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**WORKFORCE
INVESTMENT ACT**

**Additional Actions Would
Further Improve the
Workforce System**

Statement of Sigurd R. Nilsen, Director
Education, Workforce, and Income Security Issues





Highlights of [GAO-07-1051T](#), a testimony before the Subcommittee on Higher Education, Lifelong Learning, and Competitiveness, Committee on Education and Labor, House of Representatives

Why GAO Did This Study

Since the Workforce Investment Act's (WIA) enactment in 1998, GAO has issued numerous reports that included recommendations regarding many aspects of WIA, including performance measures and accountability, funding formulas and spending, one-stop centers, and training, as well as services provided to specific populations, such as dislocated workers, youth, and employers. Collectively, these studies employed an array of data collection techniques, including surveys to state and local workforce officials and private sector employers; site visits; interviews with local, state, and Labor officials; and analysis of Labor data and documents. This testimony draws upon the results of these reports, issued between 2000 and 2007, as well as GAO's ongoing work on one-stop infrastructure, and discusses issues raised and recommendations made. Specifically, the testimony addresses (1) progress made by federal, state, and local officials in implementing key provisions of WIA; and (2) challenges that remain in implementing an integrated employment and training system.

GAO is making no new recommendations at this time.

www.gao.gov/cgi-bin/getrpt?GAO-07-1051T.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Sigurd Nilsen at (202) 512-7215 or nilsens@gao.gov.

WORKFORCE INVESTMENT ACT

Additional Actions Would Further Improve the Workforce System

What GAO Found

Seven years after implementing the workforce investment system under WIA, the system's infrastructure continues to evolve. Nationwide, the number of comprehensive one-stop centers has decreased somewhat, but not uniformly across states. States generally reported increased availability of services for some of the mandatory programs at comprehensive one-stop centers. However, despite WIA's requirement that all mandatory partners provide services through the one-stop system, some states have maintained a completely separate system for delivering services for Wagner-Peyser-funded Employment Services. Adults and dislocated workers receive a wide range of services through the one-stop system. Local areas used about 40 percent of their WIA funds in 2003 to provide training services to an estimated 416,000 participants, but the vast majority of job seekers receive services other than training. States and local areas have generally focused their youth services on in-school youth and have found it difficult to recruit and retain out-of-school youth. Most medium and large employers are aware of and use the system and are quite satisfied with its services, but they generally use one-stop centers to fill their needs for low-skilled workers.

Despite the successes state and local officials have had since WIA's implementation, some aspects of the law and other factors have hampered their efforts. Funding issues continue to stymie the system. WIA's formulas that are used to allocate funds to states do not reflect current program design and have caused wide fluctuations in funding levels from year to year that do not reflect actual layoff activity. In addition, Labor's focus on expenditures without including obligations overestimates the amount of funds available to provide services at the local level. Moreover, little is known about what the system is achieving because only a small minority of participants are captured in the performance measures, and Labor has not conducted an impact study to assess the effectiveness of the one-stop system, as required under WIA. Labor has taken some steps to improve guidance and communication, but does not involve key stakeholders in the development of some major initiatives and provides too little time for states and local areas to implement them. We are suggesting that Congress consider taking steps to improve the stability of the funding and enhance the data available on people who use the system. In addition, in our past work, we have recommended that Labor use obligations when estimating states' available funds, that it comply with the requirements of WIA and conduct an impact evaluation, and that it consider alternative approaches in implementing new initiatives that involve ongoing consultation with key stakeholders. Labor has taken little action on these recommendations.

Mr. Chairman and Members of the Subcommittee:

Thank you for inviting me here today to present the findings from our work on the Workforce Investment Act (WIA). As you know, WIA represented a significant departure from earlier job training programs. Passed in 1998 and implemented by most states in July 2000, it was designed to unify a fragmented employment and training system and create a single, universal system—a one-stop system that could serve the needs of all job seekers and employers. WIA sought to streamline the delivery of federally funded employment and training services, enabling job seekers to make informed choices among training providers and course offerings, and enhancing the private sector role in the workforce system. WIA gave states and localities flexibility in deciding how to implement the one-stop system, allowing local one-stops to tailor their systems to local needs. Four separate federal agencies—the Departments of Labor (Labor), Health and Human Services (HHS), Education, and Housing and Urban Development (HUD)—fund 16 categories of programs that are required to provide services through the one-stop system. In addition to programs that are required to take part in the new system, Labor encourages states and localities to include optional partners, such as Temporary Assistance for Needy Families (TANF), in order to better meet the specific workforce development needs of their local areas. Labor takes a lead role in this system and is responsible for assessing the effectiveness of Labor-funded programs and for providing guidance and technical assistance to states and localities as programs deliver their services through the one-stop system.

Since WIA was enacted, we have issued numerous reports that included recommendations regarding many aspects of WIA, including performance measures and accountability, funding formulas and spending, one-stop centers, and training, as well as services provided to specific populations, such as dislocated workers, youth, and employers. As the Congress considers reauthorizing WIA, you asked us to summarize our findings and recommendations and provide our assessment of the current status of the system envisioned under WIA. My testimony today will discuss (1) progress made by federal, state, and local officials in implementing key provisions of WIA and (2) challenges that remain in implementing an integrated employment and training system. To address these objectives, we drew upon reports we issued between 2000 and 2007, as well as our

ongoing work for you on one-stop center infrastructure.¹ In our prior work on WIA, we have employed an array of methodologies, including surveys of state and local workforce officials and private sector employers; site visits to state and local areas; interviews with local, state, and Labor officials; and analysis of Labor's data and documents. Our new work on one-stop center infrastructure is based primarily on an electronic survey of state workforce officials in 50 states conducted between April and May 2007. In addition to our survey, we conducted a literature review to identify findings from other studies—including those sponsored by Labor—that examined one-stop delivery systems. We conducted our work in accordance with generally accepted government auditing standards.

In summary, the workforce system's infrastructure and service strategies have evolved under WIA to meet the needs of employers and job seekers, but congressional action could further the system's development. While the number of comprehensive one-stop centers has decreased somewhat over the past six years, states generally reported increased availability of services for some of the mandatory programs at comprehensive one-stop centers. Adults and dislocated workers receive a wide range of services through the one-stop system, but states and local areas have generally focused their youth services on in-school youth, finding it difficult to recruit and retain out-of-school youth. Most medium and large employers are aware of and use the system and are quite satisfied with its services, but they generally use one-stop centers to fill their needs for low-skilled workers. Despite the progress states and local areas have made in developing the system, key aspects of the program could be improved. Funding issues continue to hamper the system, in part because WIA's

¹In particular, see GAO, *Veterans' Employment and Training Service: Labor Could Improve Information on Reemployment Services, Outcomes, and Program Impact*, [GAO-07-594](#) (Washington, D.C.: May 24, 2007); *Workforce Investment Act: Employers Found One-Stop Centers Useful in Hiring Low-Skilled Workers*, [GAO-07-167](#) (Washington, D.C.: Dec. 22, 2006); *Workforce Investment Act: Labor and States Have Taken Actions to Improve Data Quality, but Additional Steps Are Needed*, [GAO-06-82](#), (Washington, D.C.: Nov. 14, 2005); *Youth Opportunity Grants: Lessons Can Be Learned from Program, but Labor Needs to Make Data Available*, [GAO-06-53](#), (Washington, D.C.: Dec. 9, 2005); *Workforce Investment Act: Substantial Funds Are Used for Training, but Little Is Known about Training Outcomes*, [GAO-05-650](#), (Washington, D.C.: June 29, 2005); *Workforce Investment Act: Issues Related to Allocation Formulas for Youth, Adults, and Dislocated Workers*, [GAO-03-636](#), (Washington, D.C.: Apr. 25, 2003); *Workforce Investment Act: States' Spending Is on Track, but Better Guidance Would Improve Financial Reporting*, [GAO-03-239](#), (Washington, D.C.: Nov. 22, 2002); and *Workforce Investment Act: Implementation Status and the Integration of TANF Services*. [GAO/T-HEHS-00-145](#). Washington, D.C.: June 29, 2000.

Dislocated Worker funding formula causes wide fluctuations in funding levels from year to year that do not reflect actual layoff activity. In addition, Labor's focus on expenditures without including obligations overestimates the amount of funds available to provide services at the local level. Moreover, little is known about what the system is achieving because only a small minority of participants are captured in the performance measures and Labor has not conducted an impact study to assess the effectiveness of the one-stop system, as required under WIA. Labor has taken some steps to improve guidance and communication, but has not involved key stakeholders in the development of some of its major initiatives and provided too little time for states and local areas to implement them.

Background

The Workforce Investment Act created a new, comprehensive workforce investment system designed to change the way employment and training services are delivered. When WIA was enacted in 1998, it replaced the Job Training Partnership Act (JTPA) with three new programs—Adult, Dislocated Worker, and Youth—that allow for a broader range of services to the general public, no longer using income to determine eligibility for all program services. These new programs no longer focused exclusively on training, but provided for three tiers, or levels, of service for adults and dislocated workers: core, intensive, and training. Core services include basic services such as job searches and labor market information. These activities may be self-service or require some staff assistance. Intensive services include such activities as comprehensive assessment and case management, as well as classes in literacy, conflict resolution, work skills, and those leading to general equivalency diploma (GED)—activities that require greater staff involvement. Training services include such activities as occupational skills or on-the-job training. These tiers of WIA-funded services are provided sequentially. That is, in order to receive intensive services, job seekers must first demonstrate that core services alone will not lead to getting a job that will provide self-sufficiency. Similarly, to receive training services, a job seeker must show that core and intensive services will not lead to such a job. Unlike prior systems, WIA requires that individuals eligible for training under the Adult and Dislocated Worker Programs receive vouchers—called Individual Training Accounts—which they can use for the training provider and course offering of their choice, within certain limitations.

In addition to establishing the three new programs, WIA requires that services for these programs, along with those of a number of other employment and training programs, be provided through a single service

delivery system—the one-stop system. States were required to implement these changes by July 1, 2000. Sixteen categories of programs from four separate federal agencies must provide services through the system. (See table 1.)

Table 1: WIA’s Mandatory Programs and Related Federal Agencies

Federal agency	Mandatory program
Department of Labor	WIA Adult
	WIA Dislocated Worker
	WIA Youth
	Employment Service (Wagner-Peyser)
	Trade adjustment assistance programs
	Veterans’ employment and training programs
	Unemployment Insurance
	Job Corps
	Senior Community Service Employment Program
	Employment and training for migrant and seasonal farm workers
Department of Education	Employment and training for Native Americans
	Vocational Rehabilitation Program
	Adult Education and Literacy
Department of Health and Human Services	Vocational Education (Perkins Act)
	Community Services Block Grant
Department of Housing and Urban Development	HUD-administered employment and training

Source: GAO-03-589 and Labor.

Note: Although WIA required 17 mandatory programs to participate in the one-stop system, the Welfare-to-Work program no longer exists, reducing the total to 16 mandatory programs.

Each local area must have at least one comprehensive one-stop center where core services for all mandatory programs are accessible. WIA allows flexibility in the way these mandatory partners provide services through the one-stop system, allowing colocation, electronic linkages, or referrals to off-site partner programs. While WIA requires these mandatory partners to participate, it does not provide additional funds to operate one-stop systems and support one-stop partnerships. As a result, mandatory partners are expected to share the costs of developing and operating one-stop centers. In addition to mandatory partners, one-stop centers have the flexibility to include other partners in the one-stop system to better meet

specific state and local workforce development needs. Services may also be provided at affiliated sites, defined as designated locations that provide access to at least one employment and training program.

About \$3.3 billion was appropriated in fiscal year 2006 for the three WIA programs—Adult, Dislocated Worker, and Youth. The formulas for distributing these funds to the states were left largely unchanged from those used to distribute funds under the predecessor program, JTPA, and are based on such factors as unemployment rates and the relative number of low-income adults and youth in the population. In order to receive their full funding allocations, states must report on the performance of their three WIA programs. WIA requires that performance measures gauge program results in the areas of job placement, retention, earnings, skill attainment and customer satisfaction, largely through the use of Unemployment Insurance (UI) wage records.² Labor's guidance requires that job seekers be tracked for outcomes when they begin receiving core services that require significant staff assistance. States are held accountable by Labor for their performance and may receive incentive funds or suffer financial sanctions based on whether they meet performance levels. WIA requires states to negotiate with Labor to establish expected performance levels for each measure. While WIA established performance measures for the three WIA-funded programs, it did not establish any comprehensive measures to assess the overall performance of the one-stop system.

System Infrastructure and Service Strategies Have Evolved To Meet the Needs of Job Seekers and Employers

Seven years after the implementation of the workforce investment system under WIA, the system's infrastructure continues to evolve. Nationwide, the number of comprehensive one-stop centers has decreased somewhat, but not uniformly across states. States generally reported increased availability of services for some of the mandatory programs at comprehensive one-stop centers. But despite WIA's requirement that all mandatory partners provide services through the one-stop system, some states have maintained a completely separate system for delivering services for Wagner-Peyser-funded Employment Services (ES). Adults and dislocated workers receive a wide range of services through the one-stop system, but states and local areas have generally focused their youth services on in-school youth, finding it difficult to recruit and retain out-of-

²In some cases, supplemental data sources may be used when UI data are not available. Supplemental data may not be used for the earnings measure.

school youth. Most medium and large employers are aware of and use the system and are quite satisfied with its services, but they generally use one-stop centers to fill their needs for low-skilled workers.

WIA's Service Delivery Infrastructure Continues to Evolve

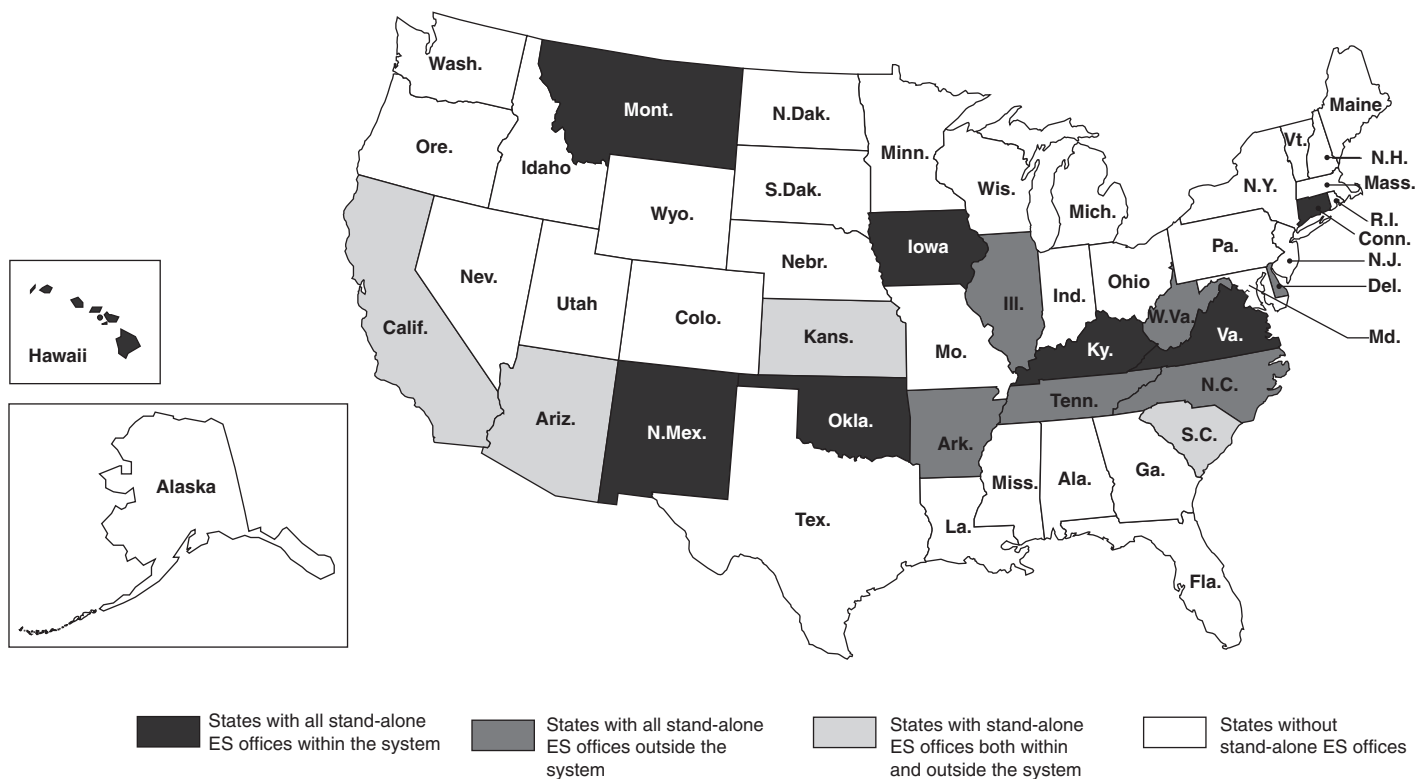
WIA's service delivery infrastructure has continued to evolve since we last reviewed it in 2001. Over the 6-year period, nationwide, the number of one-stop centers—both comprehensive and satellite—has declined, a fact that states most often attributed to a decrease in funding. The number of comprehensive centers declined from a high of 1,756 in 2001 to 1,637 in 2007. However, this trend is not uniform across states. Ten states reported an increase in comprehensive centers over the last 4 years. For example, Montana reported a 600 percent increase in centers as part of a statewide restructuring of its one-stop delivery system that involved converting former satellite and affiliated sites into comprehensive one-stop centers. States that reported an increase in the number of comprehensive one-stop centers often cited a rise in demand for services as the reason for the increase.

Services for mandatory programs are increasingly available through the one-stop system in 2007, though not always on-site. States continue to have services for two key programs—WIA Adult and Dislocated Workers—available on-site at the majority of the one-stop centers. In addition, 30 states reported that TANF services were generally available on-site at a typical comprehensive one-stop center, and 3 more states reported they were typically on-site at satellites. The on-site availability of some other programs—such as, Job Corps, Migrant and Seasonal Farmworkers, Senior Community Service and Employment Program, and Adult Education and Literacy—declined slightly between 2001 and 2007. However, the overall availability of these programs' services increased, largely because of substantial increases in access through electronic linkages and referrals.

Despite the increased availability of some programs at one-stop centers, some states have not fully integrated all of their Wagner-Peyser-funded Employment Service into the system. Six states reported in our 2007 survey that they operate stand-alone Employment Service offices, all completely outside the one-stop system. Another four states reported having at least some stand-alone offices outside the system (see fig. 1). At the same time, states that operate stand-alone offices also report providing services on-site at the majority of their one-stops. Labor has expressed concern that stand-alone Employment Service offices cause confusion for individuals and employers and promote duplication of effort

and inefficient use of resources. Given the concern over resources, we asked states to provide estimates of their state’s total Employment Service allotment that was used to support the infrastructure of the stand-alone offices. Only 6 states could provide them, and the overall average was about 5 percent. However, the state with the most stand-alone ES offices reported that it had not used any of its ES allotment to support the infrastructure of these offices. Instead, this state financed the infrastructure costs of its 30 stand-alone offices with state general funds. Despite their concerns, Labor officials say that they lack the authority to prohibit stand-alone ES offices.

Figure 1: In 2007, 18 States Have Stand-alone ES Offices, Six States Operate Them Completely Outside the System



Source: GAO survey of 50 states.

While most states used multiple program funds to finance the operation of their one-stops, WIA and ES continue to be the two programs most often cited as funding sources used to cover one-stop infrastructure—or nonpersonnel—costs. In program year 2005, the most recent year for which data are available, 23 states reported that WIA was the top funding

source used to support infrastructure, while 19 states identified the Employment Service. Of the eight states remaining, three cited TANF as the top funding source, two cited Unemployment Insurance, one cited WIA state funds, and two states could not provide this information. States reported less reliance on other programs to fund the one-stop infrastructure in 2005 than in the past (see table 2). For example, the number of states that reported using TANF funds at all to cover infrastructure costs declined from 36 to 27.

Table 2: Programs Funding One-Stop Center Infrastructure Costs

Program	Number of states using program to fund infrastructure, Fiscal Year 2000	Number of states using program to fund infrastructure, Fiscal Year 2001	Number of states using program to fund infrastructure, Program Year 2005
Labor			
WIA Title I/JTPA	50	50	50
ES (Wagner-Peyser)	49	50	50
Veterans' Employment and Training program	43	43	41
NAFTA and Trade/Trade Adjustment Assistance	39	41	30
Unemployment Insurance	39	39	34
Welfare-to-Work grants	39	38	N/A
One-stop implementation grants	37	N/A	N/A
Job Corps	20	24	11
Education			
Vocational rehabilitation	37	37	24
Adult education and literacy	29	29	15
Vocational education	24	19	N/A
Other			
Temporary Assistance for Needy Families	33	36	27
Community colleges	N/A	N/A	11
State funds	N/A	31	24

Source: Based on GAO surveys conducted in 2000, 2001, and 2007.

N/A = not applicable.

States and Local Areas Have Sought to Tailor Services to Meet the Needs of Customers

WIA provides the flexibility to states and local areas to develop approaches for serving job seekers and employers that best meet local needs. In our work we have found some broad trends in services, but there continues to be wide variation across the country in the mix of services and how they are provided. Local areas use a substantial portion of their WIA funds to provide training to adults and dislocated workers, but use even more to provide the services that go beyond training, including case management, assessment, and supportive services. However, serving youth, particularly out-of-school youth, has proven challenging. WIA increased the focus on the employer as customer, and we found that most medium and large employers are aware of and use the one-stop. However, employers look to the one-stop system mostly to help fill their needs for low-skilled workers, in part because they assume that most workers available through the system are low-skilled.

Services to adults and dislocated workers involve more than training. Despite early concerns about the extent of training, we found that substantial WIA funds were being used to fund training. Local boards used about 40 percent of the approximately \$2.4 billion in WIA funds they had available in program year 2003 to provide training services to an estimated 416,000 WIA participants, primarily in occupational skills.³ However, the vast majority of job seekers receive self-assisted core services, not training. Not everyone needs or wants additional training. And even when they do, they need help deciding what type of training would best match their skill level while at the same time meet local labor market needs—help that includes information on job openings, comprehensive assessments, individual counseling, and supportive services, such as transportation and child care. Of the funds available in program year 2003, 60 percent was used to pay for these other program costs, as well as to cover the cost of administering the program.⁴

Providing services to youth has been challenging for local areas. Local areas often focus their WIA youth resources on serving in-school youth, often using a range of approaches to prevent academic failure and school dropouts. Out-of-school youth are viewed as difficult to serve, in part because they are difficult to locate in the community and they face particularly difficult barriers to employment and education, including low

³Our estimate may include some participants more than once, because some individuals may have received more than one type of training.

⁴For more information, see [GAO-05-650](#).

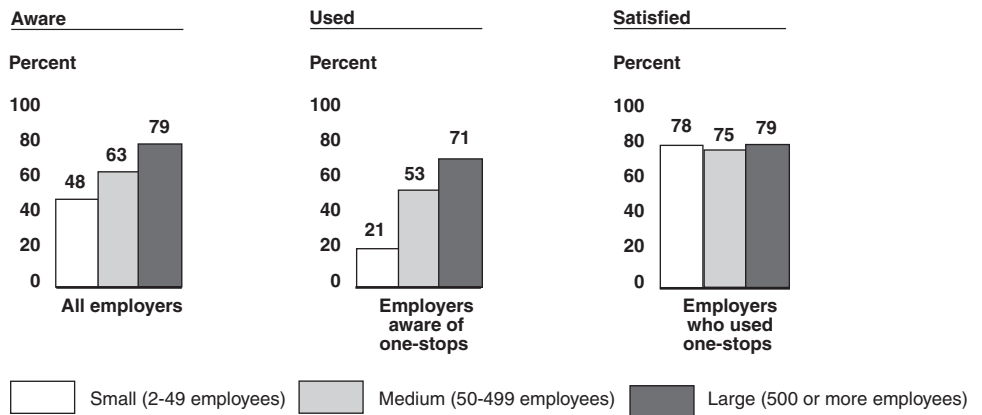
levels of academic attainment, limited work experience, and a scarcity of jobs in the community. The 5-year Youth Opportunity Grants program, authorized under WIA was designed, in part, to enhance the local infrastructure of youth services, particularly in high-poverty areas. Grantees offered participants a range of youth services—education, occupational skills training, leadership development, and support services. They set up centers that varied widely. To reach the hard-to-serve target population, grantees used a variety of recruiting techniques, ranging from the conventional to the innovative. For example, some grantees conducted community walking campaigns using staff to saturate shopping malls and other areas where youth congregate. Conditions in the communities such as violence and lack of jobs presented a challenge to most grantees, but they took advantage of the local discretion built into the program to develop strategies to address them. Grantees and others reported that the participants and their communities made progress toward the education and employment goals of the program. However, a formal assessment of the program’s impact, while under way, has not yet been released by Labor. Although Labor originally planned to continue to add grantees, funding for the program was eliminated in the budget for fiscal year 2004.⁵

Employers mostly use one-stop centers to fill their needs for low-skilled workers. Most medium and large employers are aware of and use the system and are satisfied with its services (see fig 2). Regardless of size, just over 70 percent of employers responding to our 2006 survey reported that they hired a small percentage of their employees—about 9 percent—through one-stops. Two-thirds of those they hired were low-skilled workers, in part because they thought the labor available from the one-stops was mostly low-skilled. Employers told us they would hire more job seekers from the one-stop labor pools if the job seekers had the skills for which they were looking. Most employers used the centers’ job posting service, fewer made use of the one-stops’ physical space or job applicant screening services. Still, when employers did take advantage of services, they generally reported that they were satisfied with the services and found them useful because they produced positive results and saved them time and money. When employers did not use a particular one-stop service, in most cases they said that they either were not aware that the

⁵For more information see GAO, *Youth Opportunity Grants: Lessons Can Be Learned from Program, but Labor Needs to Make Data Available*, [GAO-06-53](#), (Washington, D.C.: December 9, 2005), and *Workforce Investment Act: Labor Actions Can Help States Improve Quality of Performance Outcome Data and Delivery of Youth Services*, [GAO-04-308](#), (Washington, D.C.: February 23, 2004).

one-stop provided the service, or said they obtained it elsewhere, or said that they carried through on their own.⁶

Figure 2: Percentage of Business Establishments Aware of, Using, and Satisfied with One-Stops



Source: GAO 2004 survey of private sector business establishments in the United States.

Additional Action Could Help System Development

Despite the successes state and local officials have had since WIA's implementation, some aspects of the law and other factors have hampered their efforts. First, funding issues continue to stymie the system. For example, the formulas in WIA that are used to allocate funds to states do not reflect current program design and have caused wide fluctuations in funding levels from year to year. In addition, Labor's focus on expenditures without including obligations overestimates the amount of funds available to provide services at the local level. Second, the performance measurement system is flawed and little is known about what WIA has achieved. Labor has taken some steps to improve guidance and communication, but does not involve key stakeholders in the development of some major initiatives and provides too little time for states and local areas to implement them.

⁶For more information, see [GAO-07-167](#) and GAO, *Workforce Investment Act: Employers Are Aware of, Using, and Satisfied with One-Stop Services, but More Data Could Help Labor Better Address Employers' Needs*, [GAO-05-259](#), (Washington, D.C.: February 18, 2005).

Funding Allocation and Spending Information Do Not Reflect Program Structure

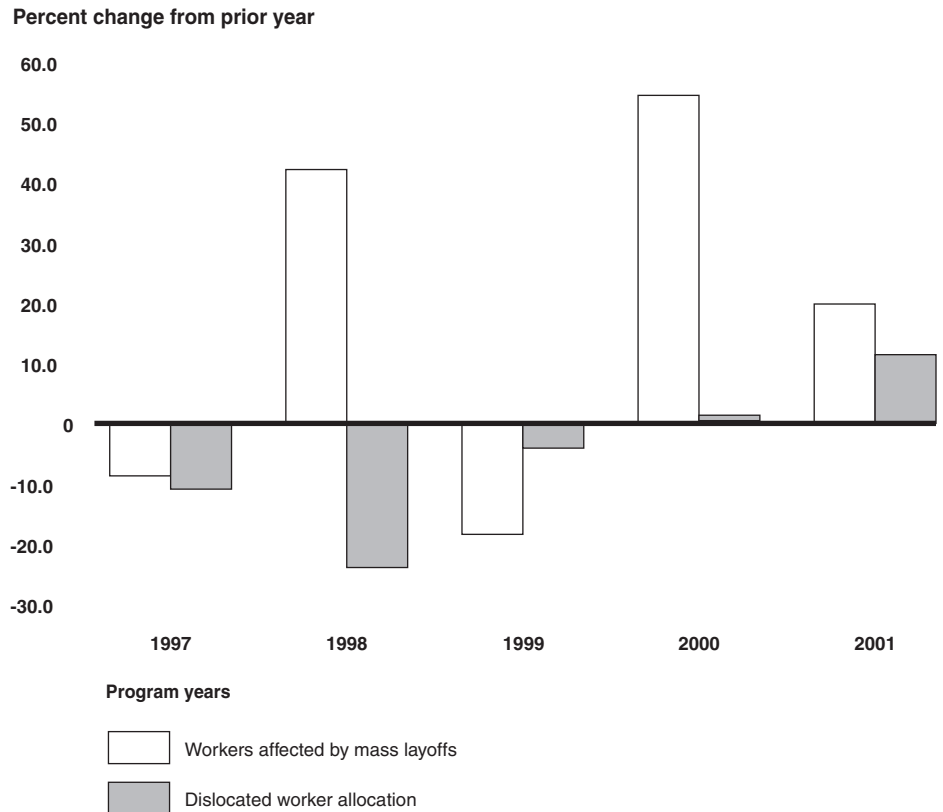
As states and localities have implemented WIA, they have been hampered by funding issues, including statutory funding formulas that are flawed. As a result, states' funding levels may not always be consistent with the actual demand for services. In previous work, we identified several issues associated with the current funding formulas.⁷ First, formula factors used to allocate funds are not aligned with the target populations for these programs.⁸ Second, allocations may not reflect current labor market conditions because there are time lags between when the data are collected and when the allocations become available to states. Third, the formula for the Dislocated Worker program is especially problematic, because it causes funding levels to suffer from excessive and unwarranted volatility unrelated to a state's actual layoff activity. Several aspects of the Dislocated Worker formula contribute to funding volatility and to the seeming lack of consistency between dislocation and funding. The excess unemployment factor has a threshold effect—states may or may not qualify for the one-third of funds allocated under this factor in a given year, based on whether or not they meet the threshold condition of having at least 4.5 percent unemployment statewide. In a study we conducted in 2003, we compared dislocation activity and funding levels for several states. In one example, funding decreased in one year while dislocation activity increased by over 40 percent (see fig. 3). This volatility could be mitigated by provisions such as “hold harmless” and “stop gain” constraints that limit changes in funding to within a particular range of each state's prior year allocation. The Adult formula includes such constraints, setting the hold harmless at 90 percent and the stop gain at 130 percent.⁹

⁷See [GAO-03-636](#) and GAO, *Workforce Investment Act: Potential Effects of Alternative Formulas on State Allocations*, [GAO-03-1043](#), (Washington, D.C.: August 28, 2003).

⁸The formulas for distributing these funds to the states were left largely unchanged from those used to distribute funds under JTPA.

⁹For more information, see [GAO-03-636](#).

Figure 3: An Example of the Mismatch between Dislocated Worker Funding Allocation and Dislocation Activity—Massachusetts



Source: U.S. Department of Labor, Bureau of Labor Statistics and Employment and Training Administration.

In addition to issues related to funding allocation, the process used to determine states' available funds considers only expenditures and does not take into account the role of obligations in the current program structure. Our analysis of Labor's data from program year 2003 and beyond indicates that states are spending their WIA funds within the authorized 3-year period. Nationwide, states spent over 66 percent of their program year 2003 WIA funds in the first year—an increase from the 55 percent since our 2002 report. In fact, almost all program funds allocated in program year 2003 were spent by states within 2 years. By contrast, Labor's estimate of expenditure rates suggests that states are not spending their funds as quickly because the estimate is based on all funds states currently have available—from older funds carried in from prior program years to those only recently distributed. Moreover, many of the remaining funds carried over may have already been obligated—or committed through contracts for goods and services for which a payment has not yet

been made. When we examined recent national data on the amount of WIA funds states are carrying in from previous program years, we found that, overall, the amount of carryover funds is decreasing—from \$1.4 billion into program year 2003 to \$1.1 billion into program year 2005. One explanation for the decline may be that obligations are being converted to expenditures.

In our 2002 report, we also noted that Labor’s data lacked consistent information on obligations because states were not all using the same definition for obligations in what they reported to Labor. Labor’s guidance was unclear and did not specify whether obligations made at the local level—the point at which services are delivered—should be included. We recommended that Labor clarify the guidance to standardize the reporting of obligations and use this guidance when estimating states’ available funds. Labor issued revised guidance in 2002, but continues to rely on expenditure data in establishing its estimates. In so doing, it overestimates the funds states have available to spend and ignores the role of obligations in the current workforce investment system. Labor’s Office of the Inspector General (OIG) recently concurred, noting that obligations provide a more useful measure for assessing states’ WIA funding status if obligations accurately reflect legally committed funds and are consistently reported.¹⁰

Little Is Known about What the System Is Achieving

We have little information at a national level about what the workforce investment system under WIA achieves. Outcome data do not provide a complete picture of WIA services. The data reflect only a small portion of those who receive WIA services and contain no information on services to employers. Furthermore, WIA performance data are not comparable across states and localities, in part because of inconsistent policies in tracking participants for outcomes. In addition, the use of wage records to calculate outcomes is no longer consistent across states. Labor and states have made progress in measuring WIA performance in a number of areas, including Labor’s data validation initiative and the move to common measures. Labor’s proposed integrated data system holds promise in improving data reporting, but it is unclear whether it will be implemented as currently proposed. Furthermore, Labor has not yet conducted an impact evaluation, as required by WIA.

¹⁰For more information, see U.S. Department of Labor, Office of Inspector General, *Semi-Annual Report to Congress*, Volume 57 (October 1, 2006-March 31, 2007), and [GAO-03-239](#).

WIA performance data do not include information on all customers receiving services. Currently Labor has only limited information on certain job seekers—those who use only self-services—and on employers. WIA excludes job seekers who receive core services that are self-service or informational in nature from being included in the performance information. Thus, only a small proportion of the job seeker population who receive services at one-stops are actually reflected in WIA outcome data, making it difficult to know what the overall program is achieving. Customers who use self-services are estimated to be the largest portion of those served under WIA. In a 2004 study, we reported that some estimates show only about 5.5 percent of the individuals who walked into a one-stop were actually registered for WIA and tracked for outcomes. Furthermore, Labor has limited information about employer involvement in the one-stop system. Although Labor measures employers' satisfaction, this measure does not provide information on how employers use the system. Labor officials told us that they do not rely on this information for any purpose, and the information is too general for states and local areas to use.

WIA performance data are not comparable across states and localities. Because not all job seekers are included in WIA's outcome measures, states and local areas must decide when to begin tracking participants for outcomes—a decision that has led to outcome data that are not comparable across states and local areas. The guidance available to states at the time WIA was first implemented was open to interpretation in some key areas. For example, the guidance told states to register and track for outcomes all adults and dislocated workers who receive core services that require significant staff assistance, but states could decide what constituted significant staff assistance. As a result, states and local areas have differed on whom they track and for how long—sometimes beginning the process when participants receive core services, and at other times not until they receive more intensive services. We have recommended that Labor determine a standard point of registration and monitor states to ensure they comply. Labor has taken some actions, but registration remains an issue.¹¹

Furthermore, data are not comparable because the availability of wage records to calculate outcomes is no longer consistent across states. UI wage records—the primary data source for tracking WIA performance—provide a fairly consistent national view of WIA performance. At the same

¹¹See [GAO-06-82](#).

time, UI wage records cannot be readily used to track job seekers who get jobs in other states unless states share data. The Wage Record Interchange System (WRIS) was developed to allow states to share UI wage records and account for job seekers who participate in one state's employment programs but get jobs in another state. In recent years, all states but one participated in WRIS while it was operated by the nonprofit National Association of State Workforce Agencies. However, in July 2006, Labor assumed responsibility for administering WRIS, and many states have withdrawn, in part because of a perceived conflict of interest between Labor's role in enforcing federal law and the states' role in protecting the confidentiality of their data. As of March 2007, only 30 states were participating in the program, and it is unknown if and when the other states will enter the data-sharing agreement. As a result, performance information in almost half the states may not include employment outcomes for job seekers who found jobs outside the states in which they received services.¹²

Labor has taken steps to address issues related to the quality of WIA performance data, but further action is needed. Both Labor's OIG and our early studies of WIA raised issues on the quality of the performance data, and Labor has taken steps aimed at addressing these issues. In October 2004, Labor began requiring states to implement new data validation procedures for WIA performance data. This process requires states to conduct two types of validation: (1) data element validation—reviewing samples of WIA participant files, and (2) report validation—assessing whether states' software accurately calculated performance outcomes. While it is too soon to fully assess whether Labor's efforts have improved data quality, officials in most states have reported that Labor's new requirements have helped increase awareness of data accuracy and reliability at both the state and local levels.¹³

In addition, in 2005, in response to an Office of Management and Budget (OMB) initiative, Labor began requiring states to implement a common set of performance measures for its employment and training programs, including WIA.¹⁴ These measures include an entered employment rate, an

¹²For more information, see [GAO-07-594](#).

¹³See [GAO-06-82](#).

¹⁴OMB established a set of common measures to be applied to most federally funded job training programs that share similar goals.

employment retention rate, and an average earnings measure. Moving to the common measures has increased the comparability of outcome information across programs and made it easier for states and local areas to collect and report performance information across the full range of programs that provide services in the one-stop system. In addition, as part of the implementation of the common measures, states are for the first time required to collect and report a count of all WIA participants who use one-stop centers. This may help provide a more complete picture of the one-stop system.¹⁵

The shift to common measures could also affect services to some groups of job seekers. Historically, certain WIA performance measures—primarily the earnings measure—have driven localities to serve only those customers who will help meet performance levels. For example, program providers have reported that the earnings measure provides a disincentive to enroll older workers in the program because of employment characteristics that may negatively affect program performance. In several local areas we visited for our study of older worker services, officials said they considered performance measures a barrier to enrolling older workers seeking part-time jobs because they would have lower earnings and therefore reduce measured program performance. Labor's shift from earnings gain to average earnings under the common measures may help reduce the extent to which the measures are a disincentive to serve certain populations. It remains unclear, however, how the new measure will affect the delivery of services to some groups, such as older workers, who are more likely to work part-time and have lower overall wages. Further action may be needed to help reduce the incentive to serve only those who will help meet performance levels. One approach that could help would be to systematically adjust expected performance levels to account for different populations and local economic conditions when negotiating performance. We have made such a recommendation to Labor, but little action has been taken.¹⁶

The Workforce Investment Streamlined Performance Reporting System (WISPR). Since 2004, Labor has been planning to implement an integrated data-reporting system that could greatly enhance the understanding of job

¹⁵See [GAO-06-82](#).

¹⁶For more information, see GAO, *Workforce Investment Act: States and Local Areas Have Developed Strategies to Assess Performance, but Labor Could Do More to Help*, [GAO-04-657](#), (Washington, D.C.: June 1, 2004).

seeker services and outcomes. WISPR represents a promising step forward in integrating and expanding program reporting, but it is unclear whether implementation will occur as proposed. If implemented, the system would integrate data reporting by using standardized reporting requirements across the Employment Service, WIA, veterans' state grant, and Trade Adjustment Assistance programs, and ultimately replace their existing reporting systems with a single reporting structure. Its integrated design would, for the first time, allow Labor and states to track an individual's progress through the one-stop system. In addition, the system would expand data collection and reporting in two key areas: the services provided to employers and estimates of the number of people who access the one-stop system but ultimately receive limited or no services from one-stop staff. On the basis of our preliminary review, WISPR appears to address many of the issues we've raised regarding the system's current performance data. However, concerns have been raised about challenges in implementing the new system, and at present, the timeline for WISPR's implementation remains unclear. Given the rapidly approaching July 1, 2007, implementation date, it appears likely that implementation will be delayed.¹⁷

No information exists on what works and for whom. Although Labor has improved its outcome data on job seekers who participate in its programs, these data alone cannot measure whether outcomes are a direct result of program participation, rather than external factors. For example, local labor market conditions may affect an individual's ability to find a job as much as or more than participation in an employment and training program. To measure the effects of a program, it is necessary to conduct an impact evaluation that would seek to assess whether the program itself led to participant outcomes. Since the full implementation of WIA in 2000—in which the one-stop system became the required means to provide most employment and training services—Labor has not made evaluating the impact of those services a research priority. While WIA required such an evaluation by 2005, Labor has declined to fund one in prior budgets. In 2004, we recommended that Labor comply with the requirements of WIA and conduct an impact evaluation of WIA services to better understand what services are most effective for improving outcomes.¹⁸ In response, Labor cited the need for program stability and proposed delaying an impact evaluation of WIA until after reauthorization. In its 2008 budget

¹⁷For more information, see [GAO-07-594](#).

¹⁸See [GAO-04-657](#).

proposal, Labor identified an assessment of WIA's impact on employment, retention, and earnings outcomes for participants as an effort the agency would begin. As of May 2007, according to Labor officials, the agency had not yet begun to design the study.¹⁹

Labor Should Consider Alternative Approaches to Implement New Initiatives

Labor has implemented some initiatives, such as national performance and reporting summits, to better communicate with states on changes in processes and procedures. However, guidance on policy changes has often come too late for states to be able to implement them. For example, in implementing common measures, states had very little time to make the necessary changes before they had to begin data collection and reporting using the new requirements. While Labor publicized its plans to adopt the common measures, states were notified only in late February 2005 that Labor planned to implement changes on July 1, 2005, and final guidance was not issued until April 15, 2005. This gave states 3 months or less to interpret federal guidance, coordinate with partners, modify information technology systems, issue new guidance, and train local area staff. In our 2005 report, we commented that rushed implementation could negatively affect data quality and compromise the potential benefits of the proposed changes.²⁰

In addition to underestimating the cost, time, and effort required of states to make such changes, Labor has failed to solicit adequate stakeholder input when introducing some major new initiatives. For example, Labor's efforts to implement an integrated reporting system have been hampered by a lack of stakeholder input. In 2004, Labor first proposed a single, streamlined reporting system, known as the ETA Management Information and Longitudinal Evaluation system (EMILE) that would have replaced reporting systems for several Labor programs. While many states supported streamlined reporting, 36 states indicated that implementing the EMILE system, as proposed, would be very burdensome. Labor developed the system with only limited consultation with key stakeholders, including state officials, and as a result underestimated the magnitude and type of changes EMILE would require and the resources states would need in order to implement it. In response, Labor substantially modified this

¹⁹See [GAO-07-594](#).

²⁰For more information, see GAO, *Workforce Investment Act: Labor Should Consider Alternative Approaches to Implement New Performance and Reporting Requirements*, [GAO-05-539](#), (Washington, D.C.: May 27, 2005).

system's design. The modified system, now called WISPR, was set to be implemented on July 1, 2007. As with EMILE, however, concerns have been raised about challenges in implementing the new system, particularly the early implementation date. Some comments to OMB expressed the view that Labor had again underestimated the time states would need to revise policy, reprogram systems, and retrain staff. Given the rapidly approaching deadline and states' readiness to implement this system, it seems that this important initiative will likely be delayed again. In 2005, we recommended that Labor consider alternative approaches that involve ongoing consultation with key stakeholders as the agency seeks to implement its new initiatives.

Concluding Observations

In the 7 years since most states fully implemented WIA, much progress has been made in developing and implementing a universal system. With notable exceptions, services for partner programs are becoming increasingly available through the one-stop system. States and local areas have used the flexibility under WIA to tailor services for where they are and for whom they serve. As the Congress moves toward reauthorizing WIA, consideration should be given to maintaining that state and local flexibility, whereby innovation and system ownership can be fostered. However, some aspects of WIA could be improved through legislative action. Our findings highlight two key areas:

- Improving the data on people who use the system: Requiring all job seekers who receive WIA funded services to be included in the performance management system would improve understanding of who gets served and eliminate the ambiguity about who should be tracked and for how long.
- Improving funding stability: If Congress chooses not to make broader funding formula changes, reducing the volatility in the Dislocated Worker allocation by requiring the use of hold harmless and stop gain provisions in the formula would help stabilize funding and better foster sound financial practices.

Furthermore, we have made a number of recommendations to Labor to improve aspects of the current program. While Labor has implemented many of them, several key concerns remain unaddressed. Labor has not taken steps to

- more accurately estimate states' available fund by considering obligations as well as expenditures,

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- establish suitable performance levels for states to achieve by developing and implementing a systematic approach for adjusting expected performance to account for different populations and local economic conditions,
 - maximize the likelihood that new initiatives will be adopted in an achievable time frame by using a collaborative approach that engages all key stakeholders, and
 - improve policymakers' understanding of what employment and training programs achieve by conducting important program evaluations, including an impact study on WIA, and releasing those findings in a timely way.

In absence of actions by Labor on these issues, the Congress may wish to address them legislatively.

Mr. Chairman, this completes my prepared statement. I would be happy to respond to any questions you or other members of the committee may have at this time.

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