

Testimony to the United States House of Representatives

Committee on Education and the Workforce

Thursday, April 21, 2011

Presented by Margaret W. Prater, Executive Director

Dyersburg State Community College – Northwest Tennessee Workforce Board

It is an honor and privilege for me to represent the American Association of Community Colleges, Dyersburg State Community College, and the Northwest Tennessee Workforce Board at this hearing on “Reviving our Economy: The Role of Higher Education and Job Growth and Development.” As the Executive Director of the Northwest Tennessee Workforce Board, I have a rather unique perspective on this topic, since I am also an employee of Dyersburg State Community College, the administrative entity for the Workforce Investment Act programs. For the past 27 years, Dyersburg State has served as administrative entity for federal workforce programs, including the Job Training Partnership Act (JTPA) and Workforce Investment Act (WIA). This public/private partnership has proven to be beneficial to both entities, but mostly to the unemployed adults, dislocated workers, and disadvantaged youth of northwest Tennessee. I consider it a privilege to have witnessed the way thousands of people have changed their lives through education and training over the years of my service. At the retirement of my predecessor last July, I presented him with a plaque stating that under his leadership we had provided education and training to over 66,000 individuals, a number large enough to fill the Titans football stadium in Nashville.

Since 2008, due to the recession, our focus has been on the dislocated worker. The seven (7) counties in Local Workforce Investment Area (LWIA) 12 – Crockett, Dyer, Gibson, Lake, Lauderdale, Obion and Tipton - have lost over 3,500 “reported” jobs, mostly in manufacturing. The term “reported”, means those employers who are required to report layoffs in excess of 50 individuals. This does not include the countless number of employees who are laid off from “mom and pop shops”, small businesses that make up a significant part of the workforce. The Tennessee Department of Labor provides our LWIA with a weekly list of new claimants for unemployment insurance. Since early 2008, we have mailed 9,726 letters to new claimants advising these unemployed workers of the services available to them in the Tennessee One-Stop Career Centers and through WIA. In late 2009, one of our counties, Lauderdale, hovered at nearly 20% unemployment for months. In fact, due to this county’s statistics, a news crew from 60 Minutes spent three (3) days investigating what was referred to as the “99ers”, those who had exhausted regular unemployment benefits and the multiple extensions equating to ninety-nine (99) weeks. Lauderdale County unemployment is now down to 15.9%, lowering our overall area unemployment rate to 12.9% which is definitely an improvement; however, this still equates to 13,150 individuals looking for work. Some of these live in Lake County, which has the 12th highest poverty rate in the nation.

My primary responsibility as Executive Director is to convene business and industry leaders, representatives of education, economic development professionals, community organization

advocates, organized labor representatives and state departments of Labor and Workforce Development and Human Services to form the Northwest Tennessee Workforce Board (NTWB). Our mission is to create a workforce system that fully utilizes the experience and innovative resources of the public sector in an efficient, responsible, integrated system that provides services to the citizens and employers of northwest Tennessee, which fosters a competitive economic environment and a high quality of life. Our guiding principles include being private sector driven, responsible and competitive, and customer focused through the use of our Tennessee One-stop Career Centers.

LWIA 12 has a Tennessee One-stop Career Center located in each of our seven (7) rural counties, where we partner with vital agencies and organizations to provide the personnel and resources needed to help job seekers find gainful employment. Since the recession began in 2008, our services have increased tremendously. In March 2008, the One-Stop Career Centers provided 52,104 in various services such as unemployment insurance, WIA, and Veteran Services. By March 2009, that number had increased by 38% to 72,003. The number of services continued to rise in March 2010, up another 21% to 82,790. As of last month, March 2011, services reached an all time high of 86,920, making a total increase since 2008 of 67%. Continuing this level of service becomes increasingly difficult from a manpower and budgetary standpoint. The prolonged recession has taken a toll on the One-stop Career Center Staff. In addition to the massive increase in the numbers of services requested daily, they deal with the hopelessness, depression and anxiety of more and more customers every day and face the reality their job performance depends on these customers getting a job in a depressed economy. One-stop Career Center staff work extra hours without extra pay, and have not had a salary increase in nearly five (5) years. They are aware of the national budget issues, and as they see what their customers are going through, they know they too may be laid off, adding to the rolls of dislocated workers.

It is important to recognize education and training services will vary by state, local area, one-stop center and even by individual. It is not "one-size fits all" system. Sometimes a customer simply needs help constructing a resume' or to register to take the National Career Readiness Certificate (ACTs WorkKeys portable skills credential that many employers require) or be referred to a job interview. Others need more intensive services. Staff conduct various assessments to determine skill levels and assist the job seeker with using labor market information to make informed decisions on a career choice. More often than not, we find the unemployed adults and recently dislocated workers lack the job skills employers require, so training is required. Once a plan is developed, staff arrange for payment of fees, books and supportive services, such as transportation. But their job is not over. They follow the progress of the customer, developing a rapport lasting in some cases for years to come. It is not unusual for staff to meet a customer at the grocery store or a restaurant and receive an update on how their individual experience through the One-stop Career Center and WIA has changed their life. We have countless success stories.

Our area will show a particularly high incidence of skills training compared to others in the State and probably the Nation due to the lack of technical skills. Demographics for persons 25 or over in the area show that 24.4% of adults in the region have less than a high school diploma compared to 15.4% in the U.S. Only 16.2% have an Associate Degree or higher compared to 34.9% in the U.S. With employers requiring higher skills to compete in a global economy, a large percentage of the workforce is

unprepared to meet their needs. Since July 1, 2010, we have funded training and/or support services so participants can attend training for 1,488 adults, dislocated workers, and youth to equip them with the skills needed to help their perspective employer better compete in a local and global economy. It is important to note that WIA funds are what we refer to as “last dollar scholarships”, only providing funding after coordination with state and federal financial aid, such as Pell Grants. We were pleased to hear that federal Pell Grants were retained at the current level, rather than being cut as originally recommended. This would have been what we refer to as a “double whammy” for workforce development since WIA only funds the customer’s unmet need after Pell Grant payments are calculated. It would be unfortunate to take a cut in WIA funding, then also have an increase customer need due to our partners budget being cut as well. As a Board, we embraced the paper published by the National Association of State Workforce Board Chairs a few years ago entitled *The Competitive Challenge: Building a World-Class Workforce*. Excerpts from the Executive Summary are included below:

For the United States to remain competitive in the knowledge-based global economy, it is critical that we create and maintain a world-class education system that prepares our workforce with world-class skills. The workforce development system of the 21st century must be innovative, business-driven, customer-oriented, and performance-based. Ultimately, it must add value and increase the productivity of our nation’s economy. To become a world-class system, it must be agile enough to adapt to rapid changes in the economy and be responsive to its customers.

The personal prosperity of our citizens and the economic security of our nation will require uniting our education, economic development, and workforce development strategies in a common effort to equip our citizens with higher skills and supply our businesses with qualified workers.

The community college, and other institutions of higher education, can provide the expertise needed to train a world-class workforce. As an employee of Dyersburg State Community College (DSCC), I am certainly an advocate for the education and training we provide the citizens of our region. But, I can also attest to this as an end-user, in more than one way. I am a product of the community college system. After graduating high school, I had no intention of attending college. Five years later, I found myself desiring to improve my skills to advance in the world of finance. By this time I was married and working full-time, so I attended at night. By the time I graduated nine (9) years later, I had two children, and actually worked for the college. My experience does not stop there. Both my daughters attended DSCC. They started their college careers while still in high school, earning enough credits to be classified as sophomores in college when they graduated from high school. One became a teacher and one a nurse. My grandchildren now attend “College for Kids” as I have started early on to impress upon them the need for life-long learning. I have also seen firsthand the innovation and adaptability that DSCC has as a training provider for WIA. One such program is a fast-track LPN to RN program that was funded to meet the demand for Registered Nurses at local hospitals. As the Administrative Entity for WIA, DSCC has provided ample financial and personnel systems, professional development for staff and an established partnership with business and industry.

LWIA 12 has been a leader in identifying strategies for long-term growth. In 2004, the Board and partners, a local chamber of commerce, and industrial association, commissioned a study of the local workforce. Findings concluded that the “study area is largely unprepared for future growth due to the lack of a well-educated and trained workforce” and “only about 13% of jobs in short supply are available to workers with less than a high school diploma”. Finding six of the ten fastest growing occupations would be in the Healthcare Industry; LWIA 12 conducted a Healthcare Sector Analysis. The analysis included building a career pathway model presented by healthcare professionals to students in middle and high school. This year, LWIA 12 along with 17 public and private partners commissioned a nineteen (19) county regional Advanced Manufacturing Sector Analysis. It identified companies, job titles, wage information, job openings, projected growth, and sectors including green jobs. A career pathway model is also available to give jobseekers insight into the knowledge, skills, and training required to have a career in Advanced Manufacturing. This work of the Board reinforces the premise that workforce development systems be locally controlled. It is vital for local areas to have the ability to adapt to economic needs and prepare to meet those needs based on local trends.

It is easy to see the Board and its partners subscribe to the “power of e-3” theory - the linkage of education, employment and economic development. This is a key component for communities developing strategies to help workers from a plant closure or mass layoff.

Consider for a moment you received the following text message at 7:36 a.m. on February 10, 2011:

“Goodyear is closing by year end.”

This may seem like an unusual way to present a testimony, but I would like for you to take a moment to think about how you would feel having received this message. First, consider you are one of the 1,983 employees who work at Goodyear Tire and Rubber Company. You are likely a 44-year old, white male and a tire builder. You have been with the company for over twelve (12) years, but worked in a similar job for eleven (11) years before finally getting a job at the largest and best paying manufacturing company in northwest Tennessee. You are a member of the United Steel Workers of America. Your hourly rate of pay is \$24, although you only have a GED. You work first shift, six (6) days a week, so you make \$65,000 annually, without working extra overtime. You have a mortgage on your home, and a truck and two car payments. You have a wife and two children, one just started college. You are considered to be rich in the eyes of your neighbors who only have an average household income of \$46,338.

Now consider that you are the wife of a Goodyear employee. You have not had to work in years, but you decided to get a part-time job for “fun” money. If your husband finds a job it will likely pay about \$12-13 per hour, roughly half of what he makes now. You will need to work full-time to make up the difference; however, you have no real skills only completing a few college courses before you married and dropped out. At best you will find a minimum wage job which will not be enough to make up the difference. Will you lose your house and vehicles? Will you have to rely on government assistance? What about health insurance? How will you pay college tuition for your child? How will you hold your family together?

Maybe the text went to the owner of the local trucking company whose sole contract is with Goodyear to move product to storage. Can you get out of your building lease? Can you sell the trucks in this economy? Will you have to claim bankruptcy? What do you tell the twelve (12) employees who will lose their jobs? What do you tell your wife and kids?

Or maybe you are a teenager, working as a cashier at the convenience store across the road from Goodyear. You work part-time and go to school. You have heard the rumors before. Everyone said if Goodyear ever closed, this store was history. Where will you get another job? How are you going to pay for school expenses?

Consider you are a school teacher or a nurse, working in two of the highest demand occupations in northwest Tennessee. You feel sorry for the people losing their job. In fact you know several. Wait, you remember some saying they would have to move away if Goodyear ever closed. If families start moving away that would mean less children in school, less people coming to the hospital. Could this affect your job?

Now consider you are the mayor or the industrial board chairman and you received this text. Everyone will blame you. Could you have done something to keep Goodyear here? How are you going to recruit a company to hire these 2,000 people? What did the study you commissioned a couple of years ago say about the impact of Goodyear in the region? Was it another 1,400 indirect jobs in addition to the direct jobs? Was it almost \$5 million in tax revenues that will be lost?

Imagine you are the local community college president. You know that a high number of adults in the area do not have a high school diploma and the percentage that have an Associate Degree or higher is less than half of the percent nationwide. With employers requiring higher skill sets to compete in a global economy, a large percentage of the workforce is unprepared to meet their needs. But, your college has grown by over 1,000 students in the last two years and your funding has remained flat for the last decade. Your only recourse has been to increase fees, but students are being hit from all sides with higher book costs, higher gas prices to get to school and now there is talk about reducing the Pell grant amount that helps low income students afford college. Your college works very hard to increase outside funds for scholarships, but the recession has affected fundraising as well. How are you going to handle the additional students when you are already near capacity? What about high demand training programs the college does not offer? Where will you get the start-up funds?

Finally, consider you are the Executive Director of the Workforce Board. You are the person responsible for bringing together partners in employment and training programs to assist dislocated workers, unemployed adults, and disadvantaged youth in the seven (7) county rural area that is home to Goodyear. Your primary focus, since the recession began in 2008, has been dislocated workers since unemployment rates have been as high as 20% for one county and currently averages 13% for all counties. This is already a total of 13,150 people without the additional 3,400 direct and indirect Goodyear affected employees. Your local One-stop Centers are offering more services than ever, up 67% since 2008. Your staff works extra hours to meet the demand without extra pay and without a raise in nearly 5 years. They see countless people everyday who are hopeless and depressed because

they cannot find a job. They offer encouragement and career guidance, knowing all along that their own job may be in jeopardy due to national budget issues. You will have to pull some of these overworked staff from other counties to meet with Goodyear employees, but what can you tell them? You have one of the smallest annual allocations in the State and funds are already obligated to other dislocated workers. With the recent 800 employees laid off from World Color and the other employees affected by closure/mass layoff in your area totaling over 3,500 since 2008, the State has already provided extra funds to help. You can apply for a National Emergency Grant, but you have heard that these may be eliminated in the budget battle. What will you do?

Although any of these individuals could have received this text and did receive a similar message by some means of communication, it was I who received this particular message from my union representative on the Workforce Board. The statistics in the examples are taken from 1,806 Needs Surveys of Goodyear employees and family members, and local demographic information.

In order to understand how important your role is in this process, I need you to put yourself in their shoes, I need you to feel what these people felt, I need you to have the passion that I and so many others in workforce development have. Please understand nearly 2,000 Goodyear workers and potentially 1,400 more with local suppliers and retailers will lose their jobs and do not have jobs to go to. The average unemployment rate for our seven (7) county rural area is 12.9%, with 13,150 individuals looking for work. There is no way current employers can accommodate this number of workers, plus those affected by Goodyear. We must attract new business and industry to the area. In order to do this, we must have a world class labor force.

With the help of many partners, we put together a National Emergency Grant application to provide employment and training services to Goodyear workers and their families from twenty-two (22) counties in Tennessee and Kentucky. The first step to retraining Goodyear employees was to conduct a Needs Survey. LWIA 12 staff worked around-the-clock shifts in the plant, distributing and collecting surveys and meeting with workers to answer their questions and hear their concerns.

Over 1,800 surveys were collected and analyzed, providing a clear picture of the Goodyear situation. Only two percent (2%) of employees indicated they did not plan to return to the workforce. Over sixty-seven percent (67%) of employees indicated a need for job search assistance. Almost fifty-six percent (56%) indicated a need for personal assistance, such as educational financial aid. When asked "Do you believe additional training/education would help you become more employable?" 97.5% answered "yes", with over 60% indicating they would participate in either vocational training or academic training at a college. To handle the masses of employees affected by the Goodyear closing, we have secured a building rent-free to provide career and training services locally.

A crucial aspect of the survey was to match local demand occupations with customer interest. A major obstacle in meeting the long-term training needs for business expansion and high-growth occupational employment is lack of capacity within the training and education system and lack of funding to implement new programs. Thirty-seven (37) classes were identified that are either currently not offered or are already at capacity, prohibiting enrollment of Goodyear workers. Unfortunately, we have expended all FY 2009 and FY 2010 funds, with very little FY11 funds remaining unobligated. These

classes cannot be offered to the Goodyear workers without approval of the National Emergency Grant application.

As the details of the FY 11 funding agreement, HR 1473, to keep the government running for the rest of the fiscal year were released I was particularly interested in the effect on WIA budgets. I viewed the final agreement of a \$307 million cut to WIA formula programs as relatively good news when compared to the House passed FY 11 CR bill, HR 1, which proposed the elimination of all WIA formula funding and included cuts to job training programs totaling \$3.6 billion.

The Northwest Tennessee Workforce Board has historically been a leader in Tennessee for tracking expenditures and obligations using our electronic State system. Because of this, we have been proactive in making adjustments before we have budget issues. We have also been able to secure additional funds from the State to serve additional customers.

Each year, it is particularly challenging to balance expenditures during the first quarter of the program year – July through September. Local areas receive approximately 22% of annual allocations the first quarter. Of course, 25% of annual operations, such as salaries, benefits, rent, etc. must be paid from this amount. The challenge comes with paying direct participant costs for education and training. For a participant attending a technology center, we must pay 1/3 of their annual cost due to a trimester schedule. For a participant attending a community college or university, we must pay ½ of their annual cost due to a semester schedule. For participants attending short-term private training, we generally pay 100%. All of this must come from 22% of annual allocation. The logical solution would be to carryover funds to meet these additional needs. This is what we try to do, but it becomes complicated. Although we have two years to spend our allocation, we must spend 70% by first year ending June 30, only leaving 30% to carryover. In order to spend the 70%, you must have a significant number of individuals in training, who may also require funds during that first quarter.

It is our understanding this July will have additional challenges as the cuts to WIA formula funds will be taken out of this same period (July – September) versus being applied to the entire year allocation. Based on our current expenditure levels as of March 31 and the projected cuts, we will be required to make additional cuts in our program to continue to serve our customers. This will include laying off several staff members at a time when we need everyone possible to meet the needs of customers and contributing to the abundance of dislocated workers currently looking for work.

I understand the budget situation for our nation is at a crisis level and I greatly appreciate Congress and the Administration for reinforcing the local workforce system as the primary delivery mechanism for workforce funding. Your job is not an easy one. I also understand that you must evaluate programs such as WIA, not from just what advocates say, but also from third party concerns.

I want to offer the following comments on the U.S. **Government Accountability Office (GAO) report *Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue:***

First, let me say that I was pleased to see that WIA is obviously not the “smoking gun” when it comes to wasteful programs! In fact, in the first sentence, GAO states “Federally funded employment and training programs play an important role in helping job seekers obtain employment.” It goes on to talk about how some programs overlap with at least one other program in that they provide one similar service to a similar population. It states, “Even when programs overlap, they may have meaningful differences in their eligibility criteria or objectives, or they may provide similar types of services in different ways.” From my many years in the employment and training business, I can tell you this is true “one size does not fit all”.

One of the main focuses of the GAO report seems to be co-locating services. This was a surprise to me. I know Tennessee is a leader in the nation in workforce development for performance, expenditure of funds, etc. But I assumed everyone co-located workforce services since Tennessee and our local area has been doing this even before the Workforce Investment Act (WIA), under the Job Training Partnership Act (JTPA). In five (5) of our seven (7) counties, WIA is co-located in the Employment Services offices. Just as the report mentions, the only reason TANF is not also co-located is due to limited office space. In our other 2 counties, there are no Employment Services offices, so WIA facilitates this service via technology and the TANF employment and training service is co-located with us.

Another statement in the report which really rang true for us was, “Agency officials acknowledged that greater efficiencies could be achieved in delivering services through these programs, but said factors such as the number of clients that any One-stop Center can serve and One-stop Centers’ proximity to clients, particularly in rural areas, could warrant having multiple entities provide the same services.” Depending on budget cuts, I may be required to close our offices in our two smallest counties, Lake and Crockett. I would hope to “borrow” space from another agency to place a part-time staff person a couple of days a week, but we would not have the computer labs and technology to provide on-site services and facilitate the Employment Service role. I do not know where our TANF partner would go. This would be like taking two steps backwards. If budgets are cut so much that we cannot employ part-time staff, this means unemployed adults and dislocated workers would be forced to drive 25-30 miles for services. I know in some areas in Tennessee, the commute would be even greater.

The final statement I found interesting in the GAO report about Employment and Training programs was the last sentence under Actions Needed and Potential Financial or Other Benefits that states “Depending on the reduction in administrative costs associated with co-location and consolidation, these funds could be used to train potentially hundreds or thousands of additional individuals.” As previously noted, since 2008, our area has experienced reported dislocations of over 3,500 employees, and with Goodyear Tire and Rubber closing this will add another 2,000 direct and 1,400 indirect layoffs. Costs savings from co-location and consolidation could be used to provide employment and training services to this growing number.

In closing, I hope someday employers will be able to hire all the qualified workers they need; every individual who wants to work will have a job; and our tax dollars will not be needed to subsidize the effort. Unfortunately, today is not that day.