Federalism and Workforce Policy Reform

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Workforce development policy encompasses a broad array of federal and state programs designed to foster improved workforce utilization, maintenance, and development. Federalism in U.S. workforce policy is examined in terms of the Workforce Investment Act and the Carl D. Perkins Vocational and Technical Education Act, laws enacted in 1998 authorizing two of the more important components of national workforce policy: job training and work-related education. Coercive federalism in workforce policy began in the late 1970s and is expected to persist into the future, even as states serve as "laboratories of democracy." Whether enhanced discretion for workforce policy is forthcoming from Washington, states and localities will continue to demonstrate new, and possibly better, ways of delivering workforce services. Workforce policies and programs will also feature an even more prominent role for market-oriented service delivery. The comprehensiveness of national workforce policy, including broad concerns over efficiency, has yet to be addressed fully.

Workforce development policy encompasses a broad array of federal and state programs designed to foster improved workforce utilization, maintenance, and development. Programs included under the workforce rubric include job training for disadvantaged, dislocated, and other workers; work-related education, especially secondary and postsecondary vocational education; labor exchange providing services to assist in matching job seekers and employers; school-to-career programs; welfare-employment programs; apprenticeship; adult education and workplace literacy; and rehabilitation services. Workforce development policy in various forms has its origins in the mid-nineteenth century.1

The component programs of workforce policy are highly varied in terms of financing, objectives, target populations, services, and accountability, making analysis of federalism issues complex. Moreover, the broader context within which such an analysis needs to take place is one characterized by the movement to design and build comprehensive workforce development systems to replace the patchwork quilt of existing federal/state education, training, and related programs. This movement is shaped in part by the growing recognition of the importance of human capital and its beneficial effects on productivity and wages.

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1The Morrill Land Grant Act of 1855 was the first step toward federal workforce policies, though their modern origins can be found in the 1930s in the New Deal. For an overview of early workforce policies, see Ewan Clague and Leo Kramer, Manpower Policies and Programs: A Review, 1935-75 (Kalamazoo, MI: The W. E. Upjohn Institute for Employment Research, January 1976).

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This article examines federalism in U.S. workforce policy in terms of two laws enacted in 1998: the Workforce Investment Act and the Carl D. Perkins Vocational and Technical Education Act. These acts authorize two of the more important components of national workforce policy: job training and work-related education.

**FEDERALISM ISSUES AND TRENDS**

John Kincaid’s essay on American federalism in housing policy provides a useful framework for this analysis of workforce policy. He argues that federal power has grown over the years and that federal policy generally has shifted from a focus on places (i.e., states and local governments) to persons. He states that “[i]ntergovernmental relations are shifting from ‘cooperative federalism’ to ‘coercive federalism,’ the latter characterized by a relative decline in federal aid to states and localities, a shift of federal aid from places to persons, increased conditions attached to such aid, and federal reluctance to uphold historically cooperative programs, among other features.” He places the shift from cooperative to coercive federalism sometime in the late 1960s. Moreover, while enhanced federal power has reduced horizontal fragmentation by restricting state and local policy choices, it has led to vertical fragmentation in policymaking as it has “individualized congressional behavior” and “attracted more interest groups.” Kincaid concludes that “federal policy has had increasingly coercive effects—real and imagined—as well as adverse consequences, particularly the debt burden, vertical fragmentation, and institutional failure.”

Key federalism trends in job training and other workforce policy components through the early 1990s have been characterized by others, typically examining the components separately rather than as part of the larger workforce policy arena. Burt Barnow analyzed federalism issues in job-training policy through 1993. During the 1960s and early 1970s, such policies were largely the province of the federal government, as were most funding and service decisions. Operations were local, while state education and employment agencies played an active role in approving contracts for various types of training, including institutional (classroom) and on-the-job

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2Public Laws 105-220 and 105-392, respectively.
4Ibid., 334. Other features of coercive federalism identified by Kincaid are increased preemption of state and local authority, increased federal court orders governing states and localities, and dismantling of intergovernmental tax immunities.
5Ibid., 427.
6Ibid., 429-430.
training. From 1973 to 1982, Washington continued to dominate policymaking, establishing the intergovernmental framework within which state and local entities exercised wide discretion in services, targeting, and other critical program dimensions. States continued to remain largely "on the outs" in job-training policy, although they typically played a much larger role in vocational and adult education policies, reflecting governors' traditionally stronger role in education generally. Passage of the Job Training Partnership Act (JTPA) in 1982 accorded states a much greater policymaking role in job training, especially in such areas as resource allocation and performance management. This remained the case even after passage of the more restrictive JTPA amendments in 1992. Barnow concluded that the period of coercive federalism in job-training policy dated from the late 1970s with a series of amendments to the CETA legislation in 1976, 1977, and especially 1978. These amendments introduced greater regulation into the program, restricted participant eligibility and services, and led to dramatic reductions in federal funding. This coercive phase continued with the 1992 JTPA amendments. Barnow offered two main scenarios for the future of federalism in job training, scenarios that seem to apply as well to workforce policy. The first was for continued coercive federalism, while the second, more optimistic one was for "an increased role for state and local policy development without funding or intrusion from the federal government," a vision that featured considerable state innovation.

Vocational and technical education nationally has undergone some of the same trends and dealt with some of the same issues as job training. Vocational education reform has cycled much as job training, with major reauthorizations in 1973, 1976, 1984, and again in 1990. Major features of vocational education receiving attention in recent decades have been targeting, access and service equity, services, and accountability. Categorization and state flexibility are issues that have been addressed by policymakers and program administrators; yet with the federal government putting up only about 6-8 percent of overall vocational funding over the years, this discussion has been quite different from that in job training, which traditionally has been fully funded by Washington.

John Donahue's recent analysis of education and training policy issues suggests that devolution of responsibility from the federal to state and local governments and individual choice—particularly the use of vouchers to secure training services from providers—have become key issues, noting that

“states are gathering strength” and taking the lead as Washington “fades.”  12 He worried that wholesale devolution of responsibility might lead to the “balkanization” of America, noting that “[t]he wisdom of shifting the public sector’s center of gravity away from Washington and toward the separate states enjoys something as close to consensus as American politics often sees.”  13 Devolution from the federal to state and local governments, as well as to various private entities—the latter referred to as second-order devolution—has been examined by others also.  14

The following federalism issues will be addressed in light of workforce development legislation enacted in 1998:

- Is workforce development policy in the United States continuing along the path of coercive federalism begun more than twenty years ago? If so, in what specific ways is it exhibiting features of coercive rather than cooperative federalism?
- To what extent is devolution of key responsibilities evident in the new workforce legislation?

**MOMENTUM BUILDS FOR REFORM**

Momentum for substantial workforce policy reform by the federal government has been building for at least a decade, fed by real concerns about the efficiency and effectiveness of these programs. A steady procession of reports issued by national committees, commissions, and federal oversight agencies catalogued problems with the nation’s workforce programs.  15 Many of these problems pointed to program inefficiency in a broad sense. As many as 163 separate workforce education and training programs in 15 different federal agencies were attempting to serve various populations and address their needs. There was little evidence of a national workforce strategy. Policies and programs were poorly coordinated, each with their own rules and requirements, and they tended to be duplicative in terms of goals, target populations, and services. Most programs lacked adequate accountability provisions, especially those related to program outcomes. Where performance measures existed, they were inconsistent and poorly connected

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12Donahue, *Disunited States*, p. 3.
13Ibid., pp. 14 and 3-4.
to program planning and operations. In addition, programs were overly focussed on the supply side of the market.

In addition, release of the national JTPA evaluation results in 1993 and the ensuing public debate added a sense of urgency to workforce reform, raising serious questions about the effectiveness of workforce services. Policymakers were informed, based on a rigorous experimental evaluation of adult and youth training in 15 sites around the country, that these programs were producing modest impacts on employment and earnings for adults and, at best, no impact for youth.16 This was a difficult pill to swallow, especially in light of the continuing battles in Washington over federal deficit reduction and an increasingly acrimonious political atmosphere.

Based on these dual concerns with efficiency and effectiveness, policymakers were advised to reduce the number of programs and consolidate their administration into fewer agencies; to minimize program duplication and overlap; to simplify program eligibility; to enhance program coordination; and to increase program accountability and customer orientation.

Four developments paved the way for the most recent federal workforce policy reforms. First, the federal agencies responsible for workforce programs appear to have taken these findings and recommendations to heart. During the 1990s, they embarked upon a “good-government” course designed to improve services, increase accountability and customer orientation, and promote greater reliance on market mechanisms. Four examples of these good-government efforts are the U.S. Department of Labor’s One-Stop Shopping Initiative and Consumer Report Card Project, and two joint efforts involving several federal departments—especially Education and Labor—the Core Data Elements and Common Definitions Project and the Performance Management Systems Initiative. Labor launched the One-Stop Shopping Initiative in 1993, awarding grants to some 33 states and numerous localities (as of December 1997). By 1998, hundreds of one-stop centers were operating, ranging from fully integrated, full-service one-stops to so-called “no-wrong-door” centers where many services could be accessed in nearby locations through many entry points. States participating in Labor’s Consumer Report Card Project (e.g., Texas and Florida) developed detailed, provider-specific information on local services and associated labor-market outcomes to support informed consumer choice and enhance accountability. The Core Data Elements/Common Definitions Project and the Performance Management Systems Initiative were implemented in a

number of states in the mid-1990s before evolving into a broader national effort.\(^{17}\) This initiative developed and disseminated cross-cutting workforce performance measures and pilot-tested them in the One-Stop System. Taken together, these and other initiatives began to provide the infrastructure necessary for operating a market-oriented workforce system, including the requisite supports for consumer choice and provider competition.\(^{18}\)

A second key development was decisive state action on workforce reform. Governors and state legislators demonstrated to Washington what could be done on workforce policy even in the absence of significant federal reform.\(^{19}\) In fact, some state workforce changes (e.g., block-granting Wagner-Peyser funding to local boards for the provision of labor exchange services) were stymied by federal officials.\(^{20}\) State reforms have varied considerably in their scope and breadth, and in the degree to which they reflected bottom-up, customer orientation or more top-down state direction, among other dimensions. States also have relied on various instruments for reform, ranging from institution-building (e.g., advisory councils, agency restructuring, and program consolidation) to the use of various market-oriented mechanisms. A handful of states emerged as the acknowledged leaders in workforce policy, among them Florida, Massachusetts, Michigan, Texas, and Wisconsin. Carl Van Horn has suggested that in many policy areas, the federal government is now copying the states.\(^{21}\) Workforce policy is one such area.

Third, while comprehensive workforce policy reform stalled in the 104th Congress, a number of related acts were enacted nonetheless. These acts are noteworthy in that, besides making workforce reform easier to accomplish, they also reflect further workforce policy categorization. Key legislation enacted in this period included:

- The School-to-Work (STW) Opportunities Act of 1994 identified the elements of a successful STW transition, including integration of academic and vocational learning; defined career majors; incorporation of school- and work-based learning and activities connecting them; provision of work experience in all aspects of industry; and provision of equal access to the full range of STW

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\(^{20}\) The Labor Department interceded when Texas and Indiana attempted to block-grant ES dollars to locals.

activities. STW initially emphasized service to non-college bound youth (the “forgotten half”) and later to all youth. The National STW Office (within Education) awarded grants to many states and localities to plan for and implement STW initiatives. These grants likely led to improved services and greater collaboration among training programs, public schools, higher education, and employers, but they also incurred the wrath of the far right (e.g., the Eagle Forum) due to their perception that STW was intruding in areas more appropriately the domain of families.

- The Goals 2000: Educate America Act of 1994 created the National Skills Standards Board (and called for voluntary state boards) to establish skill standards to guide employers and training programs toward the high-skills/high-wages path.

- The Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996 ended the federal entitlement to welfare and time-limited cash benefits, capped federal welfare spending, and block-granted federal welfare funds to states. It also eliminated the Job Opportunities and Basic Skills (JOBS) training program that had provided education, employment, and training services to welfare recipients since the late 1980s. Under PRWORA, states received substantial funding “windfalls” and were accorded greater flexibility to design their own programs, both for cash assistance and for related employment and training services; many states responded by establishing work-first programs for welfare recipients.22

- The Welfare-to-Work (WiW) Grants Program, enacted as part of the Balanced Budget Act of 1997, provides states and localities with funding—$3 billion for fiscal years 1998-1999 via the Labor Department and the JTPA system—to help with meeting work participation requirements under Temporary Assistance for Needy Families (TANF). WiW Grants emphasize serving the least-employable welfare recipients, those reaching time limits, and the noncustodial parents of TANF children.23 Stress is also placed on getting individuals into jobs quickly (i.e., work-first) and providing post-employment services to promote upward mobility. States receive formula WiW funds—which they must


match–85 percent of which are passed down to local private industry councils (PICs). PICs may also compete for nonmatching Competitive Grant funds. WtW formula monies began flowing to states in August 1998. PIC Competitive Grants were awarded in two rounds beginning in late spring 1998; a third round focusing on very hard-to-serve groups (e.g., those with learning disabilities) is to be awarded in the fall of 1999. It is too early to tell what states and localities are doing with WtW funds or what their results might be. States and local PICs have been slow to draw down their WtW funding for a number of reasons, among them rapidly dropping welfare caseloads, excess funding availability under the less-restrictive TANF program, problems with securing matching funds, and difficulty dealing with hard-to-serve targeting provisions. The emphasis on work-first in PRWORA and the WtW Grants foreshadowed its prominence in WIA.

The final set of developments leading to workforce reform involved changes in the prevailing political dynamic. Workforce policy reform came very close to succeeding in the 104th Congress, with bills passing with large majorities in both houses of Congress, only to die in conference committee, the victim of attacks from the far right and other pressures. The Senate (S. 143, the Kennedy-Kassebaum bill) would have consolidated 91 programs, largely putting its faith in the states in a single, flexible, block grant with separate funding streams for workforce education (25 percent) and workforce employment and training (25 percent). Lobby groups opposed to folding vocational education in with ES and JTPA resisted this approach. The House (H.R. 1617, the McKeon-Goodling bill) called for consolidating more than 100 programs into four block grants—for adult training, adult education and literacy, vocational rehabilitation, and youth workforce preparation—and required the use of vouchers for securing adult training. The administration, bypassing traditional issues of federalism, advocated strongly for individual choice, the use of voucher-like mechanisms, and competition in a market-oriented approach. One-stops were the basis for service delivery in all three proposals. However, workforce reform failed in the 104th Congress. The Clinton administration had its hands full just maintaining the federal commitment to and funding for workforce development in the new, more conservative Congress.

While political struggles continued between the Republican-dominated


25Fifty percent of the funds were in a "flex" account that could be used for either education or training at state option.

26Donahue, Disunited States, pp. 149ff.
Congress and the Democratic White House during the 105th Congress, they were able to reach an accommodation in the case of workforce reform. Their success in enacting both WIA and Perkins III in the latter part of 1998—even as House Republicans were discussing possible impeachment proceedings against the president—suggests some combination of the following: (1) their substantive differences on workforce issues were smaller than expected, (2) their expectations for workforce reform were more modest than had been the case in the 104th Congress, and/or (3) both parties had a strong need to demonstrate to the public that they could do something. At least on workforce policy, pragmatic centrist prevailed in both parties. In the end, even such vocal critics as the Eagle Forum demurred.27

These four developments fostered an environment supportive of 1998’s bipartisan workforce reforms. Thus, another key issue that will be addressed along with the federalism issues is:

- To what extent do WIA and Perkins III together constitute comprehensive workforce policy reform? How well do they address the efficiency and effectiveness concerns raised in the 1990s?

**ASSESSING THE 1998 WORKFORCE REFORMS**

When Congress and the Clinton administration ultimately came together on workforce reform in 1998, they opted for separate training and vocational education legislation rather than the consolidated approach pursued earlier by the Senate. Both WIA and Perkins III were enacted with authorizations through federal fiscal year (FY) 2003 and appropriations of “such sums as may be necessary.” In addition, contained within WIA were a substantial reauthorization of the Adult Education and Literacy Acts and the Rehabilitation Services Act, as well as a continuation of separate Wagner-Peyser Act authority for labor exchange. The Perkins Act retained its existing structure with separate titles for Vocational and Technical Education Assistance to the States and Tech-Prep Education. The most substantive changes in Perkins III involve performance measurement and accountability.

WIA and Perkins III provisions can be briefly summarized, as follows: 28

- Governance. WIA establishes a new governance structure of State and Local Workforce Investment Boards,29 replacing existing state...

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27 According to Education and Labor department staff, an agreement was reached with Eagle Forum representatives to make strong statements for the record about WIA and Perkins III proscribing STW activities, while allowing permissive language on STW-like activities to be included in each. Thus, STW activities may survive, even as the term STW disappears.


29 WIA also mandates that Youth Councils be established as subsets of local boards.
councils and local private industry councils (PICs). Perkins III continues governance for vocational education largely intact, with funds flowing through state boards of education to local education agencies and the split between secondary and postsecondary education remaining in the hands of state boards.

- Planning. Both WIA and Perkins III require their state boards to submit longer term (i.e., 5-year) strategic plans and encourage them to prepare and submit “unified” plans with training, vocational and adult education, and literacy, as well as other programs.

- Resource Allocation. WIA allocates resources via three funding streams (i.e., adults, dislocated workers, and youth). Perkins III allocates federal funds to states through current formulas. Both mandate that a larger share of the funds be passed on to locals.

- Eligibility. Eligibility for adult and dislocated worker services under WIA is tied to service sequencing, with universal access to “core” services. Most WIA youth (aged 14-21 years) must be low-income and face labor-market barriers. Perkins III eligibility is more flexible than before.

- Service Delivery. One-stop centers are established as the delivery system for “core” services and as the access point for all others. WIA services for adults and dislocated workers must be provided sequentially, proceeding from “core” to “intensive” to “training.” Training is secured using individual training accounts primarily through certified providers. Vocational education service delivery is largely unchanged.

- Accountability. WIA requires four core performance indicators each for adults, dislocated workers and older (19-21) youth, and three core indicators for younger (14-18) youth. The secretary of labor negotiates performance levels with the states, which then do so with local boards. Under Perkins III, states must establish specific performance levels for each distinct measure, and face financial and other consequences for non-performance. Both WIA and Perkins III emphasize continuous program improvement locally. State receipt of incentive funds is tied to performance in WIA, adult education and vocational education.

According to the U.S. Department of Labor’s initial planning guidance,30 WIA reflects a commitment to refocusing the system on customer satisfaction and performance accountability and incorporates key guiding prin-

ciples that include streamlining services, empowering individuals, ensuring universal access, and increasing accountability. The Department of Education's approach to implementing Perkins III—as well as the Adult Education and Family Literacy Act, which it also administers—will be guided by four key principles: flexibility, collaboration, timeliness, and customer service.\textsuperscript{31}

The Labor Department allowed states three basic options for WIA implementation between 1 July 1999 and 1 July 2000; a fourth option substitutes a unified plan for a separate WIA plan with any of the other options.\textsuperscript{32} Only seventeen states submitted early implementation plans.\textsuperscript{33} Of these, only a handful (e.g., Texas, Florida, and Vermont) submitted what the department views as "substantial" plans.\textsuperscript{34} Most submitted "transitional" plans covering only some WIA funding streams or certain areas of the state. Staggered implementation was expected given that some states were much farther along in redesigning their workforce systems. States were required to implement most Perkins III provisions in July 1999.

WIA and Perkins III together constitute significant action on U.S. workforce policy. This discussion assesses them in terms of federalism issues and the comprehensiveness of the reforms.

\textit{Federalism}

The 1998 reforms, on balance, appear to continue the 30-year trend of coercive federalism in job-training and related policies. This trend is reflected more in some dimensions than in others. Three dimensions of coercive federalism are explored: relative changes in federal aid, shifting the basis of funding from places to persons, and additional conditions attached to receipt of federal aid. Devolution is also examined.

\textit{Reduced Federal Aid.} Federal aid actually has increased in the budget category that includes work-related education and training. Function 500 (Education, employment and social services) encompasses everything from elementary, secondary, and vocational education and higher education to training and employment and social services. According to the Office of Management and Budget, Function 500 outlays were volatile in the 1990s, rising from $51.1 billion in FY 1991 to $55.8 billion in FY 1993,\textsuperscript{35} falling sharply in FY 1994 to only $50.5 billion, after which they rose to an estimated $60.1 billion in FY 1999. However, during this same period, federal

\textsuperscript{31}Memorandum, dated 27 November 1998, from OVAE Assistant Secretary Patricia McNeil to State Directors of Adult Education and Vocational Education regarding implementation of these two laws.

\textsuperscript{32}U.S. Department of Labor, \textit{Planning Guidance and Instructions}, p. 6.

\textsuperscript{33}Center for Best Practices, National Governors' Association, "Selected Elements of State Plans for Early Implementation of the Workforce Investment Act (WIA)," August 15, 1999; http://www.nga.org/Workforce/WIAPlans.asp

\textsuperscript{34}According to officials at the U.S. Department of Labor, the term "substantial" indicates that a state will have most of the major WIA program elements operational in the quarter beginning 1 July 1999.

\textsuperscript{35}Office of Management and Budget, \textit{The Budget for Fiscal Year 2000}, \textit{Historical Tables} (Washington, D.C.: OMB, 1999), Table 3.2. All figures are expressed in 1999 dollars.
outlays for training and employment (Function 504) rose from $7.0 billion in FY 1991 to a peak of $7.9 billion in FY 1995, then suffered sizeable cuts over the next three years, falling to $6.7 billion in FY 1998. Outlays for training and employment turned around in FY 1999, reaching an estimated $7.9 billion. Yet, a sizeable share of these increased outlays for Function 504 is in the form of WtW outlays that are targeted on hard-to-serve welfare recipients and noncustodial parents, an estimated $0.9 billion in FY 1999 and another $1.6 billion in FY 2000. Federal outlays for vocational and adult education rose from almost $1.2 billion in FY 1991 to a peak of $1.5 billion in FY 1995.\textsuperscript{36} FY 1999 outlays for vocational and adult education are estimated to $1.3 billion. In general, slightly more federal funding for training and employment has been forthcoming, but with increased targeting, service, and other restrictions.

\textit{Aid for Persons, Not Places}. Funding for workforce services also may be increasingly person- rather than place-based. Pell Grants and other student assistance from the federal and state governments account for a growing share of the total resources devoted to work-related education and training, as well as higher education. From 1990 to 1997, the dollar value of federally funded Pell Grants alone grew from $6.0 billion to an estimated $6.5 billion, while the total dollar value of the various family education loans expanded from $15.1 billion to $22.0 billion.\textsuperscript{37} Training participants and vocational education students rely extensively on Pell Grants and various types of student loans to pay for their tuition, fees, books, and related expenses.

In addition, both the new WIA individual training accounts for securing training services and the increased emphasis on work-first can also be viewed as forms of shifting funds from places to persons. It will take some time before the effects of this shift—especially under WIA—will be apparent. States and localities in the process of implementing WIA are concerned that there will be inadequate funding available for training and, thus, lower utilization of training accounts, given the level of WIA funding and its emphasis on work-first, universal access and “core” services.\textsuperscript{38}

\textit{Increasing Conditions on Federal Aid}. Conditions for receipt of federal aid have been increasing on workforce training, but decreasing—accountability provisions notwithstanding—on vocational education, a situation with the potential for widening the divide between training and education programs. This may prove counterproductive in terms of skills development, economic growth, and other areas of interest. Making this case calls for examining

\begin{footnotesize}
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\item\textsuperscript{36}Ibid., Table 12.3.
\item\textsuperscript{38}The author is conducting a three-state pilot study of WIA planning and implementation as part of the State Capacity Project led by Richard Nathan and Tom Gais at SUNY-Albany's Rockefeller Institute.
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more closely key provisions in each act, first those that appear more restrictive, then those promising enhanced flexibility.

First, as suggested above, WIA establishes work-first as the basis for non-youth WIA services, mandating sequenced services for adults and dislocated workers:

- "core" services (e.g., outreach, intake, initial assessment, job search, and provider performance information) provided by one-stop centers to all adults and dislocated workers;
- "intensive" services (e.g., assessments, individual employment plans, group/individual/career counseling, case management, and short-term pre-vocational services) provided by one-stops or eligible providers; and
- "training" services (e.g., occupational skills, customized and on-the-job [OJT] training, combined workplace training and academic instruction, skills upgrading and retraining, job readiness training, adult education and literacy activities) provided only by eligible providers.

Individuals who fail to secure employment or who are employed but need intensive services to obtain or retain employment at self-sufficiency wages through "core" services may proceed to "intensive" services. Only those who are still unemployed after "intensive" services and who are unable to secure other financial assistance (e.g., Pell grants) may receive "training" services. This approach stands in sharp contrast to the one for the JTPA program it is replacing, as well as that for Perkins III programs. The latter has an explicit high-skills/high-wage orientation, linking postsecondary course offerings to labor markets and Tech-Prep, and focuses much more on building skills than on securing jobs.

Second, WIA also requires the use of individual training accounts for adults and dislocated workers choosing among eligible training providers—established through a state/local certification process linked to performance information—with exceptions for OJT and customized training, insufficient numbers of local providers, and organizations serving special populations. A broad array of services may be provided for youth (aged 14-21 years), but youth participants must be low-income and demonstrate other barriers to employment as well. Summer youth employment is an allowable activity, but no longer has its own funding stream.

Third, WIA mandates that one-stop centers be established as the centerpiece of the local delivery system for "core" workforce services and serve as the access point for all services. One-stop centers may be operated by public or private entities (or consortia), including postsecondary educational

39This second condition appears to have been reversed in the recent Higher Education Act reauthorization, so that WIA funds must be utilized before Pell Grants.
institutions, local offices of the state Employment Service, and others. Their membership is partly prescribed in legislation, though states have some discretion. Moreover, local workforce investment boards are proscribed from providing services directly to participants. Many local PICs have been heavily involved in service provision, though contracting and referring out services also have been popular options.

Finally, WIA and Perkins III mandate new performance indicators and apply them for the first time at the state level across workforce programs. New customer satisfaction measures must also be established, both for participants and employers. National incentives will be awarded (July 2000) only to applicant states that exceed their adjusted performance levels for WIA, adult education, and vocational education.

Areas of increased flexibility also are evident in both WIA and Perkins III. However, in the former, such areas do not appear to offset new restrictions, nor do they match the enhanced flexibility in vocational education. First, current requirements for state advisory council review are eliminated for vocational education, as are the councils themselves, while WIA continues such a process with newly designated actors (i.e., state workforce investment boards).

Second, WIA effects modest consolidation of funding streams, allowing locals wider latitude for moving funds between those for adults and for dislocated workers. Third, both WIA and Perkins III eliminate some of the categorization and targeting that were features in JTPA and earlier vocational education legislation. Under WIA, while all youth participants must be income-eligible, within limits states may now establish their own income-eligibility guidelines for those adults and dislocated workers who are to proceed from “core” to other services.

Fourth, long-standing set-asides for education coordination and older workers in JTPA are also eliminated, allowing state and local boards to decide whether or how much to allot for these uses. In Perkins, requirements for serving various special populations have been either loosened or eliminated. Perkins III also allows higher education institutions awarding 4-year degrees, as well as employer and labor organizations, to be part of Tech-Prep consortia, while eliminating categorical grant programs for community-based organizations, consumer and homemaking education, the vocational education lighthouse, and bilingual programs.

Finally, WIA expands federal Work-Flex authority—first initiated under the 1992 JTPA amendments—from six to all states and expands it to include Senior Employment, as well as other training and Wagner-Peyser provisions as well. States must apply for federal permission for added program flexibility under the Work-Flex provisions.

\*The vocational education lighthouse is a separate program targeted on blind and low-vision students.
Devolution. A recent 20-state study of welfare reform concluded that states and localities had taken on many new responsibilities from the federal government in the wake of PRWORA, but that the real story was local, especially the increasing role played by both for-profit and non-profit private entities. They also found that “employment bureaucracies” and workforce development agencies were playing a growing role in carrying out such welfare reforms, in many cases with a work-first orientation. Increased devolution of workforce responsibilities to states and local actors may occur under WIA and Perkins III as well, but to a much lesser extent than under welfare reform. On one hand, vocational education programs have traditionally been dominated by states and local institutions, an unremarkable finding given the shares of the funds contributed by each. Little change in the degree of devolution is anticipated in vocational education as a result of Perkins III, though states and localities may have somewhat more discretion (e.g., targeting, resource allocation, and services) under the new act. WIA, on the other hand, may represent more the replacement of one relatively constrained set of state and local programs (JTPA) with another. Even its sponsors in the Congress stated clearly that WIA did not block-grant funds to states and localities, a key step often equated with devolution. Areas with increased state and local responsibility and discretion under WIA include eligibility, service delivery, and accountability. In addition, it is not yet clear to what extent states will take advantage of the expanded work-flex authority. One aspect to watch closely will be the effect of proscribing direct service delivery by local workforce boards and establishing one-stops as the central access point for most services. These provisions may enhance the relative roles of local providers, especially if they can demonstrate their effectiveness.

Comprehensiveness

Beyond federalism issues, do WIA and Perkins III together add up to comprehensive workforce policy reform? How well do they address broad efficiency and effectiveness concerns? The evidence is mixed.

First, rhetoric aside, WIA and Perkins III do not block-grant federal workforce funding to states and localities. Training and vocational education are maintained as largely separate and distinct workforce subsystems with encouragement but only modest incentives to coordinate their planning and service delivery. In addition, despite somewhat enhanced flexibility, WIA features separate funding streams for adults, dislocated workers and youth—with different eligibility, targeting, services, and service delivery

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42 Ibid., p. 12.
43 A point readily acknowledged by such supporters as Senator Paul Wellstone (D-MN) in the debate leading to WIA’s passage (Senate, 1 May 1998, p. S4024).
requirements—and also maintains distinct funding streams for adult education and family literacy, rehabilitation services, Wagner-Peyser, and other workforce programs.

Second, neither did the 1998 legislation go very far toward consolidating the disparate array of federal workforce programs or even toward facilitating state and local efforts to do so. There is considerable rhetoric concerning the numbers of programs consolidated into WIA; yet most of the consolidation is surface-level at best. There is little discussion of actually integrating workforce services. Some of the larger programs to which states and localities now are devoting their time and energies include TANF and the WtW grants programs that deal with only a small fraction of those in need of workforce services. These programs are only touched on in WIA and Perkins III. Expanded Work-Flex and one-stop provisions may help states and localities to some extent. Enacting the 1998 legislation has raised expectations for workforce reform at the national level, but much of the hard work of actually implementing a more comprehensive system has been handed off to states and localities.

The failure to block-grant workforce services or to consolidate workforce programs suggests that federal reformers have made little progress addressing the broad efficiency concerns raised over the past decade. Workforce services continue to be characterized by considerable fragmentation. Duplication of programs and services for overlapping target groups remains at the federal level. Continuation of separate authority and funding for the Employment Service is prime example, especially with WIA emphasizing universal access to “core” services under a work-first approach. Once again, federal reformers were unable to overcome conflicting policy visions and a legislative process driven more by politicians, interest groups, and bureaucrats pursuing their own separate goals and objectives than by any real concern for building a coherent system of workforce services. To a large extent, the hopes for improved workforce-service delivery nationwide are riding on thoughtful implementation of one-stop centers, expanded use of work-flex provisions, and the influence of new cross-program, state performance incentives.

Third, WIA has made great strides toward creating a customer-oriented, market-driven approach to workforce services with many of the requisite supports in place (e.g., consumer reports and individual training accounts). But, it is likely to fall short of expectations for two main reasons. One is that the choices it offers potential participants are highly constrained. Only those failing the various labor-market tests may access training services; the rest only have access to “core” or “intensive” services. The other is that

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44States are just now expanding the populations served by their TANF programs to encompass the working poor, former TANF recipients, and similar groups. In part, this represents a strategy for expending surplus TANF funds.
employers approaching WIA as customers may feel that they are encountering another version of the ES—with whose services they have rarely been satisfied—instead of the full-service approach that has been touted by reformers. A comprehensive workforce system should be able to offer a broad range of services to meet the needs of its two customers, job-seekers and employers. WIA's sequencing of services and the barriers it creates for adults and dislocated workers seeking skills training may have the effect of pushing employers and participants away from WIA and toward community and technical colleges, as well as state- and UI-financed skills funds,

further dividing these workforce development subsystems.46 Key policymakers and officials have indicated that service sequencing will be handled flexibly, with considerable discretion left to states and local boards.47

Fourth, both WIA and Perkins III create improved accountability and performance management mechanisms, and do so on a systemic rather than a program-specific basis as has been the case with previous workforce legislation. These acts also apply accountability and performance expectations to states as well as local programs and promote continuous program improvement as well.48 With these actions, policymakers have attempted to respond thoughtfully to the workforce effectiveness concerns that have been raised by critics. Designing and implementing accountability mechanisms that are based on reliable and valid performance indicators and that inform and improve service delivery is very difficult. WIA and Perkins III have taken important steps in the right direction.

Provisions of the 1998 workforce education and training legislation appear consistent with a continuing trend of coercive federalism. Federal workforce funding has increased in the late 1990s, but it has come with added restrictions in many areas. These restrictions are especially evident for workforce employment and training services provided under WIA. Workforce education may be even less constrained than under prior legislation. Devolution of federal workforce responsibility to states is not so pronounced as in welfare reform, although an enhanced role for private organizations locally is expected.

Moreover, while WIA and Perkins III reflect improvements in a number of areas—including one-stop service delivery, customer orientation, the use

44For example, eight of Texas' largest Chambers of Commerce sought large state funding increases in education, training, and transportation. They requested five-to-ten-fold 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.
46This statement is based on discussions with Education and Labor department staff in January 1999.
47PRWORA imposes sanctions (i.e., reduced funding) on states for poor work-participation performance.
of market mechanisms, and accountability—the rhetoric of comprehensive workforce policy reform exceeds the reality. Expectations have been raised at the national level, but the work of workforce system-building ultimately will be carried out by states and localities that remain somewhat constrained in their options, especially under WIA. The 1998 reforms have addressed effectiveness more fully than efficiency concerns.

WHITHER WORKFORCE DEVELOPMENT POLICY?

Congress and the Clinton administration reached agreement on workforce policy reforms in 1998. It had been six years since the last set of job-training amendments and fully eight years since vocational education had undergone a major reauthorization. Whatever the result of this latest round of reforms, real or perceived, it is unlikely that Washington will be willing to entertain serious discussion on workforce policy for several years. Congress can be expected to adopt a wait-and-see posture for the immediate future, while federal agencies administer these new policies and state and local actors work to implement them.

The state of the economy will also affect policymakers’ willingness to reopen the workforce policy debate. The nation continues to experience uniquely favorable economic conditions, including steady employment growth and historically low rates of unemployment and inflation. Moreover, government budget deficits that have dominated the policy environment for the past two decades recently have been transformed into budget surpluses. Having just enacted workforce legislation, policymakers may need the extra motivation only an economic downturn can provide to put workforce policy back on their agenda.

Barnow's two scenarios to the contrary, coercive federalism in workforce policy is expected to persist into the future, even as states serve as “laboratories of democracy.” Governors and state legislatures have introduced innovative workforce reforms in the past decade, streamlining services and consolidating diverse programs even without federal assistance. In key areas—including accountability and market mechanisms—federal agencies have provided states and localities with useful tools to support better policy and program implementation. But, whether or not enhanced discretion for workforce policy is forthcoming from Washington, experience suggests that states (and localities) will continue to demonstrate new, and possibly better, ways of delivering workforce services.

Workforce policies and programs in the future are also likely to feature an even more prominent role for market mechanisms and market-oriented approaches. WIA's new provisions concerning individual training accounts, provider certification processes, consumer reports, and explicit recognition of job-seekers and employers as customers, along with state-based performance measures and state-oriented accountability systems under WIA
and Perkins III, all suggest that market-like mechanisms have arrived in workforce policy. How well these mechanisms will fare over time remains to be seen. Will interjurisdictional competition yield better workforce results than more collaborative approaches? Will customers (job-seekers and employers) be able to signal their needs to the workforce marketplace accurately and consistently, and will the market respond appropriately if they do? Also, will the new workforce programs entail an enlarged role for the private sector, including for-profit and non-profit organizations? These are empirical questions that can be answered in time.

The comprehensiveness of workforce policy, including broad concerns over efficiency, is the issue that has yet to be fully addressed and one that will eventually resurface in national discussions. The history of workforce development policy—and that of earlier “manpower” and “employment and training” policies—largely has been characterized by ad hoc responses to the particular problems and needs of specific populations. Policymakers in Washington inevitably have developed policy in this manner despite the fact that this results in overlapping target populations, duplicative services, conflicting goals, and other equally disturbing effects, namely, inefficiency in a broad sense. Even in an environment characterized by budget surpluses, policymakers will be unable to ignore these issues.

Although the nation moved toward more comprehensive workforce policies in 1998, shortcomings of these acts are likely to become apparent as states and localities plan for and implement them. For all of their positive features—and there are many—they do not yet provide an adequate framework, flexibility, or funding for building comprehensive workforce development systems in states and localities. The United States is supporting a dual system: a well-financed and regarded system of education and training for experienced incumbent workers that is based in community and technical colleges and stresses building skills for high-wage jobs, on the one hand, and an underfunded, more regulated system offering limited services for welfare recipients, low-income, and other populations geared primarily toward securing low-skill, low-wage jobs, on the other.49 There are few ladders of opportunity connecting them.

49Grubb et al., Toward Order from Chaos.