write guidance for local area implementation of the waivers. Dislocated workers can benefit from the waivers if they are used in a strategic way with their needs in mind. Streamlining the sequence of services will move people through the system more quickly. The change in the performance standards will benefit dislocated workers by changing the earnings measure so that it does not require a comparison of pre-layoff wages to post-layoff wages.

The waiver request to permit a full range of services more than 180 days before an announced closure was intended to help in the auto industry when announcements can occur a year or two in advance. Policy Matters strongly supported this waiver request on the grounds that earlier service delivery would benefit dislocated workers. Dislocated workers who require intensive services or training need more time to explore new career options or understand the requirements of training providers. Individuals who rely on UC payments as their sole means of support often limit their participation in services so that it does not extend past the duration of UC benefits. To the extent that career exploration and training can start earlier, workers will achieve better targeting of career paths and complete longer and more robust training schedules that will improve their employment outcomes.

The waiver that permits local areas to use rapid response funds for training should open up opportunities for local areas to use their resources to avert layoffs at struggling businesses, or to begin training for workers more than 180 days before a plant closure. These actions will be most effective when training is delivered well before management has made the decision to close the plant, so local areas will have to seek out these opportunities.

In general, local areas are under pressure to become more involved in funding economic development activities, but these opportunities should be used strategically. Partnerships with economic development entities should include well-defined mechanisms for the inclusion of low-income individuals and individuals with multiple barriers to employment. The diversion of WIA funds from traditional populations should only occur if the local areas are achieving acceptable levels of participation in their existing programs for adults, dislocated workers, and youth.

WIA DISLOCATED WORKER PARTICIPATION LEVELS

For performance measure purposes, the WIA program tracks dislocated workers who are “exiters.” Exiters are those who have received a WIA-funded core, intensive, or training service that requires significant staff time. Those who received only self-service or informational activities are not tracked for performance purposes. Workers who have not received a WIA-funded or partner-funded service for 90 days and are not scheduled for future service must be taken out of the program and assigned an exit date of their last day of service.⁴⁹

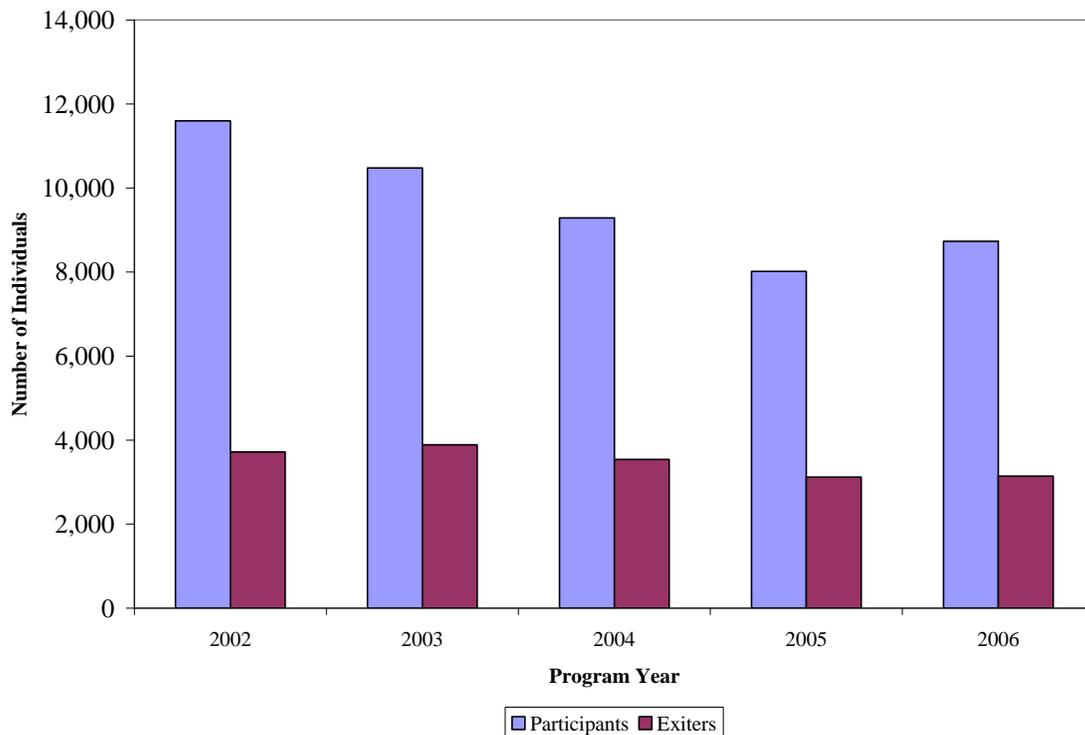
The WIA system also tracks participants. The participant count includes those who received self-service or informational services, as well as higher-level services. Program participation can cross quarters or program years, but in the annual data shown below each individual is counted only once in a program year.

Figure 1 shows the number of participants and program exiters served by local areas in Ohio’s WIA Dislocated Worker program. The annual number of participants declined continuously between PY 2002 to PY 2005, and then rose slightly in PY 2006. The PY 2006 level of 8,145 was nearly 30 percent below the PY 2002 level of 11,599. In part, this may be a reflection of the level of layoffs, but given the level of unspent funds in the system, it is clear that the system could have continued serving the same number of participants.

The annual number of exiters peaked in PY 2003 at 3,890, and then declined in the next three program years. The PY 2006 annual total of 3,145 was 19 percent below the peak. The vast majority of these individuals were served with WIA local area funds, but a few were served with statewide funds.

⁴⁹ TEGL 17-05, p. 20.

Figure 1. Dislocated Worker Participants and Exiters in Ohio’s WIA system, Program Years 2002 – 2006



Source: ODJFS. WIA Annual Reports, Program Years 2002 – 2006.⁵⁰

Each year, roughly two-thirds of the exiters received WIA training services and the remainder received only core and intensive services from WIA.⁵¹ The exiter counts only include WIA-funded services, do not include other services people may have received by referral to another organization. With this caveat in mind, the WIA dislocated worker program historically has paid for no more than about 2,700 workers each year to receive training, and more recent years have been lower. These are important services for individuals who have received them, but the level of training activity falls short of achieving the ambitious goals that Ohio has set for itself in boosting college participation.

As shown in Table 3, the number of dislocated workers participating in and exiting from Ohio’s WIA dislocated worker program in Program Year 2006 was not large relative to some nearby states and other large states, despite our weak economy. States with

⁵⁰ PY 02-04 Participation data from page 15, Figure 7 "Dislocated Worker Participant/Exiter Comparisons for PY 2002 - PY 2004" in State of Ohio. Workforce Investment Act Program Year 2004 Annual Report." July 1, 2004 - June 30, 2005. PY 2005 and 2006 data from Program Year 2006 Annual Report, Fig. 8, p. 5. ODJFS - Office of Research, Assessment, and Accountability

⁵¹ Ohio WIA Annual Reports, Program Year 2002-2006. Table G. "Other Outcome Information for the Dislocated Worker Program."

smaller populations than Ohio, such as Massachusetts, North Carolina, and Wisconsin had greater numbers of exiters. Michigan also had higher numbers of exiters but has a higher rate of unemployment. Pennsylvania had over 2,500 more exiters.

Table 3. Dislocated Worker Participants and Exiters in Nearby States and Selected Large States, PY 2006

State	Participants	Exiters
Florida	7,638	3,950
Illinois	17,562	7,277
Indiana	3,962	2,136
Kentucky	4,838	1,604
Massachusetts	6,536	3,934
Michigan	13,872	5,547
Minnesota	3,796	2,055
New York*	25,865	16,427
North Carolina	8,018	3,613
Ohio	8,732	3,145
Pennsylvania	10,951	5,717
Texas	14,531	8,228
Wisconsin	8,649	4,604

Source: Annual State WIA Reports for PY 2006. Table M⁵²

A key policy question is whether the WIA dislocated worker program reached an acceptable proportion of Ohio's unemployed workers ("market penetration rate" to use the business term). One way to answer this question is to look at the number of WIA participants in the context of the number of workers who received Ohio unemployment compensation payments. Only about 30 percent of unemployed workers qualify for unemployment benefits.⁵³ With this caveat in mind, during WIA PY 2006 there were over 276,000 new UC beneficiaries in Ohio.⁵⁴ Ohio's dislocated worker participants were equal to about 3.2 percent of the insured unemployed, and exiters slightly over one percent.⁵⁵

Certainly not all of these individuals needed training or job search help, and the WIA program is not funded at a level that would permit universal access. We can construct a narrower, and perhaps more appropriate comparison by identifying individuals who were most in need of services. Ideally, such a comparison would use ODJFS unemployment insurance records to examine reemployment outcomes, but this has not been done in a

⁵² Available at <http://www.doleta.gov/performance/results/AnnualReports/annual-report-06.cfm>

⁵³ See Unemployment Insurance Data Summary, 3rd Quarter 2007, U.S. Department of Labor, Employment and Training Administration, <http://workforcsecurity.doleta.gov/unemploy/content/data.asp> accessed Dec. 7, 2007.

⁵⁴ ODJFS. "Summary of Activities under Regular Ohio Unemployment Compensation Law." RS199. Office of Workforce Development – Labor Market Information. Available at www.lmi.state.oh.us.

⁵⁵ This is not an exact comparison because participants may have begun their participation in an earlier WIA program year. Also, not all participants are drawing UC benefits.

comprehensive way in Ohio. In the absence of this information, we can use the number of individuals who exhausted their unemployment benefits without finding a job during WIA PY 2006 (77,530).⁵⁶ This comparison improves the estimated market penetration rate among the most vulnerable insured unemployed to 11.3 percent for participants and to 4.1 percent for exiters.

These comparisons are very rough indications of the scale of the program and do not include dislocated workers receiving TAA training or other assistance. They do not measure the extent to which job search assistance may have prevented or shortened the duration of unemployment. On the other hand, if program exits reached a level equal to seven percent of total exhaustions (the Wisconsin level), Ohio would serve nearly 2,300 more individuals, or 73 percent more than the PY 2006 level.

Table 4 shows the number of participants and exiters in each WIA local area. As may be expected, there are wide variations in the numbers, in part because the service areas have vastly different population levels. In general, areas with lower populations had fewer exiters. Local economic conditions play a role as well. Eleven of the nineteen areas had fewer than 100 exiters in an entire program year, and including some urbanized counties such as Lorain and Lucas. The numbers in the table include only individuals served by local funds, so they are slightly lower than statewide totals discussed above.

⁵⁶ Unemployment Insurance Data Summary for 3rd Qtr 2006, 4th Qtr. 2006, 1st Qtr 2007, and 2nd Qtr. 2007. "Regular Benefits Information by State. U.S. DOL-ETA. Available at <http://workforcesecurity.doleta.gov/unemploy/content/data.asp>.

Table 4. WIA Dislocated Worker Participation by Local Workforce Investment Areas, Program Year 2006

Area	Counties	Participants	Exiters
1	Adams, Brown, Pike, Scioto	182	54
2	Medina & Summit	321	174
3	Cuyahoga	1,386	224
4	Lorain	181	62
5	Lake	131	37
6	Stark & Tuscarawas	179	136
7	46 Counties	2,865	1,114
8	Auglaize, Hardin, Mercer & Van Wert	34	16
9	Lucas	171	68
10	Crawford & Richland	144	66
11	Franklin	517	146
12	Butler, Clermont & Warren	345	191
13	Hamilton	760	296
14	Athens, Hocking, Meigs, Perry & Vinton	178	126
15	Monroe, Morgan, Noble & Washington	136	39
16	Belmont, Carroll, Jefferson & Harrison	147	87
17	Columbiana & Mahoning	238	69
18	Trumbull	86	28
19	Ashtabula, Geauga & Portage	144	63
Total	All Counties	8,145	2,996

Source: ODJFS. WIA Annual Report PY 2006.

In this context, the WIA dislocated worker program can and should have a higher level of participation. ODJFS should set a minimum service level based on unemployment levels in the local area and UCRS activity as discussed in the previous section. Local areas that do not meet minimum service levels should be required to establish a corrective action plan with specific goals and time frames. In the context of this corrective action plan, the department could then consider enforcement of the 80 percent funding obligation rule (see below).

WARN NOTICES AND THE RAPID RESPONSE SYSTEM

States are required by the Workforce Investment Act to establish a rapid response system to provide services to avert layoffs and enable dislocated workers find new jobs. States can reserve up to 25 percent of the USDOL dislocated worker allocation for rapid response. In Ohio, local workforce areas are responsible for putting together a team to contact employers that have announced a plant closure or layoff through a “WARN” notice (see below). The team is responsible for providing information to employees who will be laid off. The rapid response system is one of the two major front doors for unemployed workers to access the one-stop system. The other is the Unemployment

Compensation and Reemployment Services (UCRS) program, which provides for screening and mandatory referral of certain UC recipients for services.

The initial meeting between the rapid response team and employees is often the first time that workers hear about WIA, TAA, veterans' services, and other one-stop partner programs. The rapid response meeting often triggers the TAA petition to USDOL. The rapid response process has not been working as well as it should in Ohio, in part because of inconsistent and flawed approaches at the local and state levels, and in part because of flaws in federal layoff notification law. We do not have data on participant flows from rapid response activities to one-stops. As its name implies, rapid response is intended to be an immediate, proactive process that mobilizes community-wide resources to avert a layoff. If layoff aversion is not possible, rapid response is supposed to serve as a mechanism to develop a strategy for supporting the employment and social service needs of workers who are about to be laid off. Under the WIA law, rapid response funds can support *planning* for training, but not training itself. Ohio requested and received a waiver from the USDOL to use rapid response funds for incumbent worker training (see above).

WIA's provisions require rapid response teams to take the following actions:

- establish on-site contact with employers and employee representatives immediately after the State is notified of the closure or layoff;
- provide information about and access to available unemployment insurance, one-stop services, and employment and training activities;
- assist in establishing a voluntary labor-management committee with the ability to devise and implement a strategy for (i) assessing the employment and training needs of dislocated workers and (ii) obtaining services to meet such needs;
- provide emergency assistance adapted to the particular closure, layoff, or disaster; and
- assist the local WIA board and elected officials in developing a coordinated response and in obtaining access to State economic development assistance.⁵⁷

The specific mention of labor-management committees in WIA is a carry-over from earlier federal legislation from the 1980s. Voluntary labor-management committees are effective means to improve reemployment strategies, particularly when the committees are comprised of individuals who are working at the affected plants and are able to continue their activities after the layoff.⁵⁸ They can collect information about workers' needs and assemble services to meet them, identify sources of assistance in the community, provide information to workers, and monitor workers' experiences with the workforce system.⁵⁹ Most of all, this method provides a way for management and labor

⁵⁷ 20 C.F.R. 665.310.

⁵⁸ U.S. General Accounting Office (now the Government Accountability Office). *Dislocated Workers: Labor Management Committees Enhance Reemployment Assistance*. Nov. 1989. GAO-HRD-90-3. Available at <http://archive.gao.gov/d26t7/140075.pdf>

⁵⁹ Lynn Minick, National Employment Law Project. "Using Labor-Management Committees and Peers on Dislocated Events." Presentation to the Michigan Economic Dislocated Summit, Detroit, MI. June 21, 2006. Available at <http://www.nelp.org/docUploads/Using%20LMC%20and%20Peers.pdf>

to develop joint plans to deal with a layoff and creates an organized process to transmit workers' needs to other interested parties.

Another proven technique that increases dislocated workers' use WIA resources is to train some who will be laid off in how to navigate the system so that they can act as advocates and counselors for their peers. This method builds on a common sense insight that dislocated workers are most willing to trust friends and colleagues with whom they have worked for years. An example of this kind of technique is the "peer outreach counselor" program administered by the Illinois AFL-CIO.⁶⁰ This program trains selected individuals by providing information about (1) the stresses and problems that dislocated workers will face, (2) how to develop effective counseling skills, (3) how to access and apply for dislocated worker programs, and (4) local WIA policies and procedures. Peer counselors are employed full-time for an initial period of three months, with an option to extend based on circumstances. During that time, they assist their co-workers and track their progress through the system.

After receiving a new allocation at the beginning of PY 06 (June 2006), the system had \$29.1 million in total available rapid response funds but ODJFS allocated only \$20.1 million for approved projects.⁶¹ At the end of the year, almost \$10.5 million had been spent. Over \$9 million were obligated or earmarked, however, as major new initiatives are getting underway.

The largest earmark, for a total of \$5 million statewide, supports planning grants to local areas facing large layoffs. Four areas had received these awards. Only a small program for Veterans' Rapid Response had spent all of its funds (Table 5). This program provides for WIA co-enrollment of veterans who are in training in WIA and veterans services.⁶² The table does not reflect spending on mass planning grants or special grants for specific large layoffs.

Table 5. PY 2006 Rapid Response Activity, by Category

Program	Amount (mil)	Spent (mil)	Spent (%)
Regular Grants to Local Areas	\$10.3	\$6.0	58.6
Veterans Rapid Response	\$1.5	\$1.8	120.4
Special Projects	\$8.3	\$1.7	19.9
Total	\$20.1	\$9.5	47.2

Source: ODJFS. Rapid Response Report. July 31, 2007. Amounts are rounded.

⁶⁰ Melva Hunter, Illinois AFL-CIO. "Facilitating Worker and Community Involvement: Illinois AFL-CIO Peer Outreach Project." Available at <http://www.nelp.org/docUploads/Peer%20Counselor%20Slide%20Show.pdf>

⁶¹ ODJFS – Office of Workforce Development. Rapid Response Report. July 31, 2007.

⁶² This table does not include about \$1 million in additional spending that was reported to USDOL in the PY 2006 Annual Report.

The Veterans' Rapid Response program is an innovative example of using rapid response funds to provide supportive services for workers in training, while using WIA to pay for the cost of training itself. The program provides up to \$3,000 in supportive services to each individual.⁶³ Its most attractive feature is that it will cover COBRA health care continuation premiums for the duration of training and two months afterward.

In Ohio's decentralized policy framework, however, local areas are not required to offer the program or to have a supportive services policy. Local boards' policies determine the amount of funds available to pay for tuition and related expenses, and the type and amount of supportive services. During PY 2006, all but two local areas offered the program.⁶⁴ The program had 397 participants statewide. Most of them received supportive services, but surprisingly, only 8 requests were processed for COBRA benefits. There may be a number of reasons for the low number of COBRA requests, including local areas' supportive services policies, the duration of training, or administrative hurdles.

Local areas showed enormous variation in their initial rapid response grant amounts and in their spending rates. Grant amounts had little relationship to the number of unemployed individuals. Workforce Area 3 (Cuyahoga County) received nearly \$1.4 million, but spent slightly under \$100,000. Area 11 (Franklin County) received just \$15,000 and spent nearly \$12,000, while Area 13 (Hamilton County) did not receive any rapid response funding. Workforce Area 1, comprised of four rural counties in southern Ohio, spent \$702,039. Area 1 used part of its funding to pay for supportive services, including continuation of health care benefits.

Early in the Strickland Administration, the Ohio Talent Tiger Team, which convened in the first several months of the Strickland Administration, adopted recommendations aimed at redesigning and expanding rapid response services.⁶⁵ The recommendations included creating a rapid response strike force in the governor's office, making use of layoff aversion and labor-management committees, and integrating WIA and TAA.⁶⁶

To carry out these recommendations, the Strickland Administration has started to knit together economic development and workforce development by creating a new protocol for rapid response. The protocol involves a new partnership between the Ohio Department of Development (ODOD) and ODJFS that will focus on layoff aversion strategies and identification of companies that are in trouble long before the 60-day WARN notice is issued. Local areas are supposed to involve economic development practitioners in rapid response teams in order to present employers with a full range of assistance, including consulting services funded through rapid response.

⁶³ ODJFS – Office of Workforce Development. Veteran Technical Letter (VTL) 05-07. April 6, 2007. http://www.ohioworkforce.org/docs/VTL_05-07_VSTP_VR2.pdf

⁶⁴ ODJFS. Email from Rich Gelin, Interim Manager, Veteran Services, 8-27-07.

⁶⁵ Terry Thomas, Assistant Director, ODJFS. "Setting Ohio's Talent Agenda: A Report to Governor Ted Strickland and Lieutenant Governor Lee Fisher with Action Recommendations from the Ohio Talent Tiger Team." March 6, 2007. The author of this report was a Tiger Team participant.

⁶⁶ *Id.*, p. 9.

ODJFS is also offering more technical assistance to local areas about best practices and specific strategies to help soon-to-be laid off workers readjust. Some training on rapid response has been offered around the state by the National Employment Law Project under contract with the state. Additional technical assistance will be offered through a field network established by a grant to the United Labor Agency to improve dislocated worker outreach throughout the state.⁶⁷

Technical assistance must be tied to better information about the flow of participants from rapid response sessions to WIA services. At present, the state maintains a very basic reporting system. Local areas file three reports for each rapid response service that results from a WARN notice. These reports are (1) a summary of the initial meeting with the employer; (2) a brief overview of the characteristics of the workforce and the time-table for layoffs; and (3) a report that confirms whether rapid response sessions and other follow-up activities have been scheduled. The state does not collect information about how many people who attended a rapid response session actually went to a one-stop, and what kind of services they received. This has to change in order to effectively identify gaps in outreach to dislocated workers.

As a general rule, the earlier that reemployment services are provided to dislocated workers, the better. WIA permits one-stops to provide workers who have received a layoff notice with a specific date to be eligible for all levels of service (core, intensive, and training), or up to 6 months before layoff if there is a general notice that a plant will be closed within half a year.⁶⁸ Workers at facilities that have received a general layoff announcement are also eligible for core services.

The most typical layoff announcement is a 60-day employer “WARN” notice that is filed with the affected workers or their union, the ODJFS, and the chief elected official where the plant is located. The WARN notice is required under the federal Worker Adjustment and Retraining Notification Act (WARN).⁶⁹ The WARN Act applies to employers who have a nationwide workforce of 100 or more employees. An employer who falls under its provisions must provide written notice if the employer plans to do any of the following:

- ◆ close a plant with 50 or more employees;
- ◆ lay off 50 or more employees at a single site and the number of affected employees is at least one-third of the workforce at the site (the “one third” rule); or,
- ◆ lay off 500 or more employees.

As was pointed out in a 2003 U.S. GAO study and by a recent series in the *Toledo Blade*, the WARN Act is full of loopholes and is routinely disregarded by employers.⁷⁰ The

⁶⁷ “Ohio WIA Expenditures,” ODJFS, Distributed at the Ohio Workforce Coalition meeting in Columbus, OH, 8-9-07.

⁶⁸ U.S. Department of Labor WIA interpretive regulations, 65 Fed. Reg. 48358, Aug. 11, 2000.

⁶⁹ 29 U.S.C. § 2101-2109.

⁷⁰ James Drew and Steve Eder. “Without warning: Flaws, loopholes deny employees protection mandated by WARN Act.” *The Toledo Blade*, July 15, 2007; “Tiffin workers discover limits of WARN Act: Class-action lawsuit yielded meager payout.” *The Toledo Blade*, July 16, 2007. “Different workers face

GAO studied 8,350 plant closures and mass layoffs in 2001 and concluded that WARN notices were not provided in roughly half of the plant closures and three-fourths of the mass layoff events.⁷¹ But, the report, added “Employers that did not provide notice may be engaging in other practices that limit their liability under the law.”⁷²

One such practice examined in the *Toledo Blade* series is employers’ use of severance pay agreements. Under this kind of agreement, laid-off employees must sign away their rights to sue for WARN Act violations in exchange for severance pay. Many employees may not understand the legal implications of the agreement before they sign it.

The *Blade* series also examined other practices that employers use to avoid giving proper notice, such as phasing-in layoffs outside of the 90-day window, claiming that the company tried to pursue financing to avert insolvency, or pointing to unforeseen business conditions. These actions are within the letter of the law if they occur in good faith, but they undermine the law’s coverage. Other large layoffs (over 50 workers) may be exempt because of the rule that requires a layoff to affect over one-third of the employer’s workforce before WARN is triggered.

Even when a closure or layoff falls under WARN, employers may choose to ignore it and face few consequences. Employees have no other means of enforcement other than a class action suit to recover back wages. Often workers sue bankrupt companies that cannot pay or new owners who claim they have no liability for the company’s past actions. The *Blade* examined 226 lawsuits nationwide that had been brought under the WARN Act, and found that workers prevailed in 108 of them, “...usually for pennies on the dollar of what workers felt they were owed.”⁷³

In response to *Blade* series, U.S. Senator Sherrod Brown introduced legislation to remedy some of the WARN Act’s flaws.⁷⁴ The legislation lengthens the required notification schedule to 90 days, gives employees the ability to seek two times the amount of their back pay, and enables the USDOL to bring a civil action against offending noncompliant employers. Table 6 compares some of the key provisions of the proposed legislation to the WARN Act:

the same problem with the WARN Act: From illegal immigrants to union miners, laborers encounter difficulty invoking law.” *The Toledo Blade* July 17, 2007. “Reform overdue, WARN critics say; worker advocates look to eliminate flaws, loopholes in federal law.” July 18, 2007; Online editions available at www.toledoblade.com.

⁷¹ U.S. GAO. *The Worker Adjustment and Retraining Notification Act: Revising the Act and Educational Materials Could Clarify Employer Responsibilities and Employee Rights*. GAO-03-1003. Available at www.gao.gov/cgi-bin/getrept?GAO-03-1003.

⁷² *Id.*, executive summary.

⁷³ Drew and Eder, “Without warning,” “WARN ACT LAWSUITS” graphic.

⁷⁴ The FOREWARN Act, S. 1792, 110th Congress, 1st session. Available from the Library of Congress at <http://thomas.loc.gov/cgi-bin/query/z?c110:S.1792>; or through the Government Printing Office at http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=110_cong_bills&docid=f:s1792is.txt.pdf

Table 6. Key provisions of the WARN Act and S. 1792 (Sen. Brown)

Provision	Federal WARN Act	Proposed legislation
General Coverage, size of firm (Minimum # employees)	100 full-time*	50 full-time or part-time
Coverage Threshold for layoffs (Minimum # employees)	33% of total workforce and 50 employees - or - 500	33% of total workforce and 25 employees - or - 100
Coverage Threshold for Closings (Minimum # employees)	50 employees over 30 days	25 employees over 30 days
Notification period before layoff	60 days	90 days

Source: *The Toledo Blade*; Policy Matters Ohio.

* More than 20 hours per week.

If prior history is any guide, however, it will be very difficult to win passage of federal legislation without significant compromises.⁷⁵ Rather than relying exclusively on improved federal protection, Ohio should turn its attention to states that have enacted their own layoff or plant closing notification laws. California, Illinois, and Wisconsin are examples of states that have improved on some features of the federal WARN Act.⁷⁶ Table 7 covers key features of these laws. All three states have lower thresholds for coverage, give state agencies the authority to investigate and take legal action on behalf of workers, and subject employers to potential civil fines of \$500 per day for noncompliance, a provision not found in federal law.

⁷⁵ Eder and Drew, "Compromises diluted bill's original intent," *The Toledo Blade*, July 15, 2007. <http://www.toledoblade.com/apps/pbcs.dll/article?AID=/20070715/NEWS09/707150331>

⁷⁶ California Employment Development Department, "Worker Adjustment and Retraining Notification," <http://www.edd.ca.gov/eddwarntx.htm>; Illinois Department of Commerce and Economic Opportunity, "New Illinois WARN Act Signed Into Law," http://www.commerce.state.il.us/dceo/Bureaus/Workforce_Development/WARN/; 820 ILCS 65/1, <http://law.justia.com/illinois/codes/chapter68/2617.html>; Wisconsin Department of Commerce, "Business Closing and Mass Layoff Notification Requirements," <http://commerce.wi.gov/BD/ED-LayoffsNotify.htm>; Wisconsin Statutes Sec. 109.07, "Wisconsin Business Closing Notification Law," http://www.dwd.state.wi.us/er/labor_standards_bureau/lr_pdf_files/erd_10417_p_statutes_bus_closing.pdf

Table 7. Key provisions of state-level layoff and plant closing legislation

Provision	California	Illinois	Wisconsin
General Coverage, size of firm (Minimum # employees)	75 full or part-time <i>(Size of establishment)</i>	75 full-time - or - 75 working at least 4,000 hours per week in aggregate	50 full-time
Layoff Coverage Threshold (Minimum # employees)	50 Full or part-time	33% of employees affected at least 25 full-time workers - or - At least 250 full-time	25% of workforce or 25 full-time, whichever is greater - or - 500
Closing Coverage Threshold (Minimum # employees)	Same as Layoff	50 full-time	25 full-time
Notification period before layoff	60 days	60 days	60 days

Source: *The Toledo Blade*⁷⁷; Policy Matters Ohio.⁷⁸

A WARN notice, even when provided on a timely basis, is not an end in itself, but the beginning of a process of readjustment for workers and affected communities. The rapid response section of the Workforce Investment Act envisions a wide range of functions that go far beyond job-seeking activities. A well-functioning WARN and rapid response system can help avert layoffs, reorient workers to their job-search or training before lay-off, and activate the TAA petition process.

Some Ohio local areas are making excellent use of the flexibility of rapid response funding, such as using these resources to help TAA participants pay for their portion of the health care tax credit.⁷⁹ Even with a new commitment to improving rapid response, however, Ohio’s workforce development system must decide how to handle difficult situation that may occur if local areas request funding amounts that are too low to effectively carry out rapid response, or they do not use all of the best practices that are available.

⁷⁷ James Drew and Steve Eder, “Numerous states try to address plant closings,” *The Toledo Blade*, July 18, 2007. Available at www.toledoblade.com.

⁷⁸ Legal sources: Illinois Worker Adjustment and Retraining Notification Act, 820 ILCS 65; Wisconsin Business Closing Notification Law, WI Stat. 109.07; CA Labor Code Secs. 1400- 1408.

⁷⁹ “Ohio WIA expenditures,” ODJFS, distributed at the Ohio Workforce Coalition meeting in Columbus, OH, 8-8-07.

UCRS HAS INCREASED FOOT-TRAFFIC AT ONE-STOPS

The number of individuals who receive mandatory referrals from the unemployment compensation system to the one-stops has increased in recent years. Along with workers contacted through the Rapid Response system, these individuals are an important source of customers for the one-stops.

Under federal law, all states must establish a formal mechanism to identify UC claimants who are likely to exhaust their benefits without finding another job and to make them aware of services that could improve their job search. To fulfill this requirement, the ODJFS manages the “Unemployment Compensation Reemployment Services” (UCRS) program. The major characteristic for selection by UCRS is layoff from a “declining industry” that has a lower level of employment in the claimant’s region as measured against a base year.⁸⁰ Some of the individuals who are identified are put into a county-level selection pool so that state employment services (ES) staff can contact them for a mandatory orientation session at the one-stop. ODJFS can revoke UC benefits for a week in which claimants miss an orientation session without justifiable cause.

Orientation sessions are 3½ to 4 hours long on average. Orientation session topics include basic unemployment compensation, how to use an account on the state’s on-line job matching system, a brief overview of WIA services, and a tour of the one-stop. ES staff can provide assistance with job search strategies. ES staff services are supported through federal Wagner-Peyser funds, not WIA funds. Individuals who want to pursue staff-assisted WIA services must register in WIA.

The UCRS program expanded tremendously over the last several years. In the first quarter of 2005, Ohio was one of 20 states to receive a grant from the U.S. Labor Department to establish a Reemployment Eligibility Assessment (REA) program. The grant is from federal UC funds. The purposes of the REA pilot program as stated by the USDOL are to help UC claimants return to work sooner and “minimize erroneous overpayments.”⁸¹ The assessments combine work search assistance and referral to employment services (including training) with “eligibility issue detection,” i.e., ensuring that a claimant is actively seeking work.

ODJFS used the REA program to increase the number of contacts between ES staff and claimants. Under the REA program, UCRS participants complete a web-based assessment tool that identifies barriers to unemployment. Claimants then schedule a follow-up visit to meet individually with an employment services staff member who develops an individual reemployment plan. ODJFS call center staff in Columbus make

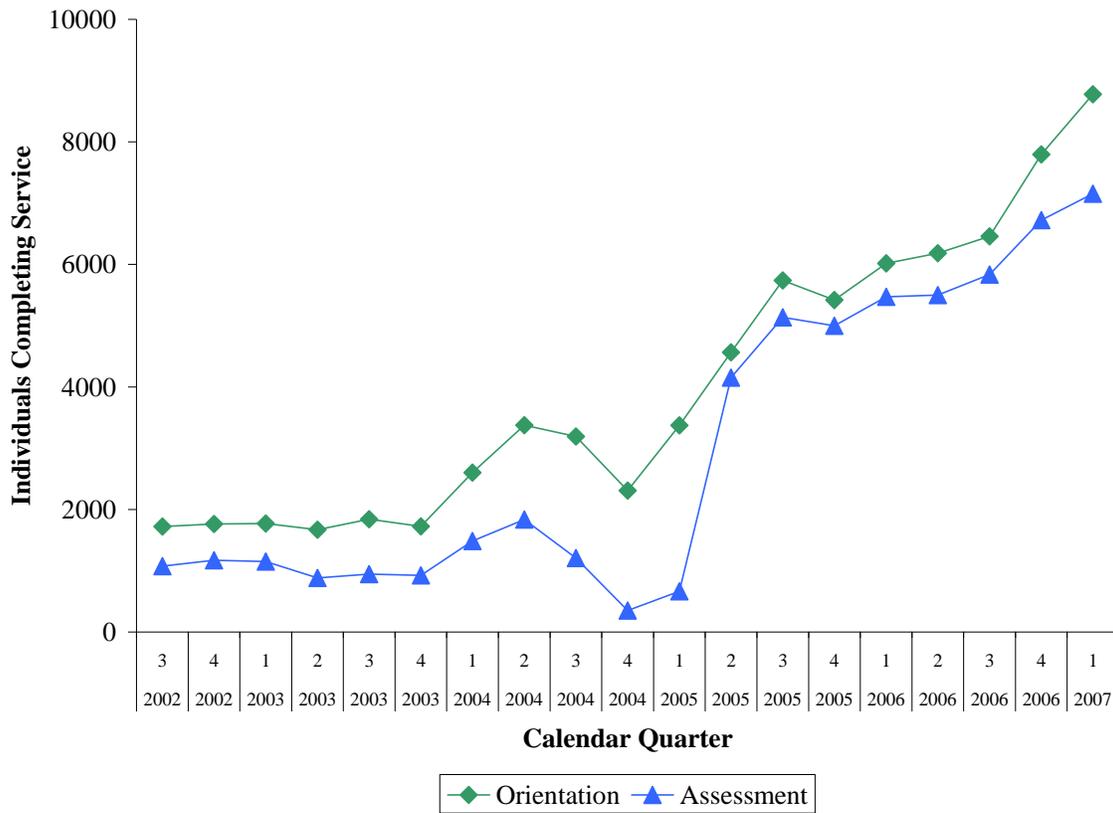
⁸⁰ The most recent base year is 2000. Other characteristics are (1) Ohio residency; (2) totally unemployed during the first week of UC payments; and (3) no job attachments or union hiring hall work search assignment. ODJFS, WIATL No. 24.

⁸¹ USDOL. Unemployment Insurance Program Letter 30-06. Fiscal Year (FY) UI Reemployment and Eligibility Assessments Grants. Aug., 9, 2006.

two follow-up phone calls with claimants at scheduled intervals to check on claimants' job search experiences. One-stop ES staff can make additional follow-up contacts.

Under the REA grant, the UCRS program expanded significantly, increasing attendance at one-stop orientation sessions. Figure 2 below shows completion of orientation sessions and assessments. In the first quarter of 2007, nearly 8,800 individuals attended orientation sessions and over 7,100 completed an assessment.

Figure 2.
Number of Ohio UCRS Recipients Completing Orientation and Assessment Services



Source: USDOL-ETA Form 9048, Worker Profiling and Reemployment Services Activity.

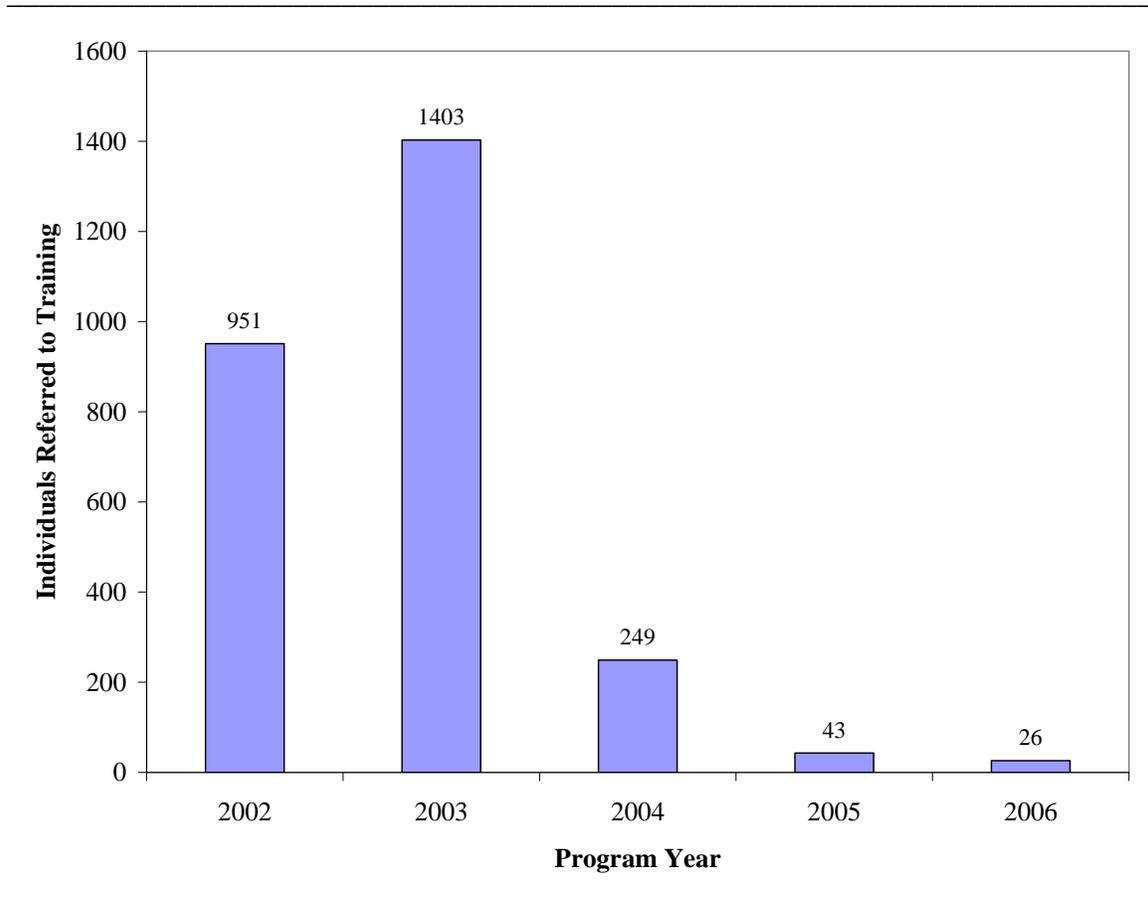
To increase the flow of participants from UCRS into WIA, ODJFS issued regulatory guidance to the one-stops that makes clear that UCRS participants need no further documentation to qualify as dislocated workers under WIA.⁸² Still, increased foot traffic at the one-stops did not lead to a corresponding increase in WIA-funded training. In fact, as shown in Figure 3, standard UCRS program data reported to the USDOL show a dramatic decline in referrals to training.⁸³ Only 43 dislocated workers went on to training

⁸² ODJFS. Workforce Investment Act Transmittal No. 24.

⁸³ This information is available on the USDOL website at <http://ows.doleta.gov/unemploy/profile.asp>.

in WIA PY 2005, compared to 1,403 two years earlier. Just 25 were referred in PY 2006. In a separate quarterly report to USDOL specifically for the REA grant, ODJFS counted 187 individuals who were referred to training in WIA PY 2005, and 40 during PY 2006.⁸⁴

Figure 3.
Ohio Reemployment Services participants referred to education and training,
by WIA Program Year



Source: USDOL-ETA Form 9048, Worker Profiling and Reemployment Services Activity.⁸⁵

Regardless of which set of numbers is correct, the overall decline is significant. The ODJFS official in charge of the UCRS program said that some of the drop-off from earlier years is attributable to poor data exchange between ES staff and local WIA one-stop partners.⁸⁶ ES staff may not be aware that a specific individual returns to a one-stop and then receives services from a WIA partner organization. Nonetheless, it is hard to attribute a decline of this magnitude to communication and data issues alone.

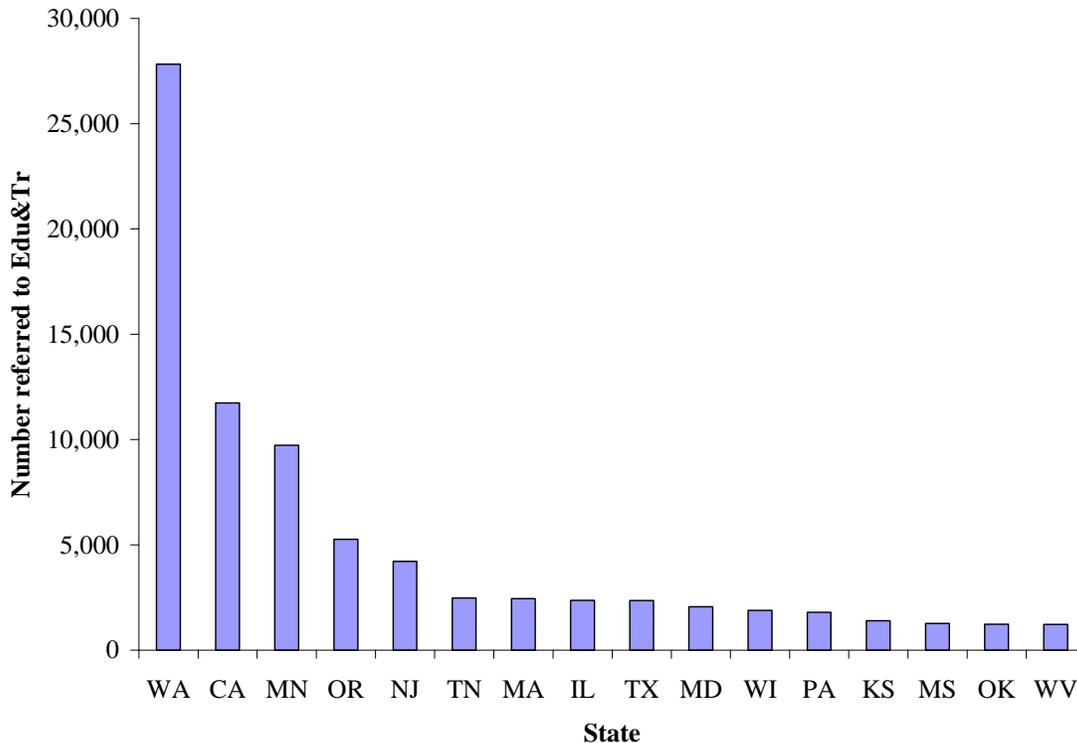
⁸⁴ ETA 9128 Reemployment and Eligibility Assessment Workload report, provided by ODJFS.

⁸⁵ Earlier data provided by USDOL to the author. 2007 data from the USDOL-ETA Website, <http://ows.doleta.gov/unemploy/profile.asp>

⁸⁶ Interview with Chad Moore, Ohio Department of Job and Family Services, March 13, 2007.

Even if the number of referrals to education and training returned to the level attained in WIA PY 2003, Ohio would still lag behind a number of other states in this regard, including some states with smaller populations. Sixteen states referred at least 1,000 dislocated workers in the UC reemployment services program to education and training during WIA PY 2006 (Figure 4). The REA program is compatible with high numbers of referrals to education and training. Among the nine states with the highest number of referrals shown in Figure 4, only Oregon and Tennessee did not receive first-round REA funding.⁸⁷

Fig. 4. States that referred over 1,000 reemployment service participants to education and training during WIA Program Year 2006



Source: USDOL-ETA Form 9049, “Worker Profiling and Reemployment Services Outcomes”

Some of the leading states find ways to leverage additional resources besides WIA to support training costs. New Jersey, for example, allocates part of its Workforce Development Partnership Fund to dislocated workers (\$12.6 million in 2006).⁸⁸ The program is funded by a portion of the state UC tax. New Jersey also permits a dislocated

⁸⁷ USDOL. “U.S. Secretary of Labor Elaine L. Chao Announces Nearly \$18 Million in New Reemployment and Eligibility Assessment Grants,” News Release, March 10, 2005. Available at <http://www.dol.gov/opa/media/press/opa/OPA20050343.htm>.

⁸⁸ New Jersey Department of Labor and Workforce Development. “Background Paper: New Jersey’s Workforce Development Programs. FY 2006-2007.”

worker with an approved training plan to attend a college course for free if there is available space in the class.⁸⁹ The state of Washington takes a different approach and commits general fund resources to its “Worker Retraining Program.” In 2005, the program received \$35.3 million. These resources were in addition to \$35.8 million allocated to the state’s WIA dislocated worker program.⁹⁰ The two programs are integrated so that participants in the Worker Retraining Program receive case management, counseling, and job search assistance through WIA.⁹¹ In academic year 2005-2006, the Worker Retraining Program supported nearly 12,000 dislocated workers.⁹² Most of them were full-time students at community colleges who were enrolled for over a year.⁹³

Part of the problem facing dislocated workers who participate in the UCRS program but want to undergo training is that they are already well into the UC benefit period. Other states that are committed to dislocated workers training provide extended UC benefits for dislocated workers in training. These states include California, Maine, Massachusetts, New Jersey, New York, Oregon, and Washington.⁹⁴ Washington’s policy provides up to total of 52 weeks of UC benefits, allowing workers attend school for an entire year. Workers laid-off from certain industries are eligible for a total of 74 weeks (almost a year and a half).⁹⁵ States with extended benefits arrange their UC systems so that workers’ time in training does not affect the experience rating of their discharging employers. Instead, these states generally charge the costs to a mutualized account so the costs are shared among all employers.⁹⁶

The relationship between the UCRS/REA program and WIA should be monitored closely and improved. ODJFS should make every effort to understand how UCRS affects entry into WIA, and, after careful review, set reasonable targets for referrals between the programs. An ODJFS assessment of the first year of the REA program indicates that it shortened the duration of benefits of REA participants by one week as compared to UC

⁸⁹ New Jersey Department of Labor and Workforce Development. Tuition waiver program. Information available at http://lwd.dol.state.nj.us/labor/wfprep/aidgrant/Financial_index.html

⁹⁰ Washington Workforce Training and Education Coordinating Board. *Washington Works: Strengthening the Workforce for Washington’s Future. A Report to Governor Christine Gregoire.* January 2007.

“Appendix B: Current Workforce Development System.” pp. 34-35.

⁹¹ Testimony of Ellen O’Brien Saunders, Executive Director, Washington State Workforce Training and Education Coordinating Board, before the Health, Education, Labor and Pensions Committee, U.S. Senate, March 4, 2004. Available at <http://enzi.senate.gov/saund.htm>, accessed 4-9-2007.

⁹² Washington State Board for Community and Technical Colleges. 2005-2006 Academic Year Report, p. 27. Of the 11,965 total dislocated workers, 10,773 attended community colleges and 1,192 attended private career schools. Funding information from Carolyn Cummins, Washington State Board for Community and Technical Colleges, via telephone, 4-09-07.

⁹³ See fn. 29.

⁹⁴ National Employment Law Project. *Changing Workforce, Changing Economy.* (2004), pp. 63-64. Information on Oregon’s Training Unemployment Insurance Program is available at http://www.oregon.gov/EMPLOY/UI/about_benefits.shtml#Training_Unemployment_Ins_

⁹⁵ Revised Code of Washington. 50.122.150. Training benefits – eligibility. Available at <http://fortress.wa.gov>.

⁹⁶ National Employment Law Project, *Changing Workforce*, p. 57.

recipients who did not participate in the program.⁹⁷ This resulted in cost savings of \$3.1 million to the UC trust fund.⁹⁸

The REA program reinforces the USDOL's national UC system performance goal of facilitating reemployment.⁹⁹ USDOL tracks the percentage of UC beneficiaries who are reemployed by the end of the quarter after the quarter in which they received a first payment. The performance goal does not take into account individuals who are not employed because they are receiving training or other intensive services, and does not track wage levels or other job quality measures.

There is a potential for conflict between the goal of rapid reemployment and the goal of participation in WIA intensive services and training for those who need it, but there are also opportunities for synergy. The short-term objectives of rapid reemployment and financial savings to the UC trust fund must be balanced against a long-term goal of using training to launch dislocated workers on new career paths. Workers in training may exhaust their UC benefits, and would count as negative outcomes in the REA grant and in Ohio's performance toward the national UC reemployment benchmarks. To the extent that these individuals start new careers with upward mobility due to training, there is a long-term benefit for the state.

WIA DISLOCATED WORKER SPENDING

The issue of WIA spending rates at a national level is a highly politicized tug-of-war between USDOL and the states. USDOL alleges that there are significant unspent funds in the system and that cuts to appropriation levels and rescissions of prior years' allocations are justified. Congress agreed in its most recent appropriations bill and enacted a \$250 million rescission that applies to unspent FY 2005 and 2006 WIA funds.¹⁰⁰ Ohio's dislocated worker program is scheduled to receive a cumulative reduction of \$13.7 million from this and several smaller rescissions.¹⁰¹

Much of the controversy revolves around the treatment of funds that have been obligated or pledged for a certain purpose but not yet spent. Responding to the Bush Administration's position, the National Association of State Workforce Agencies (NASWA) argues that nationally "on average 70 percent of WIA funds are spent in the

⁹⁷ ODJFS. "Ohio Reemployment Eligibility and Assessment Pilot Program. FFY 05 Close Out Report."

⁹⁸ *Id.*

⁹⁹ The reemployment goal is one of four Government and Performance Results Act goals established for the UC system. USDOL-ETA. "Training and Employment Guidance Letter No. 24-05, Change 1." January 19, 2007.

¹⁰⁰ Consolidated Appropriations Act, 2008. P.L. 110-161. Available at <http://thomas.loc.gov/cgi-bin/bdquery/z?d110:H.R.2764>:

¹⁰¹ Memorandum for all state workforce administrators. From Douglas F. Small, Dep. Asst. Secretary for Employment and Training, USDOL. "Rescissions to be Applied during Fiscal Year 2008 for WIA Programs." Jan. 4, 2008. Available at <http://www.doleta.gov/regions/reg05/documents/Alerts/ia030-08-att.pdf>

first of the three-year authorization period and the other 30 percent is obligated or prudently reserved for contingencies.”¹⁰²

Ohio’s program ran into trouble with the USDOL in early years of the WIA program over its accounting methods and spending rates. According to a 2002 report by the USDOL Office of the Inspector General, Ohio over-reported obligations “due to the fact that the State reported obligations equal to the total funds authorized, rather than the actual amounts obligated by the State and Local Boards.”¹⁰³ In other words, Ohio reported all unspent funds as obligations, and had to promise to correct this issue.

Ohio’s federal allocations have risen in recent years due to our state’s higher unemployment relative to the national average. Higher federal allocations increase local allocations because the state distributes sixty percent of its federal dislocated worker spending to the local areas by formula. Local areas have two years to spend each distribution of funds. The PY 2007 formula allocation for local areas’ dislocated worker funds is \$38.3 million.¹⁰⁴ In the meantime, local areas are in the second year of spending their PY 2006 allocation.

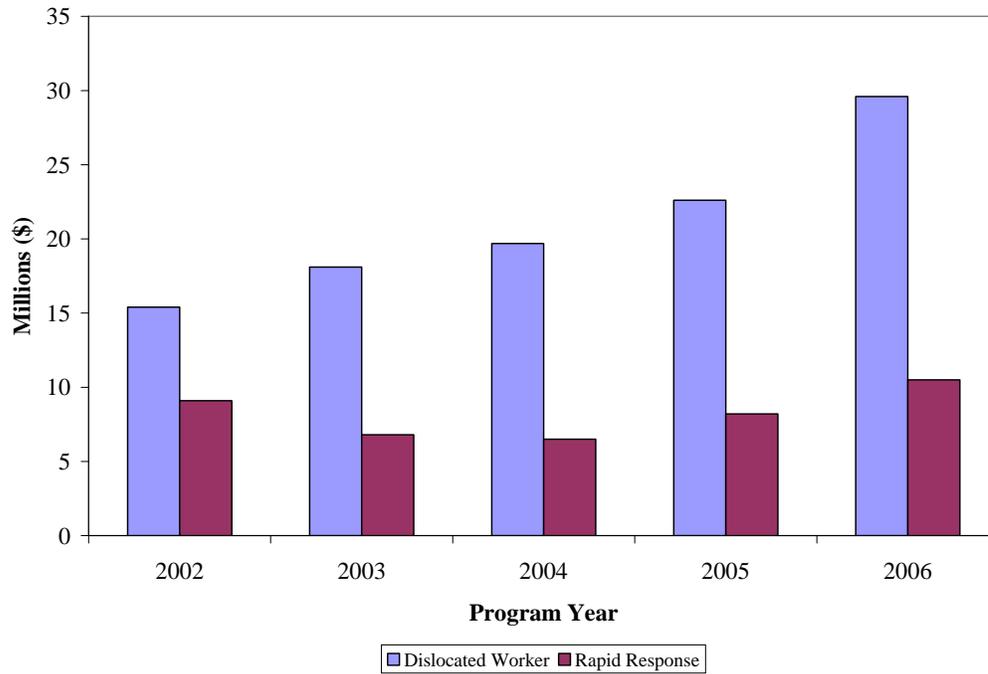
Actual local area dislocated worker expenditures increased every program year since PY 2002 (Figure 5) and reached their highest level of \$29.6 million in PY 2006. Rapid Response spending followed a different pattern, declining from PY 2002 to PY 2004 and then rising to the PY 2006 level of \$10.5 million. Some of the decline may be attributable to declining unemployment.

¹⁰² National Association of State Workforce Agencies. *Second Annual Report 2006*. Available at www.workforceatm.org, p. 10.

¹⁰³ USDOL - Office of the Inspector General. State of Ohio. Evaluation of Grant Obligations, Expenditures and Payments. Workforce Investment Act Grants and Job Training Partnership Act Transition Funds. Independent Accountants Report on Applying Agreed-upon Procedures to Grants and Transition Funds Awarded to the State of Ohio July , 2000, through December 31, 2001. Report No. 04-02-004-03-390 Issued September 20, 2002.

¹⁰⁴ Governor’s Workforce Policy Board, PY 2007. Ohio WIA Area Funding Summary.

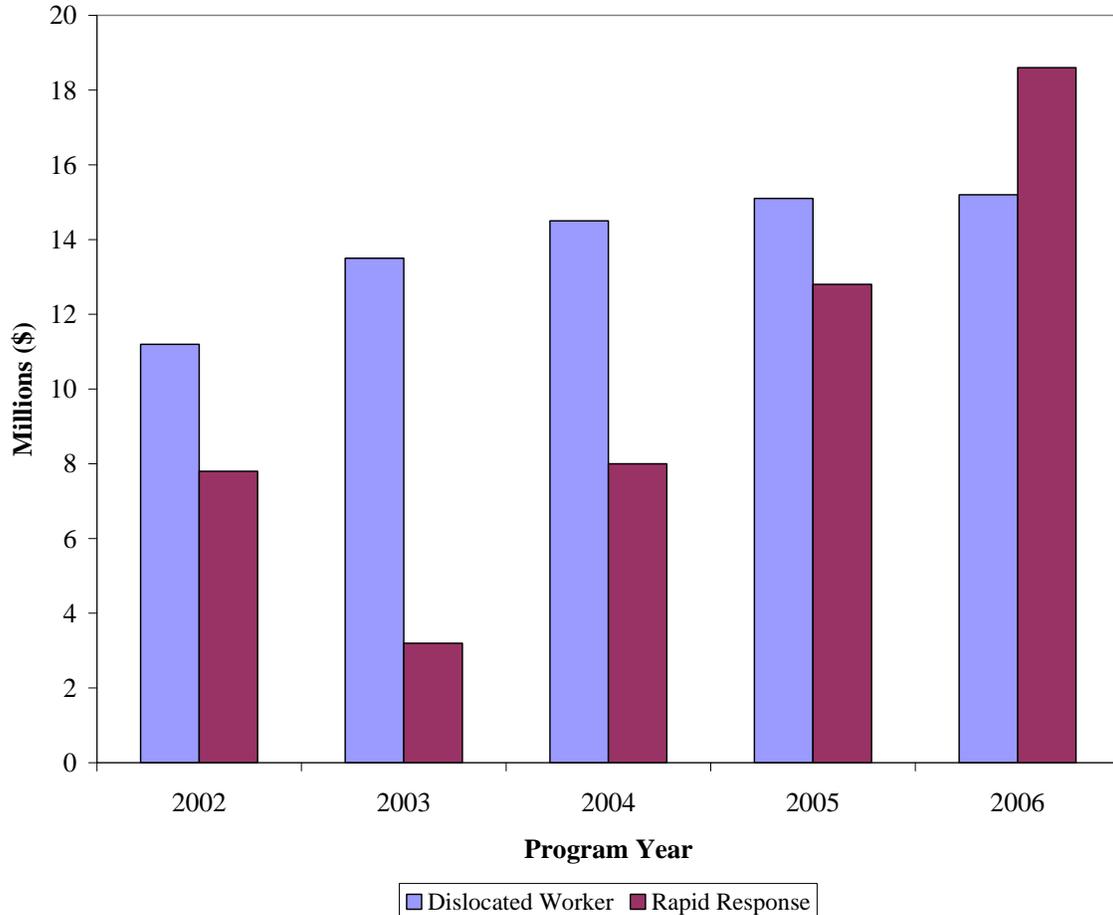
Figure 5. WIA Dislocated Worker and Rapid Response Spending, PY 2002 – 2006



Source: Ohio WIA Annual Reports.

In the context of rising federal allocations, increased local area dislocated worker spending led to stable carry-forward amounts of about \$15 million at the end of recent program years. At the end of PY 2006, the carry-over amount included nearly \$6 million in obligated funds, and \$9.2 million in un-obligated funds. As noted above, Rapid Response, due to its weaker spending pattern, has seen a substantial buildup of carried-over funds to \$18 million at the end of PY 2006 (Figure 6). About half of these funds were obligated for a wide variety of initiatives, but it is possible that not all of these funds will be spent. These are the resource pools that the Strickland Administration hopes to use for some of its new initiatives, such as the Ohio Skills Bank, but the amount of funding available will be cut by the federal rescission.

Figure 6. Combined WIA Local Area and Rapid Response Unspent Funds at year-end
(combined obligations and expenditures)



Source: Ohio WIA Annual Reports.

Technically, local areas spend almost all of their dislocated worker formula allocations within two years as federal law requires, but they transfer significant amounts of their original dislocated worker allocations to low-income adult services. For example, local areas received \$28.65 million in Program Year 2005 funding that they could spend over the period from July 2005 to June 2007. Of this amount, they transferred \$5.12 million, or nearly 18 percent, to the adult funding stream.¹⁰⁵ As of July 2007, \$678,149, or 2.9 percent, remained unspent. Local Area 17 (Mahoning and Columbiana) and Area 18 (Trumbull) were responsible for most of the unspent balance.¹⁰⁶

¹⁰⁵ The ODJFS standard WIA grant report for local areas does not display information on transfers. Policy Matters Ohio analyzed month-to-month changes in local area funding amounts as shown in the WIA grant reports.

¹⁰⁶ WIA PY 2005 Closeout Report, showing funds as of September 24, 2007.

In July 2006, local areas received a \$35.15 million Program Year 2006 allocation of dislocated worker funding from the state. After one year, they had transferred \$3.30 million, or 9.4 percent, to the adult funding stream and spent \$17.65 million of these funds delivering services to dislocated workers.¹⁰⁷

Transfers to low-income adult services helped to drive higher rates of participation in the adult program, which had over 34,000 participants and nearly 8,000 exiters in Program Year 2006. The intensity of the level of services was much less in the adult program, however, on a per participant basis -- \$1,428 per adult and \$4,074 per dislocated worker.¹⁰⁸ Historically, adult performance measures have been easier to meet and the one-stop system has high demand for its services given its long-standing links to county welfare agencies. There are legitimate reasons that local areas may want to transfer funds to low-income adult services given the high level of needs in that segment of our population. Nonetheless, these transfers are a concern because they take place in the context of an underperforming dislocated worker system and display a lack of commitment to serving dislocated workers.

Even in the context of a federal rescission, the widespread use of transfers to adult services and increased flexibility to transfer funds to incumbent worker training make it readily apparent that most local areas could spend more on dislocated worker services if they chose to do so. Rather than waiting until the end of the two-year spending window, ODJFS can recapture funds earlier from local areas that are not spending their funds and redirect them to other areas in need. ODJFS already has an “80 percent” rule that requires local areas to have spent or obligated at least 80 percent of an allotment by the end of the first year or face recapture by the state.¹⁰⁹ The state could then redirect them to areas that can use them. This rule began in PY 2006 but has not been enforced. It would be a good place to start.

CONCLUSION

Ohio’s WIA program does not serve as many dislocated workers as it should, and does not move as many workers into training as other states. There are many different causes of this situation, which may vary among local areas. National studies have pointed to the rigid application of the WIA sequence of services that created a “work first” mentality and to performance standards that focused on worker’s pre-layoff wages and created a reluctance to serve certain workers. The state’s uneven rapid response system does not provide effective outreach to all workers and local areas display varying levels of commitment to serve dislocated workers.

Reform of the WIA program for dislocated workers must start with administrative changes led by ODJFS. These reforms may be difficult in a decentralized system with

¹⁰⁷ WIA Grant Index spreadsheet July, 2007, provided to the author by ODJFS.

¹⁰⁸ State of Ohio, *WIA Program Year 2006 Annual Report*, page 9.

¹⁰⁹ WIA Quarterly Fiscal Meeting. Powerpoint presentation. ODJFS Office of Fiscal Services. August 2006. Available at <http://jfs.ohio.gov/ofs/bcfta/Handouts/Aug06WIAMtg.pdf>

local control. ODJFS should establish minimum targets for the number of dislocated workers who are served in a program year. Local areas that do not meet the targets should prepare a corrective action plan, receive technical assistance, and should ultimately face sanctions for poor performance. Other reforms include improvements to rapid response to offer the full range of service delivery techniques allowed by federal law, and a tighter integration between UC reemployment services and WIA.

In the long run, Ohio will need legislation to bring its dislocated worker program up to par with other states' services. Unemployed workers are often reluctant to enter training programs that last longer than the duration of UC benefits. This prevents them from taking training courses that provide a significant boost in the labor market. States that move more workers into training find ways to extend income support for trainees and supplement WIA funds with other revenue sources. Some states also improve on federal plant closing law by providing their own legislation that has better coverage and creates real penalties for non-complying employers.

Although reform of state dislocated workers policy must start from within the WIA system, it must involve other stakeholders in order to be successful. Employers, organized labor, higher education institutions, and community groups all have a stake in improving outcomes for dislocated workers. For years, Ohioans have debated how to raise our level of educational attainment, and there is widespread recognition that this goal requires more adults to become involved in higher education. Dislocated worker policy is one piece of the puzzle. This is an exciting time in workforce development as many states and regions are experimenting with ways to better connect employers with training institutions and create career ladders for workers to move up. Employers, even in manufacturing, state that they are facing skills shortages that will become worse with the retirement of the baby boom generation. Unemployed workers have both hard and soft skills and years of practical experience that they can use to help their new employers.

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