Arizona’s Workforce Development System: 
Update and Impact of the Workforce Investment Act of 1998

Purpose and Introduction

The purpose of this brief report is to provide information about Arizona’s system of workforce development, the Workforce Investment Act of 1998 (WIA), how the Act has been implemented in the greater Phoenix area and the program’s relevance to business. It is an update of a previous brief on the subject from February 2000. Prepared by Morrison Institute for Public Policy at the request of Greater Phoenix Leadership, the information contained in this report is intended for a business audience.

The report presents information and analysis on four aspects of workforce development:

1. what the literature says about workforce development
2. Arizona’s workforce development system
3. what has changed since the beginning of WIA
4. how Arizona’s business community can benefit from government-sponsored workforce development programs.

1. WHAT THE LITERATURE SAYS
Current literature on workforce development suggests that a good system will best serve businesses and respond to the changing economy if:

- employers are fully vested partners, not just advisors or occasional users
- government’s role is as an advisor or broker of public/private partnerships rather than the provider of services
- access to services is universal, including all adults and incumbent workers, rather than targeted only toward the unemployed or disadvantaged
- training is “work-centered,” meaning that rather than sitting in a classroom trainees practice skills through on-the-job training or other practical applications.

The new law makes a system like this possible.

2. ARIZONA’S WORKFORCE DEVELOPMENT SYSTEM
A national association of CEO’s, The Business Roundtable says, “the goal of workforce training should be empowering workers with competencies to meet global competitive challenges” (The Business Roundtable, 2002). Within that broad context, Arizona’s “system” consists of three components: (1) Arizona’s Strategic Five-Year State Workforce Investment Plan and its various programs for individuals and employers, (2) public schools (including universities and community colleges) and (3) corporate training.
This report concentrates on the Strategic Five-Year State Workforce Investment Plan, which contains Arizona’s strategy for implementing the federal Workforce Investment Act of 1998 (WIA). While there are other components to the Act, the focus of this analysis is Title I-B, which supplies the bulk of funding and gives priority for funding and services to special populations such as disadvantaged, disabled and dislocated workers. These populations are simply not a large labor pool for employers, especially given the disconnect (actual or perceived) between the types of training they receive through state programs and the types of training employers need. A typical hire has attained workplace skills and attitudes from schools and corporate training. However, given projections of labor shortages in high-tech industries, when the business community looks for adequately trained workers and ways to upgrade the skills of current employees to keep up with new technologies, it may become necessary for employers to look for new ways to interact with all three parts of the system.

Further, the state’s workforce investment plan does allow funds to be spent on employed, or incumbent, workers after the priority groups (disadvantaged, disabled and dislocated workers) have been served. (Note: While at this point funds are available for employed workers, a slowed economy may change that.) The plan also increases the avenues by which businesses can benefit from and be involved in the system. In fact, the state and local Workforce Investment Boards are looking for ways to encourage Arizona’s businesses to do just that.

The Federal Program in Arizona

Designed to consolidate Job Training Partnership Act (JTPA) programs and create a more comprehensive federal workforce investment program, the WIA is a federal law offering block grants to states for workforce development. This funding comes with the stipulation that a state Workforce Investment Board (in Arizona this is the Governor’s Council on Workforce Policy) establishes Local Workforce Investment Areas. In turn, each area has a Local Workforce Investment Board (LWIB) that establishes One-Stop Career Centers, or “One-Stops.” The One-Stops house a variety of activities such as employment data workstations, job postings, and training opportunities. The LWIB oversees such important decisions as who runs the One-Stops, how much funding a trainee gets, and who is authorized to provide that training.

The new system went into effect July 1, 2000. While the WIA expires in 2003, Congress typically re-authorizes programs like this one so they can continue for many years. Also, LWIBs can file for 501c(3) status, allowing them to generate a separate income so they can be self-sustaining even if federal funding ends. In preparation for re-authorization debates in Congress the U.S. Department of Labor is currently accepting comments on various aspects of the program.

Figure 1: Annual Public Funding for Workforce Development in Arizona

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WIA TITLE I-B APPROX. $50 MILLION

OTHER WORKFORCE DEVELOPMENT PROGRAMS APPROX. $210 MILLION

FEDERAL

• Alien Employment Certification Program

• Carl Perkins Title I – Assistance to the States

• Carl Perkins Title II – Tech-Prep

• NAFTA-TAA

• Pre-apprenticeship Training

• Refugee Resettlement Program

• Senior Community Service Employment Program

• Trade Adjustment Assistance Program

• Veteran Services Program

• Wagner-Peyser Job Service

• WIA Title II – Adult Education

• Work Opportunity Tax Credit

STATE

• Adult Education

• Arizona’s Apprenticeship System

• Arizona Job Training Program

• Information Technology Tax Credit

• Rehabilitation Services Program

• Secondary Vocational Education Program

FEDERAL AND STATE

• Employment Support Services Program

• Food Stamp Employment and Training Program

• JOBS Program

• Vocational Rehabilitation Services Program
Arizona currently receives about $50 million annually in WIA Title I-B funding. While this grant only supports a few of Arizona’s 25 workforce development programs, state officials call it the “glue” that holds the rest of workforce development funding together (about another $210 million). Federal workforce development block grants go through the Governor’s office to various state agencies. As the recipient of the state’s WIA Title I-B funding, the Arizona Department of Commerce also has an oversight role in other public workforce development programs. These programs have the potential of providing employers and workers with comprehensive workforce development services. Figure 1 shows the funding streams for Arizona’s workforce development programs.

Certain aspects of the state’s workforce investment system are federally mandated:

*Business-led LWIBs* that “build” and oversee the One-Stops. Like JTPA, boards oversee vendors that provide skill training, though *under the WIA the boards actually select and approve the vendors, set evaluation criteria, discontinue relationships if vendors do not perform well and control the funding of training vouchers, capital equipment, personnel (such as case workers) and all One-Stop functions.* Also like JTPA, boards link the types of skills taught to labor market needs, must be chaired by a business member, consist of over 50% business members and include certain public-sector partners such as the Department of Economic Security (DES).

*One-Stop Career Centers* that provide *core services* for any potential worker, employed or not. Services include an assessment of skills and needs, career counseling, job search and placement assistance and employment statistics. Many of these activities are offered on a *self-serve* basis. *Intensive services* are available for those unable to obtain employment through *core services*, and include group counseling, case management, and a comprehensive assessment of skill and service needs. *Training services* are for adults and dislocated workers who were unable to obtain work through *intensive services*. Any unemployed adult, dislocated worker or employed adult below the locally established self-sufficiency wage (as opposed to the more strict poverty-based requirement previously used) qualifies for a voucher to get occupational training (see Figure 2). *The business-led LWIB determines the specific services offered at each level as well as the funding for each. The One-Stops also offer employment services for businesses wishing to hire and training opportunities for incumbent workers.*

*Individual training accounts* (training vouchers) allow the individual to purchase training from a list of approved vendors established by the LWIB. Trainees can use their vouchers to train in any Workforce Investment Area in the state. The vouchers create competition among vendors. *The LWIB determines the dollar amount of vouchers, and the number available to trainees.*

*Performance evaluations* for training vendors report information to customers. This helps an individual choose the best quality training available and allows the LWIB to determine if vendors should be removed from the approved list. *The LWIB, in cooperation with the state, sets the criteria for the evaluation and determines the incentives and consequences for vendor performance.*

*State and local accountability* can lead to sanctions of up to 5 percent of a state’s grant if it does not meet federal performance targets. LWIBs can be decertified and replaced.

*Youth Programs* are developed by a subcommittee of the LWIB, called the Youth Council. These subcommittees determine how to distribute WIA funds that support summer and year-round programs for disadvantaged youth.
Arizona’s Strategic Five-Year State Workforce Investment Plan

Submitted to the U.S. Secretary of Labor in March of 2000, Arizona’s plan follows the mandates and provisions in the federal act. It links training programs to the Governor’s Strategic Partnership for Economic Development’s (GSPED) eleven economic clusters. Clusters are concentrations of competing, complementary and interdependent firms and industries that create wealth and exports, and share needs for common talent, technology and other resources (Waits and Vandegrift, 2000). Training vendors do not have to be within a cluster per se, and LWIBs can approve any vendor that meets the criteria boards have established. However, developers of the state plan highlighted clusters because jobs in those areas of the economy tend to offer higher pay and are expected to grow in Arizona.

Highlights of the state plan:

The state distributed approximately $44 million in federal WIA funding to LWIBs after it took 15% for administration in program year 2001-02. Next year the amount will be slightly lower due to reductions in federal funding. Funds are distributed to LWIBs based on a state formula. The funding formula is based on each Workforce Investment Area’s relative number of unemployed people, excess number of unemployed people and relative number of disadvantaged people compared to the state total. Additional calculations for dislocated worker funds are based on industry statistics such as plant closings and mass layoffs, declining industries and long-term unemployment data. There are also “hold-harmless” provisions that ensure an LWIB’s funds will not be drastically reduced from year to year.

Each LWIB assesses its own local needs, and can hire new caseworkers and take steps the board thinks necessary to fulfill the mission of its One-Stops.

Each LWIB establishes its own budget for training vouchers. The LWIB determines both the total budget for training services and the dollar amount that goes to each individual in their Workforce Investment Area.

Arizona has 16 Workforce Investment Areas. Within the greater Phoenix area there are two Workforce Investment Areas, one for the city of Phoenix, and one for the rest of Maricopa County. Figure 3 discusses these Workforce Investment Areas in more detail.

There are 25 separate programs, of which three are funded by the WIA Title I-B annual block grant (adult, dislocated worker and youth). The funding for the other 22 remains separate, although the state and LWIBs work with related “partner agencies” such as DES to consolidate programs and eliminate duplication of services.

Local workforce development officials cite several of these programs as particularly relevant to business. For example:

- **Arizona Job Training Program** is one of two state-funded programs that provide funding directly to business via an application/proposal process. Employers apply for a reimbursement grant of up to 75% of their training costs from creating new positions and hiring new employees. Employers are also eligible for reimbursement of half of the cost of training incumbent workers. In order to be eligible employers must meet a set of criteria such as wages in line with the local average. The program is funded through a .1% tax on business called the “job training tax” and disbursed $12 million in FY 2001-2002. All funds for that fiscal year were used by March 2002. According to the Arizona Department of Commerce the program is expected to have another $12 million for the new cycle starting July 1, 2002.

- **The Information Technology Tax Credit** allows the state to pay 50% of technology training costs, up to $1500 each for 20 employees ($30,000 maximum per employer). This includes incumbent worker training for anything from an administrator updating software skills to a line worker learning new high-tech manufacturing processes. However, accredited institutions such as community colleges must provide the training – private training vendors are currently not accredited for this program. Only $50,000 was disbursed out of $5 million allocated from April to December 2001.

- **DES Job Services** can act as a staffing agency. For example, businesses can advertise jobs through a DES maintained database, and DES will refer potential candidates. DES staff and Job Services functions are now available at One-Stops for greater efficiency.
Since the beginning of the WIA in July 2000, there have been several major developments at the federal level:

**An experiment grant examining voucher administration was awarded jointly to Phoenix and Maricopa LWIBs by the U.S. Department of Labor.** Beginning in May 2002, they are one of six nationwide sites testing how training vouchers can be administered best: with a focused case-worker following trainees all the way through their training; with some assistance from a case worker; and, with no assistance from a case worker once the training has been approved. 550 participants will be randomly assigned to one of the three groups. The data will be collected and analyzed by an independent research firm.

Both Maricopa County and the City of Phoenix have received federal H1B Technical Skills Training Grants that provide training for employed or unemployed workers in high skill or high technology occupations experiencing labor shortages. Both LWIBs are playing a large role in administering those grants.

**Online resources for both employers and job seekers have been upgraded or introduced.**

- **O*Net – Occupational Information Network:** A database of labor statistics and occupational information at www.doleta.gov/programs/onet
- **America’s Career Kit:** A series of websites for job seekers and employers, in collaboration with Monster.com at www.ajb.dni.us
Within Arizona, implementation of the WIA-driven system has begun but is moving slowly. Full integration of the system is not expected until 2005. However, strengths of the implementation to date include:

**Establishment of One-Stops** as a standard component of the state’s workforce development system where before they required special implementation grants.

**Greater communication and leveraging of resources** through partnering of 17 state agencies including welfare, workforce development, and training.

**Establishment of employer relations or business development committees** by both LWIBs to increase the focus on employers as a customer.

There are several opportunities for further enhancements. For example:

- **Some funding streams and programs have the same function as they did before the WIA.** Integration of similar programs through data sharing, common performance measures, cross-training for case managers and a common intake process has been slow as many of the old “case workers” have not embraced the new mindset. However, through Memorandums of Understanding (MOUs), partner agencies are either working together out of One-Stops or are planning to do so, creating more efficient operations. For example, DES is now allowed to sell its buildings and use the revenue for other purposes, paving the way for more DES services to move into One-Stop locations.

- **Fragmentation of programs** may be reduced by the planned merger of Arizona’s Job Training Council and the Governor’s Council on Workforce Policy.

- **Needed collaboration among business, community colleges and One-Stops** can create an atmosphere of life-long learning. Local workforce development officials believe this is increasing.

- **The amount of choice originally envisioned in the new system is lacking** due to vendor reporting requirements, according to workforce development officials. Some potential vendors are intimidated by having to report data for all students as opposed to only those using vouchers. The Department of Commerce is aware of this and is examining possible solutions.

There are problems with the performance indicators, say state officials. The state tracks programs using 17 federally defined indicators. The state met or exceeded federal performance targets in all but two performance areas for the 2000-01 program year. However, data collection is not timely, and additional accountability is needed regarding funding. New indicators are expected by September 2002. LWIBs have also implemented other indicators to track their performance.

The **training vouchers are not being used as much as expected.** That is, not all funds are disbursed within their annual allocation. This is possibly because in some Workforce Investment Areas the self-sufficiency wage needed to qualify is so low that few people met the criteria to receive a voucher. Additionally, the types of training available may not be what potential recipients actually need. Officials believe more information is needed to identify the types of training most in demand. The Governor’s Council on Workforce Policy recently approved $1 million to track who is being served and how funds are being spent.

While the WIA does provide service to all adults (e.g. universal access and the potential for life long learning) through core services in practice priority for funding and the most intensive services still go to the special populations that were previously defined by JTPA – the disabled, disadvantaged adults, dislocated workers and disadvantaged youth.

4. **HOW CAN ARIZONA’S BUSINESSES BENEFIT FROM PUBLIC WORKFORCE DEVELOPMENT PROGRAMS?**

There has always been an opportunity for business to influence the state’s workforce development system. Developers of the state and local plans believe that the WIA consolidates the bureaucracy and allows them to further reach out to business as a customer through marketing plans and business development teams.

Businesses can upgrade incumbent workers’ training or address their needs for new high-skilled workers through provisions created by the WIA and state programs. However, the current system is still better suited to train basic-skilled, entry-level employees, who can be retrained or upgraded in the future. Figure 4 shows an example of how businesses benefit.
Local public officials cite the following benefits to Arizona employers:

**One-Stops** can provide life long learning for employees.

“Rapid response teams” can be activated as local employers announce lay-offs. Teams unite dislocated workers with prospective new employers, saving these employers recruiting time and money.

**On-the-job training** to upgrade incumbent workers skills has reduced the need for layoffs in some instances.

**The Arizona Job Training Program** reimburses part of training costs for new and incumbent workers.

**The Information Technology Tax Credit** pays 50% of technology training costs for any employee.

**DES Employment Services** provides staffing services for employers.

Plans for the future include:

**The Arizona Workforce Connection** is a new marketing plan that will help employers become more aware that they are the primary client of the new system. With implementation expected by September 2002, this marketing plan will join all LWIBs and One-Stops in the state with one identity, using one point of entry for business through a state-wide telephone “hotline” and website. This will also include full integration of employment and welfare programs with a uniform look, feel and service level.

A pilot program for incumbent worker training in One-Stops is being implemented, although currently incumbent workers are usually treated as employed customers and are prioritized based on their income level.

**Businesses’ Role in the WIA**

The WIA system is supported by many prominent, national business organizations, including The Business Roundtable, U.S. Chamber of Commerce, and National Alliance of Business. These prominent organizations suggest that businesses should –

**Actively participate on LWIBs:**

- defining the local needs that the One-Stop can fulfill, including the employer’s specific needs;

- identifying training resources that can meet those needs.

Use the One-Stops for many human resources functions, such as advertising jobs, getting referrals, screening applicants and providing training.

Provide the LWIB or One-Stop with specific information about job opportunities, current skill needs, standards for skills and other labor market information.

Provide feedback on the quality of training to ensure sustained business confidence in the quality of the system.

Play a leadership role in the design and oversight of local workforce development programs, such as ease of access, user-friendliness and labor market relevance of the system.

Suggest potential members of LWIBs.

Open One-Stops, if authorized by the LWIB, as such centers can be operated by private or non-profit organizations.

Become approved training providers, if a business knows it is going to need a lot of workers with a particular skill, and has a training department.

Provide additional funds to LWIBs, because they can solicit funds from other sources.
REFERENCES FOR FURTHER INFORMATION:


Website: “Business Coalition for Workforce Development,” www.workforceinfo.net March 2002. (This is an organization including the Business Roundtable, National Alliance of Business and the Chamber of Commerce of the U.S., along with other business groups.)

NOTES:

Copies of the Workforce Investment Act of 1998 can be viewed and printed from the website: usworkforce.org/Runnintext2.htm.

Updates on the programs associated with WIA and other federal workforce development programs are available from the website: www.usworkforce.org.

Business Leadership Tools related to WIA, One-Stop Career Centers and workforce development are available at www.workforceinfo.net/brochguides.htm.

Information about Arizona Department of Commerce programs and WIA oversight is available at http://www.commerce.state.az.us/workforcedevelopment.htm.