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The State at Work: The "Workforce Investment Act of 1998" and What it Means for Texas

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The Workforce Investment Act (Public Law 105-220), signed into law August 7, 1998, represents the culmination of bipartisan efforts to reform the nation's workforce development programs. On July 1, 1999, Texas began implementing the provisions of this law, one of only a handful of states to do so. Texas was in the vanguard in large part because it had already adopted a more comprehensive and systemic approach to workforce development through state legislation enacted in 1993 and 1995.¹ What prompted this federally mandated reform and how will it affect state and local workforce systems in Texas?

A Hodgepodge of Policies

Workforce policy encompasses many federal and state programs designed to foster improved workforce use, maintenance, and development. These programs—which include job training, vocational education, labor exchange services matching job seekers and employers, school-to-career programs, welfare-employment programs, and adult education/literacy programs—vary widely in terms of their financing, objectives, target populations, services, and accountability.

Momentum for national workforce policy reform began building in the late 1980s, fed by concerns about both the efficiency and the effectiveness of the patchwork quilt of workforce programs. As many as 163 separate workforce education and training programs in fifteen different federal agencies were attempting to serve various populations and address their needs. Policies and programs were poorly coordinated and tended to duplicate goals, target populations, and services. Most programs lacked adequate accountability provisions, especially those related to program outcomes, and too much emphasis was given to the supply side of the market.

In the absence of significant federal reform, governors and state legislatures took the lead in reforming workforce policy.² State reforms have varied considerably in the degree to which they reflected bottom-up, customer orientation or more top-down state direction. Also, the instruments used for reforms have ranged from institution-building (e.g., advisory councils, agency restructuring, program consolidation) to the use of various market-oriented mechanisms. In this mix of

workforce reform endeavors, Texas emerged as one of the acknowledged leaders.

Enter the Workforce Investment Act

The 105th Congress and the Clinton administration came together on workforce reform, opting for separate training and vocational education legislation rather than the consolidated approach pursued earlier by the Senate. The Workforce Investment Act (WIA) was enacted with an authorization through federal Fiscal Year 2003 and an appropriation of "such sums as may be necessary."³ Major provisions of WIA include:

- **Governance.** WIA mandates a new governance structure of broader-based state and local workforce investment boards, replacing existing state councils and local private industry councils under the Job Training Partnership Act of 1982 (JTPA). Youth Councils must be established as subsets of local boards.
- **Planning.** State boards must submit five-year strategic plans. WIA encourages the submission of "unified" plans with employment, vocational and adult education, literacy, and other programs.
- **Resource allocation.** WIA allocates resources in three funding streams (adults, dislocated workers, and youth), mandates that a larger share of funds be allocated to local boards, and permits greater discretion in transferring funds between these streams.
- **Eligibility.** One of the more important changes under WIA is that eligibility for adult and dislocated worker services is tied to service sequencing, with universal access only to "core" services. WIA services for adults and dislocated workers must be provided sequentially, proceeding from "core" to "intensive" to "training" with a series of labor market eligibility tests imposed (see [Table 1](#)). Most youth (14-21 years) served under WIA must be in low-income families and have documented labor market barriers.
- **Service delivery.** One-stop centers are mandated as the delivery system for "core" services and as the access point for all others. WIA service delivery is characterized by a "work-first" approach; training is viewed mainly as a "last resort" service. Moreover, training services generally can only be accessed using voucher-like individual training accounts through providers certified by the state.
- **Accountability.** WIA requires four core performance indicators each for adults, dislocated workers, and older (19-21) youth and three for younger (14-18) youth. The Secretary of Labor negotiates performance levels with the states, which, in turn, do so with local boards. State receipt of incentive funds is tied to performance in WIA, adult education, and vocational education.
- **Work-Flex.** WIA broadened existing "work-flex" authority that allowed states to seek waivers from certain federal program provisions.
"Grandfathering." Last-minute language added by Senator Kay Bailey Hutchison (R-Texas) permitted states to "grandfather" key elements of their workforce programs in WIA, including their workforce boards (state and local) and workforce service areas, among others.

WIA reflects a commitment to refocus the training system on customer satisfaction and performance accountability. Its guiding principles include streamlining services, empowering individuals, providing universal access, and increasing accountability. States were allowed several options for implementing

WIA between July 1999 and June 2000. Seventeen states submitted early implementation plans; of these, only a few—Texas among them—submitted what can be viewed as "substantial" plans. Most state plans covered only some WIA funding streams or limited substate areas. In 1999-2000, Texas will receive an estimated \$164.3 million in federal WIA funding.

Implications for Texas

WIA's implementation will affect Texas and its local workforce service delivery far less than most states because, first, Texas had already instituted far-reaching reforms to its own workforce systems at the state and local level. Second, there is a very close fit between the more important provisions of WIA and Texas workforce legislation, namely House Bill 1863, enacted in 1995, and Senate Bill 642, enacted in 1993. Indeed, WIA appears to represent yet another case of the federal government copying progressive state policy. And, third, Senator Hutchison's language allowed Texas (and other states) to "grandfather" a number of their key existing program elements.

Unlike most states, Texas already

- established an extensive one-stop career center network as the basis for workforce service delivery beginning in early 1994, pursuant to a one-stop implementation grant from the U.S. Department of Labor. By the time it officially implemented WIA on July 1, 1999, Texas had 112 one-stop centers operating across the state, 50 of which were "full-service" centers. (See [Texas Workforce Centers list](#).)
- replaced most of its existing private industry councils and service areas under JTPA with more encompassing workforce boards serving designated workforce areas. Twenty-six of these boards are now up and running. The two remaining boards—Northeast Texas and Hidalgo-Willacy in the Lower Rio Grande Valley—are slated to be operational by the end of 1999. In addition, these boards, unlike local JTPA councils, have been largely precluded from direct service delivery since they first were formed, mirroring the new WIA provisions.
- created a far more customer-oriented workforce system, explicitly recognizing employers as one of the two primary customers for workforce services and establishing a special employer services division to serve them.
- established a highly market-oriented workforce system, featuring state-of-the-art labor market information regarding demand occupations and growth industries; early participation in the Labor Department's Consumer Report System project, offering provider performance information for consumers; and use of an individual referral approach to service delivery rather than inflexible standing subcontracts.
- instituted a "work-first" orientation in 1995 for all workforce services, not just those for welfare recipients. This aspect of Texas policy clearly eases the state's transition to WIA; however, as recent evidence suggests, it may not be the best way to address some of the pressing workforce and economic development needs in Texas.
- pioneered the development of core performance measures for workforce services, collaborating with the National Governors' Association in a 1994-1995 pilot effort and continuing its efforts to the present. Texas also has been a leader in linking administrative records (e.g., employment and

earnings data) both for research and for workforce performance measurement and management, procedures now mandated under WIA.

These are some of the major areas of congruence between the Texas system and the WIA vision of workforce development. In fact, Texas has gone much further than WIA in a number of important respects, the most noticeable being that Texas actually consolidated some two dozen workforce programs that had been administered by several separate agencies into a single agency, the Texas Workforce Commission. JTPA, the Employment Service, and the Unemployment Insurance programs were included in this consolidation, as were other programs that most states have left untouched, such as employment and training programs for public assistance recipients and child care. (Adult education was initially on the list of programs to be consolidated but was removed deftly in the closing days of the 1995 legislative session.) WIA will account for only about one-sixth of TWC's total budget of a little more than \$1 billion this year. And funds for many of the other programs—including the welfare-to-work grants program, child care, and others—are also being allocated to local boards to administer, so that boards in Texas already have far more within their purview than boards in other states. Consolidation rhetoric abounds in Washington, but its reality can be found much closer to home.

Unfinished Business

The Workforce Investment Act represents an important step, nationally, in the direction of building a more comprehensive workforce system. However, real concerns remain about workforce policy even with the considerable progress Texas and its local boards have made. Work remains to be done.

First, true consolidation of workforce services has yet to occur at the federal level. Texas and other states are forced to work around the constraints that remain in federal statute and have done relatively well at figuring out how to do so. It would be much easier, however, if their federal partners—and Congress—were more supportive.

Second, if workforce policy is to become truly customer-driven, it must first become more flexible and capable of being tailored to real needs. Pursuing a "work-first" approach imposing strict service sequencing on participants artificially constrains the services that can be provided and produces a workforce system that is only partially customer-driven. Moreover, employers approaching WIA as customers may feel that they are encountering another version of the Employment Service—with whose services they were generally dissatisfied—instead of a more customer-friendly approach. A comprehensive workforce system should be able to offer a broad range of services to meet the needs of both job seekers and employers. The sequencing of services and the barriers it creates for adults and dislocated workers seeking skills training may push many employers and participants away from WIA and toward community and technical colleges, as well as the state's several skills funds,⁴ further dividing these two important workforce development subsystems.

Building a systemic approach to workforce services ultimately means avoiding such a dual system approach. It also means bringing other programs—especially adult education and vocational education—under the same tent (or set of tents) at the state level and creating truly comprehensive, customer-driven approaches locally. We are not quite there yet, but we have come a long way. An undeniable

leader in workforce development policy, Texas must become a leader in making real investments in its residents as well, with an eye toward longer-term productivity growth. Workforce policy should be harnessed to thoughtful economic development and driven by employers offering high skills and high wages.

Notes

1. Two articles in the December 1995 issue of Texas Business Review explored Texas' workforce reforms: Deanna T. Schexnayder, "An Emerging Texas Workforce Development System," and Robert W. Glover, "School-to-Work: An Essential Component of Workforce Development."
2. W. Norton Grubb, et al., *Toward Order from Chaos: State Efforts to Reform Workforce Development Systems* (Berkeley: National Center for Research in Vocational Education, MDS-1249, 1999); and Christopher T. King and Robert E. McPherson, eds., *Building a Workforce Development System for Texas ... A Funny Thing Happened on the Way to Reform* (Austin: Lyndon B. Johnson School of Public Affairs, University of Texas at Austin, Policy Research Project Report No. 126, 1997).
3. WIA also contains substantial reauthorizations of the Adult Education/Literacy and Rehabilitation Services Acts, as well as continuation of separate Wagner-Peyser Act authority for the Employment Service.
4. For example, eight of Texas' largest Chambers of Commerce sought large state funding increases in education, training, and transportation. They requested five- to-tenfold increases in funding for both the Smart Jobs and the Skills Development Training Funds for flexible, employer-oriented training, not in programs that serve more disadvantaged groups. *Austin American-Statesman* (27 January, 1999), p. D-1.

Table 1
Sequence of Services Under the Workforce Investment Act

Type of service	Providers
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Type of service	Providers
Core (e.g., outreach, intake, initial assessment, job search)	One-stop centers
Intensive (e.g., assessments, individual employment plans, group/individual/career counseling, case management)	One-stop centers of eligible providers
Training (e.g., occupational skills, customized and on-the-job training, combined workplace training and academic instruction, skills upgrading and retraining, adult education and literacy activities)	Eligible providers

Note: Individuals who fail to secure employment or need intensive services to obtain/retain employment at self-sufficiency wages through "core" services may proceed to "intensive" services. Only those still unemployed after "intensive" services and unable to secure other financial assistance may receive "training" services.

Texas Workforce Centers (as of July 1999)

Area	# of centers	Area	# of centers
Alamo	4	Middle Rio Grande	4
Brazos Valley	1	North Central	9
Cameron County	2	North East Texas	4
Capital area	3	North Texas	1
Central Texas	2	Panhandle	1
Coastal Bend	6	Permian Basin	3
Concho Valley	1	Rural Capital	5
Dallas County	7	South East Texas	4
Deep East Texas	5	South Plains	3
East Texas	5	South Texas	2
Golden Crescent	1	Tarrant County	8
Gulf Coast	18	Texoma	3
Heart of Texas	1	Upper Rio Grande Valley	1
Hidalgo/Willacy	1	West Central Texas	1

Go to: [Top](#) | [TBR Home Page](#) | [BBR Home Page](#) | [UT GSB Home Page](#)

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