

**Improving Performance on Earnings Replacement Outcomes
for Dislocated Workers: A Report on Strategies Being Used by
State and Local Workforce Investment Boards**

Final Report

March 2005

Prepared for:

**The U.S. Department of Labor
Employment and Training Administration**

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The U.S. Department of Labor, Employment and Training Administration, contracted with Capital Research Corporation to conduct this study (under Contract No. AF-12531-02-03, Task 1). The views in this report are those of the authors and do not necessarily reflect the views of the U.S. Department of Labor.

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IMPROVING PERFORMANCE ON EARNINGS REPLACEMENT OUTCOMES FOR DISLOCATED WORKERS: A REPORT ON STRATEGIES BEING USED BY STATE AND LOCAL WORKFORCE INVESTMENT BOARDS

A. Introduction

One of the U.S. Department of Labor's (DOL) goals in serving dislocated workers under the Workforce Investment Act (WIA) is for workers served to return to work and earn a wage close to the wage earned prior to dislocation. In Program Year (PY) 2003, the negotiated goal established for DOL under the Government Performance and Results Act (GPRA) was for dislocated workers served under WIA to earn 93 percent of their pre-dislocation earnings, and the actual earnings replacement rate was 89 percent. Earnings replacement is a challenging goal for DOL and the workforce development system that it oversees – especially given that some studies have suggested that earnings losses for dislocated workers appear to persist at a level of 14 percent or more even four years after displacement.¹ The issue of improving earnings replacement for dislocated workers has been of substantial interest to DOL, as well as to state and local workforce development agencies responsible for operating WIA dislocated worker programs.

This report was prepared under a contract for the Employment and Training Administration (ETA). The broader objectives of this study were to improve understanding of variation in earnings replacement outcomes across state and local workforce investment areas and to disseminate information on effective strategies for serving dislocated workers to achieve earnings replacement goals. Under WIA, “earnings replacement at six months” is one of 17 performance measures upon which

¹ Bruce C. Fallick, “A Review of the Recent Empirical Literature on Displaced Workers,” *Industrial and Labor Relations Review*, Vol. 50, No. 1, 1996.

local Workforce Investment Boards (WIBs) are assessed each year to determine performance under WIA. Based upon their performance on earnings replacement and other measures (such as the entered employment rate and the employment retention rate), WIBs may qualify for bonus payments that are distributed each year by DOL/ETA to states.² The specific measure that is the focus of this report—earnings replacement rate at six months—pertains only to the WIA Dislocated Worker Program. The calculation of the earnings replacement rate for a WIB for a given program year is made only for individuals who exited during that program year who had earnings in the first quarter after exit. The measure is defined as follows:

Total post-program earnings (earnings in Quarters 2 and 3 after exit) divided by pre-dislocation earnings (earnings in Quarters 2 and 3 prior to dislocation).

Unemployment Insurance (UI) wage records are the only source of data for calculating earnings replacement rates.³ Each local WIB negotiates its goal with the state WIB for each performance measure (including the earnings replacement rate) for each program year. At the end of the program year (when UI wage record data become available), an earnings replacement rate is calculated for each local WIB and compared to the goal set prior to the program year to determine the WIB's success on the measure.⁴

² States may qualify for incentive payments if they meet performance standards for their WIA, Vocational Education, and Adult Education programs.

³ Among the individuals excluded from this calculation are the following: Individuals who are not employed in the first quarter after exit; individuals whose employment status (pre- and post-program) cannot be confirmed by UI Wage Record cross match; and individuals whose entry date is so far back in time that accessing pre-registration wage data is unfeasible or unreasonable. The qualifying dislocation date is the last day of employment at the dislocation job; if there is no date of dislocation, then the date of WIA registration is used.

⁴ A WIB is considered to be deficient on the earnings replacement measure if it does not achieve 80 percent of its goal. If a WIB is found to be deficient on earnings replacement (or any other measure), it may not qualify for a performance bonus from the state (if the state qualifies for an incentive bonus from DOL) and could potentially be the subject of corrective actions taken by the state to improve WIB performance.

This report highlights some of the strategies that state and local WIBs can implement to improve earnings replacement outcomes for the dislocated workers they serve. Another report prepared under this study -- *Earnings Replacement Outcomes for Dislocated Workers: Extent of Variation and Factors Accounting for Variation in Earnings Replacement Outcomes Across State and Local Workforce Investment Boards*⁵ - - found that (1) there is substantial variability in earnings replacement rates among the approximately 600 local WIBs spread across the nation, and (2) within WIBs, there is substantial year-to-year volatility in earnings replacement rates. For example, as discussed in much greater detail in this related report, actual earnings replacement rates at the state level ranged from 73.4 percent to 150.3 percent in PY 2003 (over a 75 percentage point difference). Further, the earnings replacement rates in 20 states either increased or decreased by 5 or more percentage points between 2002 and 2003 – with six states experiencing single year changes in earnings replacement rate of plus or minus 25 percentage points. The analysis also highlighted the substantial differences across local WIBs on earnings replacement rates – ranging in PY 2003 from less than 60 percent to over 200 percent of pre-dislocation earnings. State and local WIBs enter each program year facing much uncertainty about how well they will perform on earnings replacement rate because whether they achieve their negotiated goal for the program year is closely tied to the types of dislocations that occur within their service areas, the specific characteristics of workers that are dislocated, and local labor market conditions.⁶

⁵ Capital Research Corporation, *Earnings Replacement Outcomes for Dislocated Workers: Extent of Variation and Factors Accounting for Variation in Earnings Replacement Outcomes Across State and Local Workforce Investment Boards*, prepared for the U.S. Department of Labor, 2005.

⁶ The regression analysis presented in this related report, for example, suggested that certain pre-dislocation characteristics of dislocated workers served by WIA dislocated worker programs can have an effect on whether local WIBs are successful in meeting negotiated earnings replacement

This report highlights some of the strategies potentially available to state and local WIBs to enhance program performance, particularly with respect to improving the earnings replacement outcomes. While there are no clear cut strategies for improving earnings replacement and ensuring that state and local WIBs will be successful each year in meeting earnings replacement goals, there are a number of strategies available to state and local workforce development agencies that may enhance performance and reduce year-to-year volatility on this important measure of program performance. The strategies and practices discussed in this report are based on the following data collection and analysis tasks:

- structured telephone interviews with 24 local workforce investment area agencies and state workforce development agency administrators (in the same states as the 24 local workforce investment area agencies);
- site visits to nine local workforce investment areas (from among the 24 local WIBs contacted by telephone); and
- statistical analyses of WIA participant-level administrative data and documents.

B. Potential Strategies Available to States and Local WIBs

This section presents a series of strategies that states and local WIBs may consider adopting to improve performance on the earnings replacement outcome standard, as well as other WIA performance standards. Examples of specific strategies and approaches adopted by some of the local WIBs interviewed for this study are also provided in text boxes.

goals – particularly the percentage of dislocated workers with high pre-dislocation wages (e.g., \$40,000 per year or higher) and the percentage of older workers (e.g., 45 years of age or older) exited. Both of these worker characteristics were highly significant and negatively correlated with performance at the WIB level on the earnings replacement rate measure.

Strategy #1: Use Assessment Process and Job Readiness Workshops to Identify Highly Motivated Workers Likely to Complete Training and Benefits from WIA Services

Prior to enrollment in WIA, WIBs have an opportunity to collect background information about the dislocated workers that may provide clues as to their motivation level and likelihood of

completing training and other program services. For

example, most WIBs in our sample had a series of steps

that preceded enrollment in intensive services under WIA

and utilized a thorough screening process prior to

enrollment in WIA-sponsored training. Some

early indicators of whether dislocated workers are

serious and highly motivated in seeking out services

include: whether they arrive in a timely manner and successfully complete group or one-on-one orientation sessions, intake/assessment meetings with case managers, and job

readiness workshops. Several WIBs used orientation and job readiness workshops as screening activities to gauge appropriateness for WIA enrollment.

SCREENING FOR HIGHLY MOTIVATED WORKERS DURING INTAKE/ASSESSMENT
WIB F. *Once the workers appear at the One Stop, they are registered and invited to make use of the self-help resources in the One-Stop. Assessment is not conducted until the client appears to be having difficulty in securing employment or indicates an interest in being considered for training. Prior to a structured assessment, dislocated workers attend a mandatory orientation (held weekly) where they are introduced to the intensive services, training programs and eligibility requirements. Following the orientation session, interested dislocated workers are scheduled for a personal interview and are provided more detail about available services, scheduled for basic skills testing and occupational aptitude testing, and complete remaining paperwork so that eligibility for services can be determined. Sessions on motivation, interviewing, job readiness, and job retention skills are also offered. The process is time-consuming, but it helps to ensure that only the motivated remain in the pipeline.*
WIB X. *This WIB's "Hit the Ground Running" job readiness workshop – which is required for some dislocated workers prior to authorization of training – is viewed by program administrators as contributing to improved job placement and wage replacement outcomes. In addition to teaching effective job search strategies, the workshop has been helpful in terms of screening out individuals who are not highly motivated or are primarily interested in job search assistance (which can be obtained through the One-Stop Career Center without formal enrollment in WIA).*

WIB staff observed that it only made sense, given limited WIA funds, to enroll those dislocated workers who are serious and highly motivated. In addition, given the many services available to customers through One-Stop Career Centers (and available through other funding sources, such as Trade Adjustment Assistance (TAA) and Wagner-Peyser Act funds), those dislocated workers not formerly enrolled in WIA could often obtain a range of services that met their needs and helped to move them along the path toward securing a job.

The intake and enrollment process utilized by the WIA Dislocated Worker program in *WIB O* is a good example of the series of steps dislocated workers often are required to undertake before being enrolled under WIA: (1) the dislocated worker attends an orientation session during which he or she begins completing eligibility and registration forms and schedules an appointment for an interview with a case manager; (2) during an hour-long one-on-one session, a case manager interviews the dislocated worker to begin to identify service needs, interests, and appropriateness for program services; (3) the dislocated worker must bring all required eligibility forms and documentation for a second meeting with the case manager—this meeting often includes the development of a formalized employment plan; and, finally, (4) if deemed appropriate, the customer is then registered and enrolled in WIA and can begin receiving services.

Finally, WIB administrators emphasized that gauging a customers' level of commitment was especially important if the dislocated worker was seeking WIA training assistance. In addition to the potential impact on performance measures, WIBs have limited funds available to support training. Many WIBs have multi-layered approval

processes customers must go through prior to receiving training. For customers in *WIB Q* to obtain training, for example, they must conduct labor market research, visit at least two training providers, and find at least five job postings in the field for which they are considering training.

Strategy #2: Use Statistical Modeling/Analysis to Target Intensified Services on Dislocated Workers Likely to Perform Poorly on Earnings Replacement.

Advanced statistical modeling and analyses could be very helpful from the standpoint of helping local WIBs to identify specific participant characteristics that are important determinants of performance at the local WIB level on earnings replacement outcomes.⁷ Similarly, using advanced statistical modeling techniques, local WIBs could analyze earnings replacement outcomes to identify specific types of dislocated workers, types of plant closing, and local economic conditions that have driven earnings replacement rates (both positively/negatively) in their locality. WIBs serving areas with larger numbers of dislocated workers (e.g., urban areas and multi-county WIBs) could conduct such analyses on a single program-year basis, while WIBs serving fewer participants each year (e.g., perhaps WIBs serving a single county or rural areas) may need to pool data for several years to have a large enough pool of participants to conduct such analyses. Data are readily available each year from the Workforce Investment Act Standardized Record Data (WIASRD) data system and other state/local participant-level databases to support such analyses.

⁷ In another report prepared under this same study, a regression model was used to analyze effects of certain participant characteristics on earnings replacement rates of dislocated workers. See Capital Research Corporation, *Earnings Replacement Outcomes for Dislocated Workers: Extent of Variation and Factors Accounting for Variation in Earnings Replacement Outcomes Across State and Local Workforce Investment Boards*, prepared for the U.S. Department of Labor, 2005.

Similar to the unemployment insurance (UI) system’s “profiling” system, it is possible to develop and apply a statistical model to local programs to identify dislocated workers during the assessment process who are most likely to need education, training, and a range of other intensified support services to perform well on the earnings replacement measure. Such a model could generate a score for each individual at the time of assessment that would indicate predicted probability of achieving earnings replacement based on the participant’s characteristics at the time of dislocation (e.g., education level, pre-dislocation earnings, prior work history, age, occupation, etc.).⁸ With the ability to identify individuals at high risk of being unable to replace pre-dislocation wages, it would then be possible for local WIBs to:

- systematically assess the needs of high-risk dislocated workers, including assessing for basic skills deficiencies, training needs, and support service requirements to make certain that critical needs are addressed;
- target intensified and special assistance on those most likely to be unsuccessful on the earning replacement measure – for example, provide intensified case management, long-term training assistance, and intensive job search/placement/retention assistance; and
- regularly track progress of those facing the greatest hurdles to replacing former wages from the point of intake through exit and beyond.

⁸ The statistical procedures described in this section are not intended for use in the selection of applicants who are most likely to have good outcomes – known as “creaming.” Rather, the intent is to focus resources on applicants who are truly interested in improving their employment situation and who may be in need of intensified services and follow-up to improve earnings replacement outcomes.

Strategy #3: Use Co-Enrollment in Trade Adjustment Assistance and Other Programs to Enhance Earning Replacement Outcomes

In addition to training and other services provided under the WIA Dislocated Worker program, dislocated workers may receive assistance through funding available under Trade Adjustment Assistance (TAA), WIA National Emergency Grants (NEG), Wagner-Peyser (the employment service), and the WIA Adult program. WIB and One-Stop Career Center administrators we interviewed pointed out that different funding streams may be appropriate for different customers – and that dislocated workers may or may not be co-enrolled under multiple funding streams. TAA and NEG funds often allow for longer-term training than what can be supported through WIA Individual Training Accounts (ITAs). If there is an

EXAMPLES OF USING OTHER FUNDING SOURCES TO SERVE DISLOCATED WORKERS

WIB D. *Many of the closures and lay-offs in the area have qualified for TAA. In addition, the WIB has received two National Emergency Grants (NEGs) that have been vital to serving the high number of dislocated workers that have required services over the past few years. Whenever possible, WIB staff attempts to secure the necessary services for dislocated workers through TAA or NEG funds. Often, the workers eligible for these funds are the ones who are least likely to obtain a job paying commensurate wages to those from their previous employer. For example, the WIB served many of the dislocated information technology (IT) workers with NEG funds. By not enrolling these dislocated workers in the WIA program, the WIB was able to avoid the effect that these individuals' lower wages will have on the WIA performance measures. Sometimes the WIB co-enrolls customers in TAA or NEG program if there are services that can only be paid for with WIA funds (e.g., transportation assistance).*

WIB N. *There are two main funding streams the workforce development agency uses to serve dislocated workers. In addition to WIA funding, the state employment service also has a separate Workforce Development Program (WDP). The county receives almost as much funding through WDP as it does through WIA. The services available to customers through the two funding streams are similar; but unlike WIA, the county's WDP funding is not tied to performance measures. As such, the workforce development agency is able to serve higher-risk customers (e.g., dislocated workers with high pre-dislocation wages and obsolete skills) through WDP and avoid hurting its performance on the WIA measures.*

opportunity for a dislocated worker to move to a growth industry that requires two or three years of training, a WIB may co-enroll the customer (if eligible) in TAA to

maximize the funding for that training and also so that the worker qualifies for trade readjustment allowance payments (i.e., income support). Local WIBs closely partnering with the employment service may be able to obtain a range of fairly intensive job preparation services for dislocated workers prior to their enrollment in WIA -- such as case management and counseling services, job clubs and networking groups, help with resumes and interviewing skills, job search seminars, and classes held at the One-Stop Career Center teaching basic computer skills to individuals.

Strategy #4: Set Target Wage for Dislocated Worker Prior to Job Search

In their desire or need to secure a job as soon as possible, some dislocated workers may take the first or second job offer that comes along even though it can mean a significant decrease in wages from their previous job. In initially working with dislocated workers – as part of the assessment process and subsequent job readiness workshops and one-on-one case management – WIB staff should help with setting a realistic target wage for each participant based on their knowledge of the local labor market. This target wage should take into consideration the worker’s prior earnings, as well as supply/demand conditions within the region and the experience/qualifications that the individual offers prospective employers. This target wage should also take into consideration willingness to relocate and/or commute longer distances (which will determine the pool of job openings to be considered). There are a variety of automated databases – especially O*Net and America’s Job Bank -- and other resources, including classified ads, that are available within One-Stop Career Centers to assist with setting realistic target wages for dislocated workers. Workers should be encouraged at least

through the early stages of their job search (e.g., for the initial 4 to 6 weeks of job search activity) to use the target wage as a threshold and key determinant in helping to decide whether to accept a job offer. With time, as the dislocated worker tests the job market, they may need to revise their target wage level – though they should be encouraged to do so only after they have aggressively tested the local labor market and carefully considered the possibilities of relocation.

Strategy #5: Where Appropriate, Encourage Expansion in Geographic Area of Job Search Considered by Dislocated Workers

Commuting patterns and willingness to relocate are also sometimes important determinants of whether dislocated workers are able to replace prior wages – an unwillingness to move to another locality or to commute longer distances can result in workers settling for jobs paying lower wages in their immediate locality. Expansion of the geographic area considered by dislocated workers during their job search can greatly expand the number and types of jobs available. In addition, wage levels may be considerably higher in other localities for certain occupations – particularly where employers are experiencing shortages of qualified candidates to fill job openings. Hence, where appropriate, WIBs should encourage re-location and expansion of the commuting area being considered to expand the pool of jobs being considered by dislocated workers. The information tools and databases now available within One-Stop Career Centers – especially O*Net and America’s Job Bank – can help to broaden the horizons of workers in terms of the geographic areas considered during the job search process. Dislocated workers should be encouraged to use these information sources and other tools to consider the full breadth of job openings available.

Both in their job

readiness workshop curriculum and as part of the individualized job placement assistance provided, WIB staff should emphasize the importance of considering job openings outside of the local labor market. Providing transportation assistance to support a wider job search and generous relocation assistance can also help to encourage dislocated workers to broaden the geographic focus of their job searches.

EXAMPLES OF PROMOTING RELOCATION AND EXPANDED COMMUTING DISTANCE

WIB O. Many workers are not tolerant of long commutes (a 30-45 minute is considered fairly long by local standards) and snow conditions during the winter can make commuting treacherous at times. Dislocated workers unable to find jobs in the immediate area may have to travel an hour or longer to urban areas to reach larger labor markets that may offer jobs paying similar wages to what workers were formerly earning. Such lengthy commutes can be burdensome and costly (\$60 or more per week). Often workers are willing to settle for jobs paying much less to work within the county. Program staff encourages workers to carefully consider the area in which they are willing to commute. For some occupational fields, especially professional jobs, workers need to be flexible and willing to consider commuting longer distances to urban centers.

WIB H. Many dislocated workers are unwilling to consider relocation – those most likely to consider relocation are younger dislocated workers who have a clear idea of their career trajectory. WIB staff actively promote relocation when higher wages are available in other localities. Staff can offer help with relocation costs, though they often find that companies will pay such costs if there is sufficient labor demand.

Strategy #6: Emphasize Skill Upgrading, Obtaining Educational Credentials, and Career Paths

Many WIB administrators and staff indicated that for those workers least likely to replace earnings, basic skills upgrading and re-training may be the only available alternative for helping certain dislocated workers to come close to earning their prior wages. Those dislocated workers coming to workforce training programs after many years on the job, with outdated skills, and who have built higher wages through seniority, may have little choice but to undertake extensive training to upgrade existing skills or to

move into a new occupational field. Some of the WIBs included in our study emphasized career paths for dislocated

workers they served (e.g., within the health professions). It is helpful to provide workers with career ladder information so that they can keep moving forward in their careers after they become re-employed. Several WIBs also indicated that customized training and employer-based training initiatives offered possibilities for upgrading skills before workers became dislocated and for emphasizing life-long learning.

WIB P. *WIB administrators indicated that training is tremendously important with regard to improving earnings replacement outcomes. The WIB staff emphasizes to dislocated workers that training is needed on a life-long basis. The state has issued a strategic planning grant to address what is feared to be an impending crisis of a skills mismatch for companies that are looking to grow globally and need specific high-level skill sets.*

WIB Q. *WIB administrators indicated that it would be best if workers got started on training prior to the dislocation, though as WIA is currently configured funding is limited for providing incumbent worker training. Workers need to be encouraged to undertake long-term training and continue to upgrade skills even while working. While dislocated workers can begin training under WIA, caps on ITAs and number of years of training may mean that workers are able to complete only the first phase of training along a career path (e.g., train to be an Licensed Practical Nurse (LPN), with an eye on obtaining additional training down the road to become a Registered Nurse (RN)).*

WIB N. *The WIB is in the early stages of designing and implementing a customized training program with two local hospitals. The initial class of 13 students would start at entry-level positions at the hospitals and, ideally, move up a career ladder to higher skill jobs in demand occupations (e.g., nursing). The hospitals provide input on the design of the training program – so trainees emerge with the skill sets needed by hospitals -- and agree to move workers into higher paying jobs once training is successfully completed.*

Strategy #7: On-the-Job Training and Customized Training May Provide Opportunities for Moving Workers into Higher Paying Jobs

WIBs may be able to help dislocated workers to obtain jobs at higher wages than would normally be the case by working with local employers to create on-the-job training (OJT) slots. By providing an initial subsidy to the employer to offset training costs (generally up to half the wages for a period of up to six months), through OJTs

WIBs can support employer efforts to upgrade worker skills and create incentives for employers to hire workers who might not otherwise be hired (or be hired at lower wage levels).

USE OF OJTs TO SECURE HIGHER WAGE JOB OPENINGS

WIB Q. Agency administrators and staff feel that customized training and OJTs are especially effective and good alternatives to dislocated workers undertaking formal training at area colleges and community colleges. With regard to customized training programs, it is important to get employers involved in training program design, have them come in to help out with training, and view the dislocated worker program as a resource to them. From a performance standpoint, it is also very helpful to get commitments from employers to hire workers once they have completed training – which is common for both OJT and customized training.

Customized training – where a WIB works closely with an employer (or group of employers) and a local training provider, such as a community college to devise a training program customized to the training requirements and needs of the employer – is another potential approach to

engaging employers with the workforce development system and enhancing earnings of dislocated workers. WIBs can improve their ability to place dislocated workers in higher wage occupations if they carefully attune training

EXAMPLE OF A CUSTOMIZED TRAINING PROGRAM

WIB H. The local WIB has a strong relationship with a state university to provide training and career services. The university staff works closely with the WIB to develop training programs that meet the needs of employers and workers. For example, when 220 welders were recently laid off by a major local manufacturer, the WIB worked in partnership with the university to offer a class outside of the normal academic schedule so these workers could upgrade their skills. Partnering with the WIB and the economic development council, the university developed a call center training program in response to the increasing availability of these jobs in the area. These are higher paying jobs that provide health insurance and educational benefits. The training focused on math and computer skills, customer service, and script reading. The university secured a commitment from a new company moving to the local area that anyone who successfully completed the training program would be guaranteed a job interview.

programs to the needs of the local business community. Through customized training initiatives, WIBs can work with employers to identify the necessary skills for higher wage occupations and then partner with education providers to design the necessary

training instruction (with input from employers). Often employers are willing to share the costs of developing the training curriculum and instruction (e.g., pay all or a portion of the cost of instructors, sponsor the training rent-free at a classroom on the employer site, or donate equipment or instructional materials). Customized training is attractive to employers because it helps to offset employer training costs, helps with recruitment of new workers, and ensures that workers come to the job with the requisite blend of skills to be productive on the job. With input into the design of the training program and up-front commitments to hire successful trainees, dislocated workers have a high probability of being hired once training is completed – and being hired at wage levels that will meet or exceed prior wage levels. Finally, developing customized training programs can be especially effective in areas experiencing mass layoffs.

Strategy #8: Vary Cap on Individual Training Accounts (ITAs) to Encourage Training in High Skill/High Wage Occupations

Some dislocated workers facing difficult prospects for replacement of prior wages may need longer and more intensified training to replace prior wages. One possibility is for WIBs to vary the cap amount on training to permit higher expenditures for training of dislocated workers facing greater hurdles to replacing prior wages and/or seeking training for higher paying jobs. As shown in the accompanying text box, to encourage customers to pursue higher-paying jobs, the individual training account (ITA) amount at one WIB we

WIB F. *This WIB uses the Individual Scholarship Account (ISA) system in conjunction with the Regional Targeted Occupational List for establishing approved occupational training programs for all customers of the One-Stop. The emphasis is on ultimate placement in high skill/high wage jobs. Training for jobs paying between \$8.79 and \$14.44 are eligible for training support up to \$3,000. Training for jobs paying \$14.45 per hour or more (High Skill/High Wage) upon entering employment are eligible for training support up to \$6,000.*

visited is dependent on the expected wage upon completion of the training (with the ceiling on training expenditures for high skill/high wage jobs double that for lower paying jobs).

Strategy #9: Use Automated Reports to Track Participants Throughout Their Involvement in WIA and to Monitor Exits

The information technology for tracking customer involvement in services – including types of services received, progress through training and along the path toward reemployment, and employment status -- has advanced considerably in recent years. WIBs should take full advantage of what have become relatively low-cost (to develop and produce) management information reports that can track progress of participants through the service delivery system right up to and after formal exit from the program. Such automated reports can provide early warning of customers that are “falling through the cracks” (i.e., not receiving all of the services they may need to be successful or are not fully participating in services to which they have been referred). Some sites we visited produced “aging” reports that showed how long customers had been involved in the program – such reports may be useful in identifying individuals who are nearing exit or have recently exited from the program. Management information reports can also be produced to identify customers that are on the verge of exiting from the program and/or where case managers have recommended exit from the program. Because an enrolled dislocated worker’s pre- and post-dislocation earnings are only included in the performance pool once the customer has been formally exited from the WIA Dislocated Worker program, decisions around formal exit from the program should be carefully reviewed by supervisory staff to ensure that each exit is reflective of ETA policies and to

ensure that everything possible has been done for the customer to achieve his/her goals of replacing pre-dislocation wages.

Strategy #10: Implement Post-Placement Services to Promote Job Retention and Upgrading

Ongoing intensive case management and post-placement follow-up can help with job retention (and maintaining earnings) and may assist individuals in moving to higher paying jobs. WIBs may want to assign a follow-up case manager to stay in regular touch with individuals placed in jobs or have each case manager originally assigned to the dislocated worker track participant progress throughout the six-month period following exit from the program. Should the individual lose his or her job, this case manager can immediately work with the individual on securing another job. In addition, the case manager can continue to work with placed participants that have not been successful in replacing prior wages to assist with securing a higher paying job or with connecting the individual with training that may lead to a higher paying job. In addition, the follow-up case manager can make certain that the individual receives follow-up support services that will help to guard against job loss (e.g., transportation assistance, housing assistance, and mental health/substance abuse treatment). One WIB that we visited used a specialty contractor to provide services for those most likely to experience difficulties replacing pre-dislocation wages and to provide post-placement follow-up assistance to avoid job loss.

Strategy #11: Use Available Labor Market Information (LMI) and Conduct Special Studies to Identify High Growth/High Wage Jobs in the Locality

Keeping abreast of local labor market conditions and, particularly, sectors and occupations experiencing rapid growth in the locality are critical for assisting dislocated workers in making informed decisions about skills upgrades and how to plan their job search activities. ETA and state workforce development agencies (such as the state's LMI agency) have made a range of tools and data available to local WIBs to analyze local job formation, supply and demand conditions by occupation and industry sector, and wage change over time. A local WIB or several WIBs within a region might consider (along with researchers from a local college or university) sponsoring a "community audit" or sectoral-based study to identify and profile specific industries and/or occupations where there is strong local/regional labor market demand and escalating wage levels. For example, community audits – recently tested by ETA in a demonstration effort in 34 communities across the country -- are a means by which key stakeholders in local workforce and economic development agencies can better understand business and labor force trends and, on that basis, develop informed strategies to respond to worker and business needs. Such studies are generally aimed at developing a comprehensive understanding of economic and labor force conditions within a locality or region, as well as the assets and resources available within the community to support workforce development. Typically, community audits are intended to go well beyond the development of routine labor market reports to engage a wide array of local stakeholders -- including workforce development agencies, economic development organizations, employers and business associations, unions, and a wide variety of other human service

agencies).⁹ Such studies often provide detailed and up-to-date analyses of labor market demand (including local labor demand and supply forecasts by occupational category) and education/training requirements of employers to fill available slots. Conducting community audits and other local labor market studies may also present opportunities for better connecting with regional/local economic development agencies, other WIBs within the region, and area businesses.

Strategy #12: Coordinate the Dislocated Worker Program with Economic Development Agencies and Area Businesses

Many WIBs stressed the importance of establishing and maintaining close ties with area economic development agencies and employers to ensure that informed decisions are made about training and skills upgrading, and to facilitate job placement. WIB administrators stressed the importance of keeping abreast of rapidly changing workforce and skills requirements of leading local employers. Customized training, OJT, and employer-based training

***WIB S.** Two strategies that WIB administrators identified as supportive of achieving earnings replacement goals include: (1) extensive use of labor market information to identify high wage occupations with long term prospects, which helps clients and staff choose occupations with better than average earnings; (2) working with employers in expansion modes, as a partner in economic development, which enables the WIB to position workers for entry and advancement in fields with long-term potential.*

***WIB Q.** The WIB maintains excellent contacts with local companies – and so, is aware of openings and training requirements for better paying jobs. The agency tailors services and training to the needs of each worker, while providing training that is appropriate to and meets the needs of employers.*

⁹ Under the demonstration effort, ETA defined a “community audit” as a mechanism used by a community or region that collects ‘real-time data’ from regional employers regarding actual and projected short term and longer term labor surpluses and needs, to enable the regional workforce development system (the entire community) to plan effectively for expected events - both positive and negative - in order to improve the functioning of the market and minimize the overall negative impact on the community. For more information about conducting community audits see: J, Trutko, J. Kaiser, and L. Eyster, *An Assessment of the Community Audit Demonstration Program*, Final Report, Exceed Corporation, prepared for the U.S. Department of Labor, 2004.

initiatives are strategies that can be employed by WIBs that bring tangible benefits to local employers and encourage employers to stay involved with the workforce development system. In addition, the One-Stop Career Centers offer a variety of resources around which to engage employers in the workforce development system – for example, employers may use office space at One-Stop Career Centers to interview potential candidates for job openings. Establishing open lines of communication and close ties with the employer community are critical for WIBs keeping current on training requirements and subtle changes in demand and supply conditions at the occupational level – and especially with

respect to preparing and placing dislocated workers in higher wage jobs that will help WIBs to meet their earnings replacement goals.

Rapid response activities also provide a means for intervening early with dislocated workers at the workplace and strengthening linkages with the business community. It

is important during orientations held with affected workers at employer sites to

EARLY INTERVENTION AS PART OF RAPID RESPONSE ACTIVITIES AT THE EMPLOYER SITE.

WIB H. *The region served by this WIB has experienced a number of large plant closings in recent years. It is often quite difficult to replace the wages of these dislocated workers. The WIB has made a concerted effort to use rapid response to begin serving these workers as soon as possible. For example, in 2001, One-Stop Career Center staff conducted on-site rapid response at a phosphate plant that was starting to layoff workers. The plant gave One-Stop staff office space on-site. The One-Stop set up computers that dislocated workers could use to access the Internet, explore job leads, and develop resumes. The One-Stop had one-on-one contact with 250 of the 310 dislocated workers that were laid off from the plant.*

WIB X. *With regard to recent large plant closings, and in conjunction with the AFL-CIO, a peer support model is used. Shortly after a plant closing is announced, affected workers select “peer support” workers (a ratio of about 1 peer support worker for each 50 workers). Peer support staff receives about 5-6 hours of training about the range of services available for dislocated workers. These peer support workers are then available within the workplace to answer questions that workers may have, provide information about available services, help workers complete needed paperwork, and refer workers for training and other support services. Often the company sets aside an office or work area where the peer support worker can meet with dislocated workers at break times and before/after work. This area also may have telephones, computers, copiers, and fax machines that workers can use to aid their job search efforts.*

emphasize earnings replacement and the wide variety of services available through the workforce development system to help workers achieve their goal of replacing pre-dislocation wages. As shown in the accompanying text box, it is important to get started as early as possible with affected workers – to the extent possible, well before dislocation actually occurs. Some WIBs adopted strategies to involve workers as peer counselors to disseminate information about services available through the workforce development system and to address questions and concerns that workers might have about their impending job loss and securing reemployment assistance.

Strategy #13: Improve Links through the WRIS System to Capture Wages of Workers Moving to Other States

The earnings gains of dislocated workers moving to other states will not be incorporated into earnings replacement outcomes for WIBs unless data sharing arrangements are made to obtain UI wage record data (the only source of data that can be used for calculating earnings replacement). State and local WIBs should support efforts to share wage record data through the WRIS system.

Strategy #14: Use Advanced Statistical Modeling/Analysis to Help with Setting/Negotiating Appropriate Earnings Replacement Goals for Local WIBs

Many local WIBs view negotiated goals on earnings replacement as not entirely sensitive to local economic conditions or types of worker being displaced (e.g., whether prospects are or are not promising for earnings replacement). They note that prior standards and continuous improvement often seem to drive the negotiation process (i.e., continuous improvement translates into ever-escalating standards) – and standards set on

performance measures may bear little relation to the reality faced within the local area, especially when goals are set well in advance of a particular program year when little is known about the nature of the workers that will be served in the dislocated worker program. Local WIB administrators note that there is often little or no room for negotiation on earnings replacement goals (and other goals) with the state.¹⁰

States might consider using statistical modeling/analysis to help with setting/negotiating appropriate earnings replacement goals both for the state and local WIBs within the state.¹¹ States with a small number of WIBs may have to develop customer-level models, but states with many WIBs may be able to develop WIB-level models. Utilization of such a methodology would help states go into negotiations with the federal regional offices with a realistic assessment of how well they are likely to perform on the earnings replacement outcome measure. State WIB administrators could advocate a goal for the state on the earnings replacement standard (as well as other performance measures) based on past performance, as well as analysis of their case mix and forecasted economic conditions.

In addition to helping with setting of the overall state standard, statistical modeling/analysis could help states set local WIB standards on earnings replacement (and other goals) with less guesswork. The state need not use the statistical model to set

¹⁰ Similarly, state agencies (and some local agencies) observed there is not much room for states to negotiate the state's performance goals with the federal regional offices. States that negotiate first with local WIBs on goals may have to go back and renegotiate goals after they negotiate with the federal regional office on the state's performance goals. State administrators noted that they are hemmed in when negotiating local WIB performance goals, at least in part, because if the state builds in a cushion for one local WIB, then it has to ask another WIB to achieve a higher goal.

¹¹ Overall, about half of the states (in PY 2003) set varying earnings replacement goals for WIBs (i.e., some lower and some higher than the state's overall goal, usually based on past performance of local WIBs), while the remaining states had either a single WIB or set a uniform standard for all WIBs in the state.

the standard, but could use the model-predicted performance as one of several factors in setting the standard. This same statistical model could also be used at the end of each program year to negotiate with the federal regional office and the local WIBs on adjustments to earnings replacement standards based on actual case mix and local economic conditions.¹²

¹² With funding and support from the U.S. Department of Labor, Employment and Training Administration's Performance Results Office, the Michigan Department of Labor and Economic Growth has been working on the development and testing of the Value Added Performance Improvement System (VAPIS). The VAPIS model allows adjustments to the performance of local workforce programs to account for the characteristics of the participants served and local economic conditions. It also measures the amount of local "value-added" in terms of program services, serves as a resource to identify areas for program improvement, and provides information to program managers on a real-time basis to predict area performance. Additional information on VAPIS can be obtained over the Internet, at www.skilledwork.org/portfolio_vapis.html.