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REMARKS OF MICHAEL A. FINNEY

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HEARING ON "H.R. 4297, THE WORKFORCE INVESTMENT IMPROVEMENT ACT OF 2012"

WASHINGTON, D.C.

TUESDAY, APRIL 17, 2012

Good morning, Mr. Chairman and Members of the committee. I appreciate the opportunity to provide additional insight on behalf of the State of Michigan into the ongoing, national effort to improve workforce development and the resulting improvement in our nation's economy. I have found it rewarding to be part of the ongoing work to expand opportunities for job creation and I am pleased to report that the State of Michigan is working closely with representatives at the national level to share our best practices and what we have learned from our own efforts to enhance Michigan's workforce.

At issue is H.R. 4297, the *Workforce Investment Improvement Act of 2012*. We all recognize the fundamental changes that have occurred in our economy, and the impact that these changes have had on our workforce. I am encouraged that this proposed reauthorization is attempting to establish innovative and common-sense reforms to improve talent and economic development. As we are all aware, talent, ingenuity, and work ethic are hallmarks of the American economy, and I applaud the national efforts to empower our distinctively skilled and ambitious employers and citizens to be involved in and take an active role in putting the nation's economy back on track.

I heartily support a number of provisions included in H.R. 4297 that would streamline the multifaceted job training bureaucracy that exists today. This streamlining is crucial as we work to expedite the connection of talented workers to existing job opportunities. As included in testimony previously provided by Governor Rick Snyder, Michigan has employed what is called the "Three Cs" approach to tackle this challenge. I strongly believe that by Connecting, Collaborating, and Creating, we can efficiently and effectively link job seekers and employers to drive economic growth. To this end, I support provisions in H.R. 4297 that consolidate 27 existing job training programs that support similar outcomes. While this will be a logistical

challenge to successfully implement, I am encouraged by the potential efficiencies and outcomes that can be achieved.

Employers today are reinventing their businesses and creating new approaches. We need to support their efforts by ensuring that they have access to job seekers with the right skills so they can continue to grow and provide more jobs for our citizens. Our workforce system needs more state and local flexibility to ensure that it meets the needs of today's job creators and seekers. It must be nimble and able to adapt quickly to address market demand. I support the measure to increase state and local flexibility to create and implement programs that best fit the needs and characteristics of our employers and workers. By enabling Governors to appoint one-third of the membership to the state workforce investment board (WIB), this legislation would assure that WIBs are able to collaborate with state agencies and implement a strategic, targeted approach to serve employers and job seekers alike. Further, by allowing the Governor to designate local workforce investment areas, H.R. 4297 will enable states to respond to the dramatic change in the economic landscape between the enactment of the Workforce Investment Act (WIA) in 1998 and today.

Additionally, I strongly support the Committee's efforts to provide flexibility to States and improve the quality of and access to job training. H.R. 4297 removes bureaucratic barriers that prevent job seekers from accessing necessary job training services. I am particularly encouraged by provisions in this legislation that support direct access to training and empower states to determine standards and eligibility criteria for training providers. Like other states, Michigan is working to implement innovative programs and initiatives to solve workforce development challenges. Also, like other states, our challenges in this area contain unique aspects that require tailored solutions. Removing burdensome regulatory obstacles would allow states to use approaches suited to the needs of our employers and job seekers to develop the robust workforce we know we can and must achieve.

As Michigan works to implement effective policies to deliver results for both employers and job seekers, I look forward to being able to provide additional recommendations based on experience to enhance this already innovative legislation. I strongly believe the following concepts will help improve H.R. 4297 even further:

First, I would strongly encourage the reconsideration of the proposal to reduce funding that Governors may reserve in WIA Title I formula funding for statewide activities. The proposed reduction from 15 percent to 5 percent will result in less funding for required activities as well as innovative programs directed toward employer-driven, in-demand activities. As Governor Snyder testified in February, bipartisan support exists amongst Governors that redirecting funds away from statewide activities would be detrimental to efforts to advance innovative workforce development initiatives. This reduction would also jeopardize enactment of successful strategies to support increased communication, coordination, and collaboration between in-demand industries and the workforce investment system, all of which require discretionary funding at the state level. Flexibility is extended to States in a number of areas in H.R. 4297, and it is my hope that this same flexibility would be applied to Title I discretionary funding.

Second, with anticipated outcomes of this proposal including greater recognition and focus on the needs of employers, I would also like to encourage the specific inclusion of Incumbent Worker training as an

approved and financially supported tool of this effort. We are all working together to support our employers and our workforce. In this time of great technological change, we must recognize that as employers update their operations, the skills of workers must also be updated. It is much less costly, in financial and human terms, to help these workers upgrade their skills and retain their positions than it is to replace them with other workers. Unfortunately, continued changes in regulation and the emphasis on unemployed or underemployed workers limits the ability of states to provide assistance to Incumbent Workers and avert layoffs. Michigan has demonstrated experience where such Incumbent Worker training has promoted existing staff and created additional staffing need where we were able to assist in the filling of open positions with existing program participants.

Third, this legislation recognizes that with flexibility, we must also ensure accountability. Measures that focus on outcomes, including workforce employment and responsiveness to market needs, should be required to ensure that results are achieved. I would recommend that indicators of performance support innovation and allow states the flexibility to implement programming to meet local and regional economic demands. As Governor Snyder testified in February, examples of demand-driven, meaningful measures for the workforce system include:

- Number of Training Modules Created for Specific Employers or Groups of Employers: The purpose of this measure is to capture the level of partnerships occurring between workforce development, economic development, educational, and employer partners resulting in the creation of demand-driven training.

- Number of Industry Recognized Credentials Issued: The purpose of this measure is to quantify how many employer valued diplomas, licenses, certificates, or degrees are issued through the workforce system.

- Percentage of Jobs Filled: The purpose of this measure is to track the percentage of jobs that the system is able to fill for employers who request assistance with finding qualified workers.

- Employment Rate of Individuals Receiving Training: The purpose of this measure is to quantify the percentage of individuals who receive demand-driven training and are able to obtain a family-sustaining job upon completion of training.

- Average Wages of Those Receiving Services: The purpose of this measure is to track the resulting wages of individuals who received services from the system.

Finally, I would strongly encourage the establishment of an extended benchmark period as these innovative and critical changes are implemented. We are proposing transformative new approaches to long standing, often prescriptive programs. Extending the benchmark period to three years prior to reducing the funding to states failing to meet performance standards for two consecutive years would give states the time to implement the changes our workforce and employers so urgently need and to update and modify programs and reporting systems in order to meet new performance standards.

I thank the Committee for the opportunity to provide comments today and applaud the work that has been done thus far on such important legislation. I look forward to working with Committee members and staff as the final legislation is drafted.

Michael A. Finney
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Michigan Strategic Fund