

Joint Economic Committee
Hearing on Manufacturing in the United States: Training America's Workforce
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Written testimony of Ronald D. Painter, CEO, National Association of Workforce
Investment Boards (NAWB)

Introduction

On behalf of the National Association of Workforce Boards (NAWB), I am pleased to submit the following written testimony to the Joint Economic Committee. NAWB is comprised of our nation's business majority, locally led, workforce investment boards (WIB's) that are charged with developing workforce related policies and strategies to help meet the current and future needs of both employers and jobseekers in their local and regional economies. NAWB's national board, Chaired by Laurie Moran, Executive Director of the Danville-Pittsylvania VA Chamber of Commerce, includes both large employers such as Microsoft, Boeing, and Ford Motor Company's Fund, and as well as small employers such as manufacturers, financial planners, community banking, education, and AFL-CIO councils.

Nationally, there are over 550 local WIB's, with each state also having a state workforce investment board. These boards are required to be both business majority and have a business chair. The business community clearly finds WIB's to be of value to their local communities, as over 12,000 employers volunteer their time to serve of local and state WIB's.

The vast majorities of these local WIB members are small employers and reflect the local/regional labor markets the WIBs oversee. While these volunteer business leaders represent all the sectors of the economy, they have one common bond, putting Americans back to work and helping employers compete. They help meet the needs of business through local labor market analyses to better understand the demands and trends in the market and communicate their findings to policy makers, employers, training providers, and job seekers to prepare their workforce for the skills needs of their local and regional economies.

Certainly the employment report issued on Friday July 8th gives us an indication that we are in the midst of a long term employment crisis which will not be quickly remedied. I believe the Workforce Investment Act (WIA) is an important piece in our long term recovery by addressing the mismatch between the skills needs of employers and current skills in our workforce by providing our workers with the employment related services and training they need to help employers grow and compete globally.

How is WIA helping in the current economy?

Despite at best stagnant overall funding over the past ten years, our nation's workforce development system is a tremendous success story, assisting an unprecedented number of jobseekers. This past year, we experienced a 234% increase in participation rates in WIA programs over just two years ago. Over 8 million individuals were served through Title I programs alone and despite a ratio for job seeker to job vacancy of over 4:1, over half of the

jobseekers who utilized WIA services, more than 4 million individuals, were placed in employment.

A number of states have also done their own Return-on-Investment analyses of their WIA funding and found rates of return ranging from a low \$1.52 to a high of over \$3.50 per federal dollar invested. Additional work in Texas, which integrates all funding through the Texas Workforce Commission and the local WIB system, suggests that the payback for the Federal investment is less than 8.5yrs.¹

WIBs have increasingly adopted a sectoral approach, targeting their limited funding by identifying the industries with the strongest upcoming need for skilled workers and overall potential for growth and training their workforce to meet these demands. Some states have supported these initiatives with funds beyond WIA. In Pennsylvania, the Commonwealth funded not only training in some of the sectors, but also funded the organizing these sector conversations, a critical function in better understanding the industry needs for economic development and workforce development.

What have been the results of this sectoral approach? Two examples come to mind. In Pennsylvania, manufacturing employers in the Berks County region were losing their skilled industrial maintenance workers to retirement, and there was an inadequate "pipeline" of new entrants. In addition, the job requirements were shifting, requiring cross-trained technicians that had more advanced technical skills. The employers partnered with Reading Area Community College (RACC), secondary career and technology centers, and the Berks and Lancaster County Workforce Investment Boards to address the need for workers skilled in "mechatronics" - a high-tech job that combines mechanical, electrical and controls engineering with computer science.

Driven by input from prior employer partnerships with employers in a variety of fields, the Berks and Lancaster Workforce Investment Boards teamed with RACC, to develop and offer an advanced manufacturing integrated systems technician certification program. More than 400 workers earned certification in mechatronics through this collaborative effort. The initiative expanded to include an associate degree program at RACC. Graduates of the associate degree program now also have the opportunity to transfer credits to one of three baccalaureate programs: Electromechanical Engineering Technology at Penn State Berks; Mechatronics Engineering Technology at Purdue Calumet in Hammond, Ind.; or Industrial Technology at California University of Pennsylvania.

In Illinois, Joule Technologies is a small manufacturing company in McHenry County Illinois, struggling to keep its employees' skills competitive in the market. Joule received an Incumbent Worker Training Grant from the McHenry County Workforce Network to update its current employees' skills, resulting in the company's shut down for three days to focus on extensive on-site training in Lean Enterprise. This funding provided Joule with the opportunity to completely restructure its production processes and philosophies, resulting in reduced lead times for their products by 60%, increased their on-time delivery by 94.5% and reduced customer returns by over 80%. Their workforce is confident and is now taking ownership over their

¹ Smith, King and Schroeder. (May 2011) Local Investments in Workforce Development: 2011 Evaluation Update. Austin: Ray Marshall Center

products and customer relationships in a way that they could not have imagined twelve months ago.

The need to reauthorize federal job training programs

The Federal involvement in the skills of our nation's workforce has a long history dating back to the 1860's and the Morrill Act² that created land grant colleges. In that era, business was concerned with to train large numbers of people who had been farmers, but were now needed to man the growing factories in the war effort. Michigan State University being the nation's first and Pennsylvania State University the second. Later Congress created the nation's cooperative extension system to help disseminate the knowledge gained through the land-grant colleges to the farmers and others in rural America.

The Federal involvement in workforce programming has been historically bipartisan as exemplified by the current eighteen (18) month dialogue led by Senators Murray, Harkin, and Enzi that has recently produced the Workforce Investment Act of 2011 now being considered in the HELP Committee. Before this current discussion, Senators Kennedy, Jeffords, Quayle and Hatch provided evidence that federal investments in workforce development can be a bi-partisan issue in which the principles of our nation's competitiveness rests on healthy businesses, whose foundation is a skilled workforce. I am hoping that we can achieve that same spirit in re-authorizing the Workforce Investment Act this year.

WIA was enacted in 1998 in a very different economy than we are experiencing today. One major indicator of that change is that of the unemployment rate. In June 1998 the unemployment rate as 4.5%, less than half of today's 9.2% unemployment rate down from June 2010's rate of 9.5%. While many economists indicate the recession ended last year, jobs are in the decade of the 2000's is growing at only 1/2 the historical rate of previous decades.³

Recognizing these significant changes in the economy, NAWB is very appreciative of the HELP Committee's effort to reauthorize WIA, which is the umbrella job training law that is clearly charged with the bulwark of career planning and employment related assistance for the US labor force, especially in these difficult times. WIA provides far more than job training programs alone, it also includes a range of employment related services to help put jobseekers back to work who need some guidance, but not training, to regain employment. The HELP Committee's bipartisan discussion draft makes a host of changes to improve the effectiveness and efficiency of the workforce system and we hope this legislation will be swiftly adopted.

² The Morrill Act of 1862 7 USC § 301 The purpose of the land-grant colleges was, without excluding other scientific and classical studies and including military tactic, to teach such branches of learning as are related to agriculture and the mechanic arts, in such manner as the legislatures of the States may respectively prescribe, in order to promote the liberal and practical education of the industrial classes in the several pursuits and professions in life

³ McKinsey Global Institute - An economy that works: Job creation and America's future, June 2011(pg. 19) with data source: US Bureau of Economic Analysis; US Bureau of Labor Statistics

WIA funding at continued risk

This year, we have seen an unprecedented assault of funding for workforce programs. The House passed HR 1 would have eliminated funding for all WIA formula funded programs, providing no place for the 8 million jobseekers who utilized WIA services this past year to turn for assistance. While the FY 10 agreement did not end up eliminating funding for WIA, it did cut funding for formula programs relied on by states and localities around the nation to help employers and jobseekers in need.

However, the current outlook for WIA funding in FY 12 looks bleak as well, as the Labor-HHS Appropriations bill will need to cut at least \$18 million below current levels and nearly \$30 billion when funding necessary to continue current funding for Pell grants is included.

The impact of some of the reductions to the workforce system are already being felt. Despite this being the worst summer for youth employment since World War II, with only three of ten young people expected to find employment, this is the first summer in the past three years when no additional federal funding for summer employment was available. These programs, which assisted nearly 300,000 at risk youth in the summer of 2009 alone, provide many youth with their first exposure to an employment environment and the opportunity for increased educational enrichment.

These programs should be viewed as investments– not costs. More than 7,000 young people a day leave education - - approximately 1 million per year. To re-engage these young people, we must provide them the skills they need to be productive in the labor market, which is an enormous task that must be grounded in labor market data that connects their interests and their training to the labor market. This is a challenge that can be lead by WIBs and will most certainly involve employers, educators, and communities – but has to happen locally, rather in Washington.

WIBs leveraging funds to further assist employers and jobseekers

While WIA funding is an absolute imperative investment in our workforce, many WIB's also access other funding streams to help pay for occupational training. WIBs and one-stops by necessity have broadened their funding sources and their knowledge of financial aid to help the jobseekers who come to the workforce system for help and guidance.

Pell grants are one of the most important funding resources and help thousands of people building upon their current skills or developing market-level skills, the one-stops are where they learn about financial aid and how to apply. Well over 50% of the WIBs also provide counseling and assistance in sources of and applying for financial aid. WIBs leverage over \$5 billion in Pell funding on behalf of America's businesses in our pursuit the world's most competitive labor force.

TAA is also a critical component of funding skill training that WIBs rely on the local level to meet the need and demand for skill training. Our research tells us that TAA participants are often at the lower end of the market in terms of education & training, so the more generous set of

benefits TAA impacted workers receive helps retain the worker in training and cover the cost of the more advanced learning often required for them to re-enter the labor market.

Some states have also consolidated through state law their entire workforce related programs under the authority of the WIB's. In Texas, local WIB's received the fiscal and administrative responsibility for planning, oversight and evaluation of all public employment programs. Texas WIBs focus on customer engagement – business and job seeker, streamlined service access and continuous improvement all so that job seekers can transition from using taxes to paying taxes and businesses find the workers they need to increase production and profitability.

NAWB and the nation's workforce investment system are on the front lines of helping America's businesses access a labor force with the skills to make them competitive globally through skills training and employment related assistance. If you would like to learn more about the system, the internet can take you to; WorkforceInvestmentWorks.com which is a compilation of stories from every state in the US about the impact your investment in workforce is making.

Thank you for your consideration of my remarks.