

Sub-Committee on Employment, Safety and Training - Reauthorization of the Workforce Investment Act

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Witness:

Michael Smeltzer

Executive Director

Manufacturers' Association of South Central Pennsylvania

York, PA

Testimony:

My name is Michael E. Smeltzer and I am the Executive Director of the Manufacturers' Association of South Central Pennsylvania. The Association is a non-profit business membership organization, representing more than 350 manufacturing and related companies in south central Pennsylvania. Approximately 70% of the member companies of my Association employ 50 or fewer workers. My Association is fortunate to be affiliated with the National Association of Manufacturers and the Center for Workforce Success, where I'm provided the opportunity to share ideas and best practice workforce recruitment, retention and advancement models with business organizations from around the country. My testimony today represents the views of the Manufacturers' Association of South Central Pennsylvania

I would also like to extend my appreciation to Chairman Enzi and members of the Subcommittee for inviting me to testify on reauthorization of the Workforce Investment Act. The opportunity to share insights and provide recommendations on behalf of the Association on such a key piece of legislation is extremely gratifying. My views this morning will be primarily from the small business perspective. I will also be speaking from over 25 years of experience in managing human and capital resources for manufacturing companies in the Commonwealth of Pennsylvania.

The challenge for the small employer is one of resources. The typical small business does not have a dedicated human resource person, does not have the time to seek the One-Stop Center, and does not have the time to commit to the WIB. At the same time, I think we can all agree that the small employer offers the greatest opportunity for employment and broad skill development.

The Workforce Investment Act of 1998 represented a great turning-point in improvements to the delivery of services through the public workforce system. Especially to those in the employer community, who were encouraged to partner with the system to meet their workforce needs.

But Mr. Chairman, just as the tide turned in 1998, many of the Pennsylvania employers who dove in, ready and willing to get involved, are encountering challenges that are blocking effective implementation of the law and they are no closer today than they were five years ago to a public system that is responsive to their workforce needs.

The Bush Administration's proposed framework for reauthorization of the Workforce Investment Act, which was largely accepted by the House of Representatives in H.R. 1261, builds upon the strengths and weaknesses of the 1998 law, and we firmly believe this framework will move the system forward in a way that is beneficial for all relevant parties, and in particular, the small business community. I want to publicly thank Secretary Chao and Assistant Secretary DeRocco for their great leadership in the

transformation and integration of the One-Stop system into a cohesive and demand-driven workforce investment system.

Simply stated, the engine that drives the system is not broken. But it needs to be fine-tuned in order to ensure that the Workforce Investment System is demand driven, flexible, balanced and responsive to employers and their current and future workforce. I would like to briefly share with you our introduction to and experience with the workforce investment system. Approximately five years ago, the Association's employers could not find enough workers to satisfy the demand. There was an insufficient supply of welders, machinists, and qualified entry-level workers. We found that schools (teachers and students) had little interest in manufacturing careers. We found that our employers had little knowledge of the public workforce development system. We also found people being trained in areas where few jobs existed.

At that time, we viewed the Workforce Investment Act of 1998 as a new law that would open the door for employers to forge new and innovative partnerships with the system, key decision makers and policy makers. In fact, I am pleased to share with you that several Association members were appointed to seats on the newly established local workforce investment boards, and they brought with them the following message:

“A SUCCESSFUL WORKFORCE DEVELOPMENT SYSTEM MUST BE BROAD AND TALL. BROAD TO SERVICE THE ECONOMIC DIVERSITY OF THE COMMUNITY, TODAY AND TOMORROW. TALL TO HELP WORKERS ADVANCE THEMSELVES. BUT MOST IMPORTANT TO ALL, A SUCCESSFUL WORKFORCE DEVELOPMENT SYSTEM MUST RESPOND TO THE NEEDS OF EMPLOYERS; THE DEMAND SIDE OF ANY SUCCESSFUL ECONOMY.”

But they quickly realized that there was little connection among employers, educators and the one stop infrastructure. Such a connection is necessary to meet the manufacturing industry's needs.

Despite these initial challenges, we continued to try to maintain involvement in the system. In 2001, the Association developed programs to inform students, parents, and teachers at schools on manufacturing career opportunities in technical careers and strengthening the training programs provided by the Association, we began to share that information with the one stop system.

Our Association members who were represented on the WIBs soon grew frustrated with the bureaucracy and encouraged the Association to lead the way to change. But change did not come through the Board. So, we were essentially left to create a parallel infrastructure that is aimed at demonstrating how the system could be more responsive to meeting the workforce needs of employers.

We developed and funded two pilot programs to achieve this objective.

One program is focused on soliciting input from employers on workforce development needs in targeted industry groups. Multiple consortiums of companies are now in place and providing feedback and direction on specific sector needs. We are moving towards having a “Skills Specialist” in place to access employers, determine needs, and educate the employer on the public system. Small business owners do not have the time or the resources to learn and take advantage of the services provided by a One-Stop. These are the very businesses that have the greatest need to develop their workforce.

The second program is focused on informing the supply side (potential employees) of the job and training opportunities available. This program, which is being funded by the

Association and a local private foundation, will involve several Chamber of Commerce groups, faith based organizations and other community based groups. This program is intended to inform the general public of specific job opportunities, but more importantly, information on One Stop services. It is our intention to share the pilot programs with the One Stop centers. However, it is very unfortunate that we had to develop this parallel track when the infrastructure is ideally in place through WIA.

Despite our frustration with opportunities not fully achieved under the 1998 law, we are committed to maintaining our connection to the workforce investment system, and we believe in the one stop system for the delivery of services. We do not want to walk away, we want to make improvements. But this can only occur with changes to the underlying statute.

The balance of my comments will focus on the challenges that I observe in the current system and recommendations for improvement.

Making Demand Driven Vision a Reality:

Recommendations for Reform

We support reforms to the Workforce Investment Act that will focus on the demand of employers in order to be flexible to adjust to an ever-changing economy. With an understanding of the demand, the system can then work with individuals to provide the necessary tools to achieve a positive outcome for both the individual and the employer. This is not possible without the expertise and access to business partners.

This can be accomplished through reauthorization on three fronts.

Clarify the membership and function of state and local workforce investment boards.

We support streamlined membership and responsibilities of both state and local boards.

At the state level, we support a state workforce investment board that is majority business and chaired by business. Membership should also include the state agencies responsible for administering the One-Stop partner programs, the state economic development agency, labor union and state legislators. We also support the proposed role of the state board to set policies and priorities for the One Stop Career Center system.

At the local level, the appointed WIB must be given both the responsibility and authority to adopt the workforce investment act requirements. A system that allows local elected officials to control policy, funding and service agencies is not conducive to a functional WIB.

Flexibility of Funding

The current "silo" model of funding streams to states prevents funding from being diverted to the areas of greatest need. We support the proposed consolidation of three funding streams for WIA Adult, Dislocated Worker and Wagner-Peyser into one funding stream to states and local areas. This will increase and improve services to adult workers and strengthen opportunities for unemployed workers to be more strongly connected and employment matched to their skill level or training that will lead to employment.

Simplify access to WIA dollars for incumbent worker training and customized training.

My next point deals with incumbent worker training. With the advancing levels of technology in today's economy, more workers are classified as underemployed. WIA reauthorization provides an opportunity to simplify the requirements for customized training, on the job training and incumbent worker training. Pennsylvania employers are committed to strengthening our workforce, especially during these times, when the manufacturing workforce of today may look much different tomorrow. We want to

provide every opportunity possible to not only train new entrants into the industry, but help current workers maintain and improve their skills in order to stay flexible with the demands of the industry.

Other Reforms

In addition to these key reforms, we support the Administration's proposals to reduce the planning cycle from five to two years. We believe that state and local workforce strategies must be tied to local economic indicators.

The workforce development and economic development stakeholders in each community (town, county, region or state) need to be rewarded for collaboration efforts that realize true system change and improvement. Local and state WIB groups that work together to serve a common need by adopting innovative ideas that focus more on outcome than process need financial support.

We also recognize the need to support our nation's youth, the future workforce of America. To that end, we support recommendations to the Department of Labor to target the majority of funds allocated for youth activities under WIA to youth who are most in need. Youth who are out of school, ages 16-21.

Finally, we support modifications to the Performance Indicators as contained in House-Passed Bill (H.R. 1261). We encourage the Committee to maintain a customer satisfaction indicator for both employers and individuals. In short, One Stop Center performance must be measured towards customer satisfaction.

In closing, I would like to thank you for providing me the opportunity to share with you my Association's experience with the current system and recommendations for reauthorization. I want to reiterate that the system is not broken, but does need to be fine tuned in order to continue the advances that were envisioned by you and your colleagues in Congress five years ago. On behalf of the Manufacturers' Association of South Central Pennsylvania, I would like to urge the Committee to recognize and accommodate the importance of small business in workforce investment. The changes being suggested by the Bush Administration, and those I offered today; will enable the system to better meet the country's workforce needs in the 21st Century.

I would now be happy to answer any questions.