

# CRS Report for Congress

## The President's Demand-Driven Workforce Development Initiatives

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Ann Lordeman  
Specialist in Social Legislation  
Domestic Social Policy Division

Linda Levine  
Specialist in Labor Economics  
Domestic Social Policy Division



Prepared for Members and  
Committees of Congress

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## Summary

Since the current Bush Administration came into office, the U.S. Department of Labor (DOL) has developed and implemented three initiatives referred to as market- or demand-driven. The goal of the initiatives — the High Growth Job Training Initiative (HGJTI), Community-Based Job Training Grants (CBJTG), and Workforce Innovation and Regional Economic Development (WIRED) — is to address the workforce challenges thought to impede the nation's competitive advantage in the global economy. The initiatives have in common an approach that involves partnering the publicly funded workforce system, the business community, education and training providers, and economic development agencies.

Between May 2002 and December 2006, nearly \$732 million was awarded in grants for these initiatives. Of this amount, nearly \$287 million was awarded for HGJTI grants, 90% of which was awarded non-competitively. Awards for the other two initiatives, \$250 million for CBJTG and \$195 million for WIRED, were awarded competitively. For the HGJTI and CBJTG initiatives, awards were made in 14 "high-growth" sectors identified primarily by DOL (e.g., advanced manufacturing, construction, health care). For WIRED, awards were made to 13 regions of the country to transform and rebuild their economies so they can better compete globally.

Two statutes provide the authority under which the initiatives have been funded. The first is the Workforce Investment Act (WIA, P. L. 105-220, Title I), the nation's primary employment and job training legislation. Specifically, awards for the HGJTI and CBJTG initiatives have been made under the general demonstration authority of Section 171. The WIA funds come from annual appropriations. The second statute is the American Competitiveness and Workforce Improvement Act (ACWIA) of 1998 (P. L. 105-277, Title IV). Specifically, Section 414(c) of ACWIA as amended by the FY2005 appropriations act (P. L. 108-447) authorizes DOL to make awards to partnerships of public and private entities for job training for employment in high-growth sectors. The HGJTI and WIRED initiatives have been funded under the authority of ACWIA. Funds for awards come from fees paid by employers who file petitions for H-1B visas to bring into the country nonimmigrants to work in professional speciality occupations. The fees potentially represent a large source of funds upon which the DOL initiatives can draw.

This report begins with an overview of each of the initiatives, which is followed by an analysis of the quantity and quality of jobs the targeted sectors might afford workers, and an examination of the relationship between the initiatives and WIA. The report closes with a series of policy questions for potential congressional oversight.

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# The President's Demand-Driven Workforce Development Initiatives

## Introduction

Since the current Bush Administration came into office, the U.S. Department of Labor (DOL) has developed and implemented three initiatives referred to as market- or demand-driven that are designed to address the workforce challenges thought to impede the nation's competitive advantage in the global economy. The High Growth Job Training Initiative (HGJTI) is likely the most well-known of these employer-focused activities, which aim "to prepare workers to take advantage of new and increasing job opportunities in high growth, high demand and economically vital sectors of the American economy."<sup>1</sup> The other two are Community-Based Job Training Grants (CBJTG)<sup>2</sup> and Workforce Innovation and Regional Economic Development (WIRED).

The three initiatives have in common an approach that involves partnering the publicly funded workforce system (e.g., state and local workforce investment boards) with members of the business community, education and training providers (e.g., community colleges), and economic development agencies. Two other DOL training initiatives proposed during the Bush Administration — Personal Reemployment Accounts and Career Advancement Accounts — focus instead on workers; they are addressed in other CRS reports.<sup>3</sup>

This report examines the President's demand-driven initiatives for several reasons:

- First, the HGJTI and CBJTG initiatives mark perhaps the first commitment of Labor Department funds to development of an adequate supply of workers possessing in-demand skills in sectors of the economy primarily selected by DOL. Similarly, WIRED marks perhaps the first DOL commitment of funds to assist regions in transforming their communities in order to compete globally.

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<sup>1</sup> U.S. Department of Labor, Employment and Training Administration, Business Relations Group at [<http://www.doleta.gov/BRG/JobTrainInitiative>].

<sup>2</sup> This initiative is also known as the Community College Initiative.

<sup>3</sup> See CRS Report RL31825, *Personal Reemployment Accounts: Results from Bonus Experiments*, by Linda Levine and Ann Lordeman, and CRS Report RL33687, *The Workforce Investment Act (WIA): Program-by-Program Overview and FY2007 Funding of Title I Training Programs*, by Blake Alan Naughton and Ann Lordeman.

- Second, since May 2002, nearly \$732 million has been awarded in grants for these three initiatives; however, limited information has been available on their exact nature and on the precise use of the funds. Such information is difficult to ascertain for a number of reasons, including the relatively brief existence of the initiatives, the use of non-competitive grants in awarding approximately \$258 million in HGJTI grants, and the vagueness of some available information.
- Third, the 109<sup>th</sup> Congress expressed interest in the operation of the HGJTI.<sup>4</sup>
- Fourth, the 14 HGJTI sectors deemed important by DOL to sustain economic growth and competitiveness may not be among those most likely to afford workers plentiful high-paying job opportunities.
- Fifth, the initiatives may not be clearly coordinated with assistance available to employers through the nation's primary job training legislation — Title I of the Workforce Investment Act (WIA), P. L. 105-220 — and with activities in which other federal agencies traditionally have taken the lead (e.g., regional economic development and the U.S. Department of Commerce).

This report begins with an overview of each of the initiatives, which is followed by an analysis of the quantity and quality of jobs the targeted sectors might afford workers, and an examination of the relationship between the initiatives and WIA. The report closes with a series of policy questions for potential congressional oversight.

## An Overview of the Demand-Driven Initiatives

All three of the President's demand-driven initiatives are administered by the Employment and Training Administration (ETA) of the Department of Labor. In general, "These initiatives are meant to demonstrate how talent development can increase productivity and drive economic growth. They will help American workers benefit from the growth in the global economy."<sup>5</sup> **Table 1** outlines the variability among the key characteristics of each of the three initiatives.

Between, May 2002 and December 2006, nearly \$732 million has been awarded in grants for these initiatives. **Table 2** shows the distribution of funds among the three initiatives and the years in which funds were awarded for each initiative.

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<sup>4</sup> For example, in the Conference Report (H.Rept. 109-337) on the FY2005 Labor, Health and Human Services (HHS), and Education appropriations bill, the conferees directed DOL to submit a quarterly report on the HGJTI with a listing of all awards made during the quarter and for each award the grantee, the amount of the award, the funding source of the award, whether the award was made competitively or non-competitively and, if non-competitively, the justification, the purpose of the award, the number of workers to be trained, and other expected outcomes.

<sup>5</sup> Testimony of DOL Secretary Elaine L. Chao, in U.S. Congress, House Committee on Education and the Workforce, *Building America's Competitiveness: Examining What Is Needed to Compete in a Global Economy*, Washington, 109<sup>th</sup> Cong., 2<sup>nd</sup> sess., Apr. 6, 2006, Serial 109-34 (Washington: GPO, 2006).

**Table 1. Comparison of Key Elements  
of the President’s Demand-Driven Initiatives**

Key element	High Growth Job Training Initiative (HGJTI)	Community-Based Job Training Grants (CBJTG)	Workforce Innovation and Regional Economic Development (WIRED)
Overall objectives of the initiatives	Prepare workers for job opportunities in high-growth/high-demand industries and sectors of the American economy.	Build the capacity of community colleges to train workers in skills required by industries expected to grow and by industries where there is a demand for qualified workers.	Transform and rebuild regional economies.
Scope of the initiatives	National — specifically, DOL identifies high-growth/high-demand industries and awards funds for projects focused on the needs of those industries.	Local and regional — specifically, community colleges and other grantees focus on the local and regional demands of employers.	Regional — specifically, governors identify labor market areas that are composed of multiple jurisdictions within a state or across state borders.
Perceived problems to be addressed	Jobs are vacant in high-growth, high-demand fields due to a lack of qualified people.	Community colleges face capacity constraints, which make them unable to meet demand for training.	Regions need to rebuild and transform their economies to compete globally.
Sectors targeted by the initiatives	DOL identified 14 sectors that met one of five criteria: sectors (1) projected to add substantial numbers of new jobs to the economy, (2) that have a significant impact on the nation’s economy, (3) that influence the growth of other industries, (4) that are undergoing technological and other innovation that requires new skill sets, or (5) that are emerging fields having the potential for growth. (See <b>Table 6</b> for the specific 14 sectors.)	Each grant applicant identified any sector, including the 14 identified by DOL, that met one of the five criteria enumerated in the column to the left.	Not applicable.

Key element	High Growth Job Training Initiative (HGJTI)	Community-Based Job Training Grants (CBJTG)	Workforce Innovation and Regional Economic Development (WIRED)
Funding authority for grants	Section 171 of the Workforce Investment Act (WIA) and Section 414(c) of the American Competitiveness and Workforce Improvement Act (ACWIA).	Section 171 of the Workforce Investment Act (WIA).	Section 414(c) of the American Competitiveness and Workforce Improvement Act (ACWIA).
Source of funding	Annual appropriations and employer fees.	Annual appropriations.	Employer fees.
Competitive or non-competitive awards	Both, but primarily non-competitive.	Competitive.	Competitive.
Eligible grantees	Public, private for-profit, and private nonprofit organizations.	An individual community or technical college, a community college district, a state community college system, or an individual one-stop career center in partnership with its local workforce investment board.	State governors, the governor of Puerto Rico, and the mayor of the District of Columbia.
Grant activities	Wide range of activities, from building career ladders for new and incumbent workers, to expanding postsecondary training alternatives including apprenticeship and community colleges' workforce development programs, to accessing new or untapped labor pools.	Capacity-building of community colleges (e.g., development of curricula, including technology-based distance learning curricula; implementation of strategies to ensure availability of qualified instructors; procurement of equipment) and training activities for individuals.	Designing and implementing strategic approaches to regional economic development and job growth.

Key element	High Growth Job Training Initiative (HGJTI)	Community-Based Job Training Grants (CBJTG)	Workforce Innovation and Regional Economic Development (WIRED)
Required project partners	Representatives of the workforce investment system, business and industry, and the continuum of education, which includes elementary, middle, and high schools, career and technical high schools, community and technical colleges, four-year colleges and universities, and other training entities.	Same as the President's High Growth Job Training Initiative.	Regional civic, business, investor, academic, entrepreneurial and philanthropic leaders.
Leveraging	Grantees are encouraged to utilize the resources of the partners.	Same as the President's High Growth Job Training Initiative.	Same as the President's High Growth Job Training Initiative.
Cost sharing	Cost-sharing requirements are largely unknown, since 85% of the awards from Program Year (PY) 2001-2006 were non-competitive.	Cost sharing is not required; however, applicants are encouraged to leverage the resources of the partnership whenever possible.	Same as the Community-Based Job Training Grants.

**Source:** Congressional Research Service analysis based upon publicly available information such as DOL solicitation-for-grant announcements, press releases, and speeches.

**Table 2. Total Funding by Demand-Driven Initiative:  
Program Years (PY) 2001-2006<sup>a</sup>**

Initiative	Program years for which funds have been awarded	Amount of award	Percent of total funds awarded
High Growth Job Training Initiative (HGJTI)	PY2001-PY2006	\$286,902,313	39%
Community-Based Job Training Grants (CBJTG)	PY2005-PY2006	250,000,000	34%
Workforce Innovation and Regional Economic Development (WIRED)	PY2006	195,000,000	27%
Total	Not applicable	731,902,313	100%

**Source:** Created by CRS from information in DOL online databases and press releases.

a. A program year runs from July 1 through June 30. The data in this table include PY2006 through December 31, 2006 (i.e., the first six months of the program year 2006).



## High Growth Job Training Initiative (HGJTI)

The Administration began the HGJTI in PY2001 “as a pilot to prepare workers for jobs being created in high growth industries.”<sup>6</sup> This initiative is administered by the Business Relations Group (BRG), a division in ETA’s Office of Workforce Investment. The BRG (1) identifies high-growth, high-demand sectors; (2) convenes one or more executive forums for each sector to offer leaders in business and industry opportunities to share their current and future labor needs with the public workforce system (e.g., the system authorized under WIA); and (3) convenes a solutions forum with representatives of industry, the public workforce system, educators, and economic development officials to collectively verify the workforce challenges identified during executive forums and to devise solutions.

Examples of the kinds of workforce challenges or problems identified through the forums include a mismatch between the skills imparted to high school and college students and the skill requirements of employers; new labor force entrants uninterested in seeking employment in the targeted sectors, perhaps because they have a negative image of particular sectors or because these individuals may be unaware of the wide range of careers targeted sectors offer; and the seeming dearth of new workers with up-to-date skills, which requires industries undergoing rapid technological change to devote more of their resources to upgrading the skills of incumbent workers, and also to take other measures aimed at retaining experienced staff. To address these problems, the BRG refers proposed solutions outside the department’s domain to other agencies, identifies solutions for which DOL already has committed program funds, and awards grants to partnerships to undertake demonstration projects that reflect the remaining priority solutions.<sup>7</sup>

Two statutes provide the authority under which HGJTI grants have been awarded. The first is the Workforce Investment Act (WIA, P. L. 105-220, Title I), the nation’s primary employment and job training legislation.<sup>8</sup> Specifically, awards have been made under the general authority of Section 171, Demonstration, Pilot, Multiservice, Research, and Multistate Projects. The WIA funds come from annual appropriations. The second statute is the American Competitiveness and Workforce Improvement Act (ACWIA) of 1998 (P. L. 105-277, Title IV).<sup>9</sup> Specifically, Section 428 of P. L. 108-447 (the FY2005 appropriations act) amended Section 414(c) of ACWIA to authorize DOL to make awards to partnerships of public and private

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<sup>6</sup> *Budget of the United States Government, FY2007*, p.183.

<sup>7</sup> “The President’s High Growth Job Training Initiative,” at [<http://www.doleta.gov/BRG/JobTrainInitiative/>].

<sup>8</sup> 29 U.S.C. §2811 et seq.

<sup>9</sup> The 105<sup>th</sup> Congress, in Title IV (the American Competitiveness and Workforce Improvement Act of 1998) of P.L. 105-277 (8 U.S.C. §1101 et seq.), originally imposed the H-1B visa education and training fee on employers seeking to utilize nonimmigrant professionals (e.g., foreign workers with information technology skills) to finance DOL and National Science Foundation (NSF) activities aimed at better matching the supply of highly skilled U.S. workers to employer demand. For more information on these NSF and DOL activities, see CRS Report RL31973, *Programs Funded by the H-1B Visa Education and Training Fee, and Labor Market Conditions for Information Technology (IT) Workers*, by Linda Levine.

entities for job training for employment in high-growth sectors.<sup>10</sup> Funds for awards come from fees paid by employers who file petitions for H-1B visas to bring into the country nonimmigrants to work in professional speciality occupations.

Between PY2001 and PY2006,<sup>11</sup> 150 awards totaling \$286.9 million were made.<sup>12</sup> **Table 3** shows the distribution of grants across program years. As shown in the table, funding peaks in PY2004, the same year in which funding from H-1B fees was likely used to supplement WIA demonstration monies. While the authority under which individual grants were made is not always clear,<sup>13</sup> DOL, in its FY2007 Budget Justification, states that DOL “initially” used a “significant” amount of WIA discretionary resources to support the HGJTI.<sup>14</sup> DOL has also indicated that H-1B fees it received beginning with the second quarter of FY2005<sup>15</sup> have been used to fund HGJTI grants under ACWIA authority in Section 414(c).<sup>16</sup> Based on this information and by cross-referencing each award date with the appropriate program and fiscal year, CRS estimates that WIA was the funding source for all awards made in PYs 2001-2003 (see **Table 3**), that WIA continued to be the major source of funds in PY2004, with perhaps approximately 28% or \$25.4 million of the grants awarded in that year funded with H-1B fees, and that the H-1B fees possibly funded all of the awards in PY2005 and PY2006.<sup>17</sup> It is unclear under which of the two authorities funds were awarded when the year of the award is not specified. For FY2006, DOL estimated that \$125 million would be available to fund HGJTI grants and the WIRED initiative (discussed later in this report). H-1B fees are permanently authorized, and consequently could represent a steady source of funding for HGJTI and WIRED.

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<sup>10</sup> While the HGJTI is not specifically mentioned in either WIA or ACWIA, these statutes have provided the authority for funding the initiative. In the DOL *Budget Justification FY2007*, DOL states on p. TES-113 that the ACWIA Section 414(c) grants “are consistent with and support the High Growth Job Training Initiative.” Much of the information regarding the HGJTI grants is found in Administration documents — such as solicitation for grant announcements, fact sheets, descriptions posted on DOL’s website, press releases, and speeches — rather than in legislation.

<sup>11</sup> A program year begins on July 1 and ends on June 30. For example, PY2006 began July 1, 2006, and will end June 30, 2007. Information in this report includes awards made as of Dec. 31, 2006.

<sup>12</sup> Information on the awards is taken from the DOL database of the HGJTI Investment Center at, [<http://www.doleta.gov/BRG/HGJTIGrantees>]. CRS reviewed information from three DOL online sources: the HGJTI Investment Center, the HGJTI publication library, and press releases. In some cases, information on the awards (e.g., amount of an award, name of a grantee, the number of awards made in a given sector) varied by source. CRS determined that the most authoritative source is the HGJTI Investment Center, information from which is supplemented by press releases as needed.

<sup>13</sup> The funding authority is generally specified when awards are made on a competitive basis. As discussed later in this report, most of the HGJTI grants were made non-competitively.

<sup>14</sup> DOL, *Budget Justification FY2007*, p. TES-113.

<sup>15</sup> These fees are accounted for on a fiscal-year, not program-year, basis. FY2005 began Oct. 1, 2004, and ended Sept. 30, 2005. The second quarter of FY2005 began in January 2005, which is in PY2004.

<sup>16</sup> Information provided to CRS by DOL, Mar. 22, 2006.

<sup>17</sup> To date, in PY2006, \$16.8 million was awarded under the authority of Section 414(c) of ACWIA. Approximately \$6.0 million could have been awarded with H-1B fees as well.

Of the 150 awards, more than one-quarter, or 41, were made to institutions of higher education, including 25 to community colleges. Almost another one-quarter, or 35, were made to local and state workforce investment boards or state agencies. The remaining half of the awards were made to various industry associations and other organizations. Some of the activities undertaken by the grantees include job training for entry-level, incumbent, and unemployed workers; development of apprenticeship opportunities and certification programs; development or expansion of curricula; development and provision of instruction via telecommunication; and establishment of career ladders.

**Table 3. Distribution of HGJTI Awards and Funding by Program Year<sup>a</sup>**

Program Year	Number of Awards	Percentage of All Awards <sup>a</sup>	Funds Awarded	Percentage of All Funds <sup>b</sup>
2001	1	1%	\$4,541,205	2%
2002	8	5%	22,641,579	8%
2003	34	23%	66,571,780	23%
2004	60	40%	90,976,782	32%
2005	22	15%	67,913,992	24%
2006	16	11%	22,803,320	8%
Unspecified Year, PY2001-PY20	9	6%	11,453,655	4%
Total	150	100%	286,902,313	100%

**Source:** Created by CRS from information in the DOL HGJTI Investment Center data base and DOL press releases.

- a. The data in this table includes PY2006 as of 12/31/2006, i.e., the first six months of the program year.
- b. Percentages may not add to 100 because of rounding.

Of the 150 awards, 127, or 85%, were made on a non-competitive basis. The non-competitive awards account for 90% of funds awarded. The 23 competitive awards were made in response to a Solicitation for Grant Applications (SGA) for HGJTI grants for the health care and biotechnology industries under WIA authority in Section 171,<sup>18</sup> and to an SGA for HGJTI grants in advanced manufacturing under ACWIA authority in Section 414(c).<sup>19</sup>

ACWIA is silent on whether awards should be made competitively or not. Under Section 171 of WIA, awards are not required to be made on a competitive basis if they are for (1) demonstration and pilot projects<sup>20</sup> or (2) multiservice projects,

<sup>18</sup> 69 *Federal Register* 56082, Sept. 17, 2004.

<sup>19</sup> 71 *Federal Register* 32559, June 6, 2006, and corrected in 71 *Federal Register* 37960, July 3, 2006.

<sup>20</sup> 29 USC 2916(b) (2)(A). WIA, as originally enacted by P. L. 105-220, required that grants (continued...)

research projects, or multistate projects<sup>21</sup> that do not exceed \$100,000<sup>22</sup> or are funded jointly with other public- or private-sector entities.<sup>23</sup> In general, DOL did not specify the nature of the award (i.e., demonstration, pilot, or multiservice) in its online grantee database and press releases.

For the 127 non-competitive awards, funding ranged from \$95,000 for the Pennsylvania Automotive Association to train workers for careers in the automotive industry as automotive service technicians, to \$12,202,600 for YouthBuild USA to train adjudicated youth in the construction industry through a combination of academic instruction and construction skills development. The median award was \$1,639,403. The expected period of performance (i.e., duration) is not known.

For the 23 competitive awards, funding ranged from \$276,393 to Job Path, Inc. to create a career ladder training model in biosciences for high school students that includes outreach activities and an internship program, to \$1,860,515 to Ivy Tech Community College (Indiana) for activities such as creating a new statewide advanced manufacturing curriculum and training new workers. The median award for the health care and biotechnology grants was \$1.0 million, with an expected period of performance of up to 24 months. The median award for the advanced manufacturing grants was \$1.5 million, with an expected period of performance of up to 36 months. The difference in the median award amounts for the two sets of grants could be due to the difference in their duration. A grant expected to be used over 36 months may be higher than one expected to be used over 24 months. Nearly half of the non-competitive grants (59 of 127) were awarded amounts of \$1.9 million or more, greater than the largest amount awarded for any competitive grant. However, because the actual period of performance is not known for any of these grants, no conclusion can be made as to whether the non-competitive grants are larger or smaller on a per-month basis than any of the competitive grants.

The use of non-competitive awards provides particular challenges for congressional oversight and for anyone seeking to obtain specific information on many of the details of the grants. In addition to the expected period of performance, another area generally addressed in an SGA is cost sharing (i.e., whether, as a requirement of receiving a grant, an applicant must provide other funds, whether received from a federal or non-federal source). The SGA for the competitive health care and biotechnology grants required a “match” equivalent of at least 50% of the

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<sup>20</sup> (...continued)

for demonstration and pilot projects be made competitively unless they were funded jointly with other public- or private-sector entities that provide a portion of the funding for the project. Technical amendments to WIA in P. L. 105-277, the omnibus appropriation bill for FY1999, deleted this requirement and substituted the requirement that awards be made in accordance with generally applicable federal requirements.

<sup>21</sup> Of the non-competitive grants awarded, 39% were for multistate projects. (Information on whether a project was multistate was available for 123 of the 127 non-competitive projects.) Nineteen of the 23 competitive grants were for single-state projects.

<sup>22</sup> Of the 150 grants awarded, four were made for under \$100,000, each of which was a non-competitive award.

<sup>23</sup> 29 USC2916(c)(4)(A).

grant award amount. This match could be provided in cash or in-kind;<sup>24</sup> however, at least 50% of the total grant match amount had to be a cash match provided by business partners.<sup>25</sup> The SGA for competitive grants in advanced manufacturing did not require cost sharing. For the non-competitive grants, it is not known whether there were any cost-sharing requirements. Also, both of the competitive grant SGAs included leveraged resources in the evaluation criteria.<sup>26</sup>

Other grant features often included in an SGA are the statutory authority for the grant; “critical elements” the grant should address; eligible applicants, expected range of funding, and number of awards; criteria used to evaluate the application; and requirements related to reporting, outcomes, and evaluation of the funded projects. DOL has indicated that in the future it “will be awarding the majority of grants (over 95%) funded by H-1B visa fees through a variety of competitive solicitations.”<sup>27</sup> Future SGAs could be in the construction, energy, and homeland security sectors.<sup>28</sup>

### **Community-Based Job Training Grants (CBJTG)**

In its FY2005 Budget, the Administration requested funding for “a new, employer-focused grant program for training in community and technical colleges.”<sup>29</sup> DOL awarded \$125 million in both October 2005 and December 2006, for a total of \$250 million awarded to 142 community colleges in 45 states.<sup>30</sup>

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<sup>24</sup> In-kind contributions could include things such as support services, mentoring, and volunteers.

<sup>25</sup> 69 *Federal Register* 56086, Sept. 17, 2004.

<sup>26</sup> Leveraged resources are in-kind or federal and non-federal cash contributions made by any of a number of entities, including businesses, faith-based and community organizations, foundations, other government programs (e.g., Vocational Rehabilitation or Adult Education, administered by the Department of Education), and other DOL programs (e.g., registered apprenticeships or Job Corps). Each of the fact sheets in the HGJTI database does include a figure for leveraged resources.

<sup>27</sup> Information provided to CRS by DOL, Mar. 22, 2006.

<sup>28</sup> DOL, *The President’s High Growth Job Training Initiative*, at [<http://www.doleta.gov/budget/3HGJTI07.pdf>].

<sup>29</sup> *Budget of the United States Government, FY2005*, p. 226.

<sup>30</sup> DOL, “U.S. Department of Labor Awards \$125 Million in Competition For the President’s Community-Based Job Training Grants,” news release, Oct. 19, 2005 [[http://www.doleta.gov/whatsnew/new\\_releases/2005-10-19.cfm](http://www.doleta.gov/whatsnew/new_releases/2005-10-19.cfm)], and “U.S. Department of Labor Awards \$125 Million in Second Competition for President’s Community-Based Job Training Grants,” news release, Dec. 11, 2006.

**Table 4. Distribution of CBJTG Awards and Funding by Program Year<sup>a</sup>**

Program Year	Number of Awards	Funds Awarded
2005	70	\$125,000,000
2006	72	125,000,000
Total	142	250,000,000

**Source:** Created by CRS from information in DOL press releases.

a. The data in this table include PY2006 as of Dec. 31, 2006 (i.e., the first six months of the program year).

As shown in **Table 1**, the purpose of the grants is to build the capacity of community colleges to train workers to develop the skills required to succeed in high-growth industries and occupations and industries in which demand for qualified workers is outstripping the supply. The grants were competitive, as specified in the conference report (H.Rept. 108-792) on the FY2005 omnibus appropriations bill. They were awarded in response to two SGAs: one in May 2005 and one in July 2006. The primary difference between the two SGAs is that the pool of grantees was broader under the PY2006 SGA.<sup>31</sup> Under the PY2005 SGA, only community colleges were eligible to apply. Under the 2006 SGA, DOL accepted applications from individual community or technical colleges, community college districts, state community college systems, or individual one-stop career centers in partnership with their local workforce investment boards.<sup>32</sup> All of these entities, except for individual community colleges or technical colleges, had to specify one or more community college(s) where all capacity-building and training activities would occur under the grant.

The SGAs required all community college applicants to develop and implement a combination of capacity-building and training activities. In general, training activities were to be provided by a community or technical college, and occur within the context of a continuum of education and training that supports long-term career growth, such as an articulated career ladder. These activities were also to result in college credit or other industry-recognized credentials, and indicate a level of mastery in a given field. Capacity-building strategies were expected to address significant barriers that impede the ability of a community college to meet local or regional industry demand for workforce training. Examples of capacity-building activities specified in the SGAs include the development or adaptation of competency models and curricula to support training; the development of innovative curricula, teaching methods, and instructional design to meet the skill needs of employers;

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<sup>31</sup> Another difference was that the purpose of the 2006 SGA includes building the capacity of community colleges to train workers to develop the skills required to succeed in local or regional industries and occupations.

<sup>32</sup> The conference report (H.Rept. 109-337) on the FY2006 Labor-HHS-Education appropriations bill directed DOL to include one-stop career centers as eligible applicants in future grant solicitations. Three of the 72 awards made in PY2006 were made to one-stop centers.

implementation of innovative strategies to ensure the availability of qualified and certified instructors; procurement of equipment necessary for training in industry-demanded skills; and support for clinical experiences required for certification or licensure.<sup>33</sup>

The grants were funded under the general authority of WIA Section 171, Demonstration, Pilot, Multiservice, Research, and Multistate Projects, but the funds were specifically appropriated in FY2005 and FY2006 appropriation bills (P.L. 108-447 and P.L. 109-149, respectively.) The President's budget requests since FY2005 have included funding for CBJTGs. Both the House- and the Senate-passed bills (H.R. 27) in the 109<sup>th</sup> Congress to reauthorize WIA included a community-based job training demonstration project, similar to the President's Community Based Job Training Initiative. Both the House and Senate-passed versions of H.R. 27 would have required DOL in awarding grants to consider the extent to which a grant would expand a local one-stop center's capacity to be demand-driven and responsive to local needs. The House-passed version would have required community colleges to work in conjunction with local workforce investment systems, while the Senate version would have required community colleges to work with local boards. In the House version, an application for a grant would have had to include an assurance that it had been developed in consultation with the board in the area where the proposed grant would be used. In the Senate version, the application would have had to include a description of the involvement of the local board and businesses in the geographic area where the proposed grant would be implemented.

The range of awards was from \$617,921 for Midland College (TX) to expand the college's distance learning programs for nurse training, to \$3,600,768 for L.E. Fletcher Technical Community College (LA) to build its capacity and the capacity of three community college partners to train approximately 3,000 workers in the marine transportation and manufacturing industries. The median award for all grantees was \$1,916,013.<sup>34</sup> The initial period of grant performance was expected to fall within a range of 24 to 36 months. The SGA did not require cost sharing, and while leveraging of resources was encouraged, it was not included in the evaluation criteria.

## **Workforce Innovation and Regional Economic Development Initiative (WIRED)**

In November 2005, DOL issued an SGA announcing its intent to fund a new initiative, WIRED.<sup>35</sup> Competition was limited to governors who could apply on behalf of regions within their states. As shown in **Table 1**, the purpose of the grants is to transform and rebuild regional economies, or, more specifically, "to transform regional economies by enlisting the skills of the numerous and varied players in those

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<sup>33</sup> 70 *Federal Register* 22907-8, May 3, 2005.

<sup>34</sup> Information on the awards is taken from the DOL data base of the CBJT Investment Center, at [<http://www.doleta.gov/BRG/CBJTGrants/>].

<sup>35</sup> DOL, "Workforce Innovation in Regional Economic Development (WIRED) Initiative: Solicitation for Grant Applications," November 21, 2005 at [<http://www.doleta.gov/sga/sga/SGA-DFA-PY-05-04.pdf>], (hereafter referred to as WIRED SGA).

economies to research and produce long-term strategic plans that prepare workers for high-skill, high-wage opportunities in the coming years and into the next decade.”<sup>36</sup> The SGA did not require cost sharing, and while leveraging of resources was encouraged, it was not included in the evaluation criteria.

**Table 5. Distribution of WIRED Awards and Funding by Program Year<sup>a</sup>**

Program Year	Number of Awards	Funds Awarded
2005	13	\$195,000,000
2006	none as of Dec. 31, 2006	0
Total	13	195,000,000

**Source:** Created by CRS from information in DOL press releases.

a. The data in this table include PY2006 as of 12/31/2006, i.e., the first six months of the program year.

The SGA indicated the Department’s perception of problems facing some regions, which the initiative is expected to address, as follows:

While some regions of the country have thrived as a result of globalization, others have struggled to compete, particularly those with an economy based on manufacturing or other trade-impacted industries. These regions are being forced to revitalize and reinvent themselves. Regions recently impacted by hurricanes and other natural disasters will also have to rebuild and transform their economies.<sup>37</sup>

The SGA was not very specific about the activities that grantees were to engage in to address the need to rebuild and transform regional economies. Rather, the SGA required applicants to “show how the region will be taking the current systems and structures supporting economic growth to the next level by implementing new efforts designed to drive system integration, innovation and transformation.”<sup>38</sup> The best source of information on grantee activities comes from the Request for Proposal (RFP) issued on June 9, 2006, to evaluate the WIRED projects that were selected from the applicants responding to the SGA. In the background section of the RFP, DOL states:

In order to accomplish this [transform regional economies], grantees have specified numerous strategies including the following: 1) Bolstering job creation and increasing training in high-growth occupations; 2) Developing post-secondary educational opportunities; 3) Engaging K-12 education systems to fuel a pipeline of new workers, especially for occupations that require math and science skills; 4) Improving entrepreneurship development and business engagement; 5) Expanding availability of capital and new investments; 6)

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<sup>36</sup> DOL, “Secretary of Labor Elaine L. Chao Announces \$195 Million for President Bush’s Competitiveness Agenda,” news release, Feb. 1, 2006.

<sup>37</sup> WIRED SGA, p. 3.

<sup>38</sup> WIRED SGA, p. 11.



Creating improved systems for rapid technology transfer including market opportunities for innovative university research and development; and 7) Aligning disparate public and private resources toward a unified regional workforce and economic development strategy.<sup>39</sup>

In February 2006, DOL announced that it had selected 13 regions to receive \$15.0 million over a three-year period, for a total of \$195 million. Each of the 13 regions encompasses multiple counties, and in one case counties in two states.<sup>40</sup> In mid-March of 2006, DOL awarded \$100,000 for planning grants to each of the governors of the next 13 highest-scoring WIRED proposals, referred to as the “Virtual 14<sup>th</sup> Region.”<sup>41</sup> The grants were funded under the authority of ACWIA. As noted earlier, ACWIA as amended authorizes DOL to make awards to partnerships of public and private entities for job training for employment in high-growth sectors. While the WIRED activities do not appear to be directly related to job training, ACWIA does provide that “related services [to job training]” can be provided, and that to facilitate the provision of job training, funds may be used to develop and implement “model activities.”<sup>42</sup> Presumably, it is on the basis of these provisions that DOL has the authority to fund WIRED under ACWIA. DOL, in its FY2007 budget justification, does not address the rationale for using ACWIA authority to fund WIRED, but does state that “The ultimate goal of the WIRED initiative is to expand employment and advancement opportunities for American workers and catalyze the creation of high skill and high wage opportunities.”<sup>43</sup>

On June 9, 2006, DOL issued a Request for Proposal (RFP) to evaluate the WIRED Initiative. The period of performance would be 45 months. The estimated cost would be between \$2.7 million and \$3.5 million.<sup>44</sup> The evaluation seeks to describe implementation and measure performance in three areas. These are (1) strategic approach and implementation (e.g., specific regional problems addressed, strategies used, amount of increase in collaboration), (2) innovation and capacity changes (e.g., business networks expanded or created, new training in targeted industries, improvement in venture capital investment), and (3) economic and labor

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<sup>39</sup> DOL, *Workforce Innovation in Regional Economic Development Evaluation*, June 9, 2006 at [<http://www.doleta.gov/sga/rfp/DOL061RP20079.pdf>], p. C-1.

<sup>40</sup> See DOL Fact Sheet, *Workforce Innovation in Regional Economic Development Selected Regions*, at [<http://www.doleta.gov/pdf/WIRED%20Fact%20Sheet.pdf> for a list of regions].

<sup>41</sup> DOL, *WIRED Update*, June 30, 2006, at [[http://www.doleta.gov/pdf/WIRED\\_200606\\_update.pdf](http://www.doleta.gov/pdf/WIRED_200606_update.pdf)].

<sup>42</sup> One example of a model activity provided in ACWIA at Section 414(c)(2)(B) is “increasing the integration of community and technical college activities with activities of businesses and the public workforce investment system to meet the training needs for the industries and economic sectors identified pursuant to [the paragraph on identifying high growth industries and economic sectors].” This example appears to provide authority for funding CBJTG, which is currently funded under the authority of WIA.

<sup>43</sup> DOL FY2007 Budget Justification, p. TES-113.

<sup>44</sup> This cost is based on DOL’s estimate of the level of effort required. DOL estimates that the level of effort would be between 30 and 35 professional person years at between \$90,000 and \$100,000 per professional person year. This would include all costs. The RFP can be found at [<http://www.doleta.gov/sga/rfp/DOL061RP20079.pdf>].

market effects (e.g., increase in tax base, graduation rates, changes in job creation, changes in the relative strength of targeted sectors.)

No plans to make additional WIRED awards have been announced, although the DOL Budget Justification notes that FY2007 will be the second year of the WIRED Initiative.<sup>45</sup>

## The Targeted Sectors: Quantity and Quality of Jobs

Both the HGJTI and CBJTG include an important and perhaps unique organizing principle for the provision of federal job training and related services (outlined in **Table 1** of this report). The two initiatives focus on sectors of the economy that meet at least one of the following criteria first enumerated by DOL:

- projected to add substantial numbers of new jobs to the economy;
- has a significant effect on the nation's economy;
- influences the growth of other industries;
- is undergoing technological and other innovations that require workers to develop new skill sets; *or*
- is an emerging field having the potential for growth.

In the FY2005 appropriations act (P.L. 108-447), Congress subsequently directed the Secretary of Labor (in consultation with state workforce investment boards) to consider these factors when distributing the department's share of funds collected from the H-1B visa education and training fee.

The Labor Department determined that, at the national level, the 14 sectors shown in **Table 6** fit the high-growth criteria. Although DOL gives leeway to applicants for CBJTGs to identify sectors at the local and regional level that differ from those the department has chosen for the HGJTI, the applicants still must base sector determinations on at least one of the high-growth criteria listed above.<sup>46</sup>

The 14 sectors that DOL selected for the HGJTI are a mixture of industries and occupations, with some more clearly defined than others. For example, DOL material on automotive services and IT suggest that the two sectors more closely reflect occupations (e.g., automotive service technicians and computer software engineers, respectively) than industries (e.g., automobile dealers and computer systems design services, respectively). A few sectors do not have distinct categories in either the government's industrial classification system (i.e., biotechnology, homeland security) or occupational classification system (i.e., geospatial technology), which makes comprehension difficult. In addition, the advanced manufacturing sector, described in **Table 6**, is not well-defined. The department acknowledged that,

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<sup>45</sup> DOL, *FY2007 Budget Justification*, p. TES-115.

<sup>46</sup> DOL, "The President's Community-Based Job Training Grants Solicitation for Grant Applications (DFA-PY-04-10) Frequently Asked Questions," posted Mar. 8, 2006, at [[http://www.doleta.gov/business/FAQ\\_Community-BasedJobTrainingGrants.cfm](http://www.doleta.gov/business/FAQ_Community-BasedJobTrainingGrants.cfm)].

while it designated aerospace manufacturing as a separate sector, the industry is a subset of advanced manufacturing.<sup>47</sup>

**Table 6. High Growth Job Training Initiative Sectors**

Sector	Description
Advanced manufacturing	Manufacturing industries undergoing technological transformation that requires employees to have new high-level skill sets.
Aerospace manufacturing	Producers of aircraft, aircraft engines, parts, and auxiliary equipment, as well as guided missiles, space vehicles, and propulsion units, parts, and auxiliary equipment.
Automotive services	Automotive repair and maintenance (a service industry) and automobile dealers (a retail trade industry) employ over one-half of automotive service technicians and mechanics, the occupation that seemingly composes this sector. <sup>a</sup>
Biotechnology	Commercial application of technologies that manipulate the molecules of living organisms (e.g., animal breeding, seed production, and drug and medical device development).
Construction	Building construction contractors, heavy construction contractors (e.g., utilities and highways), and specialty trades contractors.
Energy	Oil and gas extraction, coal mining, and utilities (e.g., power generation, transmission, and distribution).
Financial services	Banking, securities and commodities, and insurance.
Geospatial technology	Application of technology to obtain, analyze, display, and manage data in a geographic and spatial context. There is no consensus on whether this is a tool or a discipline, and if the latter, whether it is part of the information technology discipline (see below).
Health care services	Hospitals, ambulatory care facilities (e.g., doctors' offices, outpatient centers, medical and diagnostic labs, and home health providers), and nursing and residential care facilities.
Homeland security	Traditional protective services and emergency management, as well as information- and cyber-security; the latter two likely overlap with the geospatial technology and information technology sectors.
Hospitality	Accommodation (e.g., hotels, including casino hotels) and eating and drinking places (e.g., full- and limited-service restaurants).
Information technology (IT)	Appears to be occupation-based because non-IT industries employ many more workers with computer-related skills than do IT industries (e.g., computer systems design services).

<sup>47</sup> DOL, *America's Aerospace Industry: Identifying and Addressing Workforce Challenges*, May 2005.

Sector	Description
Retail trade	Includes building and gardening supply stores, electronics stores, sporting goods stores, book stores, clothing stores, and groceries.
Transportation	Includes air, rail, water, and truck transportation; transit and ground passenger transportation; and sightseeing transportation.

**Source:** Descriptions developed by CRS primarily based upon information posted on the HGJTI Web pages in 2006 and on the North American Industrial Classification System.

- a. The occupation is important to each industry as well, with automotive service technicians and mechanics accounting for more than one-fourth of all workers in the automotive repair and maintenance services industry and less than one-fifth of all workers in the auto dealer industry. U.S. Bureau of Labor Statistics (BLS), National Employment Matrix, employment by occupation, industry, and percent distribution, 2004 and projected 2014.

The sectors are diverse in other respects as well. They include industries that compete globally (e.g., aerospace and biotechnology) and industries that largely have a domestic orientation (e.g., construction and retail trade). Yet, the Administration has said that it regards the HGJTI as operating in support of its American Competitiveness Initiative.<sup>48</sup> While “competitiveness” typically is used in the context of the international marketplace, some of the DOL-identified sectors are not much engaged in the production of tradeable goods or services, and thus may not be the most appropriate foci for a competitiveness agenda.

Because they can be chosen based upon different high-growth criteria, the sectors also differ from one another in their viability as job generators. The emerging field of biotechnology, for example, needs “significant time and investment to develop to the point where the job growth can occur” because of the multiple, lengthy stages that must be completed successfully before a product can be brought to market.<sup>49</sup> Clues to the advanced manufacturing sector’s job creation capability may be gleaned from the business partners and occupations mentioned in grants thus far awarded: advanced manufacturing partnerships include fabricated metal product producers and motor vehicle manufacturers; metalworking occupations, found in both industries, are the focus of some grants. Although total employment is projected to fall in fabricated metal products manufacturing and rise slightly in motor vehicle production between 2004 and 2014, as shown in **Table 7**, the number of machinist jobs is projected to grow by 8,600 in the two industries over the 10-year period.<sup>50</sup> Similarly, despite the below-average rate of job growth shown in **Table 7** for the aerospace sector, the U.S. Bureau of Labor Statistics (BLS) projects that the industry’s employment of aircraft mechanics and service technicians could rise by

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<sup>48</sup> Testimony of DOL Secretary Elaine L. Chao, in U.S. Congress, House Committee on Education and the Workforce, *Building America’s Competitiveness: Examining What Is Needed to Compete in a Global Economy*, Washington, 109th Cong., 2nd sess., Apr. 6, 2006, Serial 109-34 (Washington: GPO, 2006).

<sup>49</sup> Prepared for DOL by New Economy Strategies, LLC and The Leonard Resource Group, Inc., *The Biotechnology Industry: Identifying and Addressing Workforce Challenges in an Emerging Industry*, October 2004, p. 22.

<sup>50</sup> BLS, National Employment Matrix, employment by occupation, industry, and percent distribution, 2004 and projected 2014.

3.1% annually or almost 5,000 jobs over the 2004-2014 period.<sup>51</sup> In contrast, the energy sector's coal mining industry is not expected to add workers in any of the occupations for which BLS develops projections; the sector's oil and gas industry might create jobs in a handful of occupations,<sup>52</sup> but as seen in **Table 7**, their gains are projected to be greatly outweighed by job losses in other occupations.

**Table 7. Employment in Selected HGJTI Sectors, 2004 (actual) and 2014 (projected)**

Sector <sup>a</sup>	Thousands of jobs		Change	
	2004	2014	Thousands of jobs, 2004-2014	Annual average rate of change (%)
Total nonfarm wage and salary employment	132,192	150,877	18,685	1.3
Energy	765	725	-40	-0.5
Oil and gas extraction	123	107	-16	-1.4
Coal mining	72	55	-17	-2.6
Utilities	570	563	-7	-0.1
Construction	6,965	7,757	792	1.1
Manufacturing	14,329	13,553	-777	-0.6
Fabricated metal products	1,498	1,470	-28	-0.2
Motor vehicles, bodies and trailers, and parts	1,109	1,171	62	0.6
Aerospace	444	480	36	0.8
Retail trade	15,035	16,683	1,649	1.0
Transportation and warehousing	4,250	4,756	506	1.1
Finance and insurance	5,966	6,462	496	0.8
Health care	12,055	15,610	3,555	2.9
Hospitality (accommodation and food services)	10,646	12,401	1,755	1.5
IT occupations <sup>b</sup>	3,046	4,003	957	3.1

<sup>51</sup> Ibid.

<sup>52</sup> Ibid.

Sector <sup>a</sup>	Thousands of jobs		Change	
	2004	2014	Thousands of jobs, 2004-2014	Annual average rate of change (%)
Automotive service technicians and mechanics	803	929	126	1.6

**Source:** Created by CRS from data in Jay M. Berman, “Industry Output and Employment Projections to 2014,” *Monthly Labor Review*, November 2004; and Daniel E. Hecker, “Occupational Employment Projections to 2014,” *Monthly Labor Review*, November 2004.

- a. Only those HGJTI sectors with unique categories in the North American Industrial Classification system or the Standard Occupational Classification system are included.
- b. IT occupations are computer specialists, including computer software engineers, computer support specialists, computer programmers, network and computer systems administrators, and network systems and data communications analysts.

Publicly available HGJTI documentation frequently observes that many *existing jobs* will become available to individuals as the large baby-boom cohort retires. Consequently, even those industries expected to create few if any *new jobs* could hire workers as replacements for retirees. But industries projected to have fewer jobs in the future compared to today could be less likely than others to experience a labor shortage because they would not need to replace all departing older employees. Sectors with a shrinking job base thus would not seem to be among the most promising sources of employment for workers, but at least one — energy — is present among the initiative’s sectors. As shown in **Table 8**, the energy sector accounted for 7% of all HGJTI awards and 9% of the funds awarded to date in the PY2001-PY2006 period. Similarly, as shown in **Table 9**, the energy sector accounted for 9% of all CBJTG awards and 9% of the funds awarded thus far.

**Table 8. High Growth Job Training Initiative (HGJTI) Awards by Sector<sup>a</sup>**

Sector	Number of Awards	Percentage of All Awards	Funds Awarded	Percentage of All Funds
Advanced Manufacturing	32	21%	\$77,395,642	27%
Aerospace	7	5%	8,856,133	3%
Automotive	12	8%	14,385,956	5%
Biotechnology	16	11%	22,921,599	8%
Construction	9	6%	35,124,004	12%
Energy	11	7%	27,093,668	9%
Financial	5	3%	5,989,023	2%
Geospatial	6	4%	6,438,653	2%
Health Care	29	19%	43,244,709	15%
Hospitality	4	3%	4,337,000	2%
Information Technology	3	2%	7,806,982	3%
Retail	3	2%	5,164,900	2%
Transportation	3	2%	6,289,588	2%
Non-Specific Sector	10	7%	21,854,456	8%
Total	150	100%	286,902,313	100%

**Source:** Created by CRS from information in the DOL HGJTI Investment Center database and DOL press releases.

a. The data in this table are for the PY2001-PY2005 and PY2006 through December 31, 2006, which is through the sixth month of PY2006.

**Table 9. Community Based Job Training Grant (CBJTG)  
by Sector**

Sector	Number of Awards	Percentage of All Awards <sup>a</sup>	Funds Awards	Percentage of All Funds <sup>a</sup>
Advanced Manufacturing	23	16%	\$42,595,147	17%
Aerospace	2	1%	3,619,500	1%
Automotive	5	4%	6,285,555	3%
Biotechnology	7	5%	11,063,921	4%
Construction/Skilled Trades	10	7%	16,644,403	7%
Energy	13	9%	22,314,984	9%
Financial Services	1	1%	1,260,000	1%
Forestry	2	1%	3,316,974	1%
Geospatial	1	1%	1,928,457	1%
Health Care	67	47%	121,000,805	48%
Hospitality	1	1%	1,620,987	1%
IT	1	1%	708,476	0%
Transportation	8	6%	15,641,038	6%
Non-specific	1	1%	1,999,753	1%
Total	142	100%	250,000,000	100%

**Source:** Created by CRS from information in the DOL CBJT Investment Center database.

a. Percentages are rounded to the nearest whole percent and may not add to 100 because of rounding.

Alternatively, most of the sectors for which BLS data are available could be substantial creators of new jobs. As shown in **Table 7**, the eight sectors are construction, retail trade, transportation, finance, health care, hospitality, IT, and automotive services. Of the HGJTI funds awarded thus far over the PY2001-PY2006 period, 43% went to projects involving these sectors. Of the CBJTG awards, nearly two-thirds of the funds awarded to date went to projects in seven of the eight sectors (not retail). (See **Table 8** and **Table 9**, respectively.) The largest percentage of CBJTG funds (48%) went to health care, compared to 15% of the HGJTI funds. The difference in sector funding patterns between the two initiatives could be related to the fields in which community colleges typically provide training.<sup>53</sup>

Firms in sectors projected to significantly increase employment also could hire individuals to fill existing positions as current employees not only retire but also quit or are discharged. Indeed, some of the fast-growing HGJTI sectors are marked by

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<sup>53</sup> One major difference between the HGJTI and CBJTG is that in the former, DOL chooses the sectors in which to make awards, either competitively or non-competitively, while in the CBJTG initiative, applicants compete for awards in any sector in their locality that they determine meets the HGJTI's high-growth criteria.



above-average rates of employee turnover (e.g., construction, retail trade, and hospitality).<sup>54</sup> High turnover is a characteristic commonly associated with poor-quality jobs (e.g., low pay and few benefits).

Just as the sectors could vary in their ability to generate jobs, they also could differ in their capacity to provide high-quality positions. The Secretary of Labor has spoken about HGJTI projects “train[ing] workers for *good paying* jobs in high growth fields,”<sup>55</sup> and about CBJTI grants “train[ing] workers in high growth fields that pay *good wages*.”<sup>56</sup> Similarly, “[t]he goal of the WIRED initiative is ... to research and produce long-term strategic plans that prepare workers for high-skill, *high-wage* opportunities.”<sup>57</sup> As shown in **Table 10**, several targeted sectors for which BLS wage data are available pay comparatively well: energy, construction, aerospace manufacturing, finance and insurance, and health care. In contrast, average hourly earnings of \$8.53 in the hospitality industry were a little more than half of the national average (\$16.11) in 2005, while average hourly earnings of \$12.36 in the retail trade industry were a little more than three-quarters of the national average. Based upon data from a BLS survey of occupations, employees in the four largest IT occupations had average hourly earnings in 2005 that ranged from \$20.86 (computer support specialists) to \$40.54 (computer software engineers, systems software).<sup>58</sup> In contrast, automotive service technicians and mechanics averaged \$16.90 per hour, which is below the all-occupations’ average of \$18.21. Mirroring the mixed employment picture of the sectors that could be analyzed, the variability in wage data suggests that the high-growth criteria might be fine-tuned to better target industries expected to have plentiful job growth opportunities in relatively high-paid occupations.

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<sup>54</sup> BLS, “Job Openings and Labor Turnover: April 2006,” *News*, USDL 06-943, June 6, 2006. In addition, HGJTI profiles of the hospitality and transportation sectors refer to reducing turnover as a workforce challenge, as does the health care industry report, all of which can be found at [<http://www.doleta.gov/BRG/JobTrainInitiative/>].

<sup>55</sup> Remarks prepared for delivery by U.S. Secretary of Labor Elaine L. Chao, Johns Hopkins Project Reach Visit, Baltimore, Maryland, Friday, January 6, 2006, available at [[http://www.dol.gov/\\_sec/media/speeches/20060106\\_hopkins.htm](http://www.dol.gov/_sec/media/speeches/20060106_hopkins.htm)]. Italics added. See, also, HGJTI industry reports, which typically state that the initiative is meant to help workers “find good jobs with good wages and career paths.”

<sup>56</sup> Remarks prepared for delivery by U.S. Secretary of Labor Elaine L. Chao, City Club of Cleveland, Cleveland, Ohio, Thursday, February 2, 2006; available at [[http://www.dol.gov/\\_sec/media/speeches/20060202\\_cleveland.htm](http://www.dol.gov/_sec/media/speeches/20060202_cleveland.htm)]. Italics added.

<sup>57</sup> “Secretary of Labor Elaine L. Chao Announces \$195 Million for President Bush’s Competitiveness Agenda,” *ETA News Release*, Feb. 1, 2006. Italics added.

<sup>58</sup> BLS, Occupational Employment Statistics survey, May 2005. Data available at [<http://www.bls.gov/oes/>].

**Table 10. Average Hourly Earnings of Production and Nonsupervisory Workers in Selected HGJTI Industries, 2005**

Industry	Average hourly earnings
All private nonfarm industries	\$16.11
Energy	not available
Coal mining	22.06
Oil and gas extraction	19.34
Utilities	26.70
Construction	19.46
Manufacturing	16.56
Aerospace	24.80
Fabricated metal products	15.80
Motor vehicles and parts	22.27
Retail trade	12.36
Transportation and warehousing	16.71
Finance and insurance	19.09
Health care	17.98
Hospitality (accommodations and food services)	8.53

**Source:** Created by CRS from BLS Current Employment Statistics program data.

## Coordination of the Demand-Driven Initiatives and Title I of the Workforce Investment Act (WIA)

Title I of WIA, the nation's chief job training legislation, provides services to both workers and employers.<sup>59</sup> In PY2006, programs and activities authorized under Title I of WIA were funded at \$5.1 billion, including \$125 million for CBJTGs. Services authorized under WIA are generally provided through a system of one-stop career centers, that are "designed to help businesses find qualified workers and help job-seekers and workers obtain employment and training services to advance their careers."<sup>60</sup> There are approximately 3,500 centers nationwide.

<sup>59</sup> DOL Fact Sheet, *The Public Workforce System, Talent Development for Your Business*, available at [[http://www.doleta.gov/business/pdf/Employers%20and%20the%20Public%20Workforce%20System\\_final.pdf](http://www.doleta.gov/business/pdf/Employers%20and%20the%20Public%20Workforce%20System_final.pdf)].

<sup>60</sup> DOL Fact Sheet, *One-Stop Employment and Training Services*, at [<http://www.doleta.gov/programs/factsht/pdf/onestopemployment.pdf>].

A one-stop system is created by the local workforce investment board (WIB) with the agreement of the chief elected official (e.g., the mayor). The local WIB, which is certified by the governor, has broad responsibility for developing a local workforce investment system. To ensure that the local workforce investment system is focused on employers as well as workers, the statute requires that a majority of the board's members be representatives of businesses and that the chairperson be one of the businesses' representatives.<sup>61</sup>

The two HGJTI SGAs that competitively funded 23 grants, 15% of all HGJTI grants to date, and the two CBJTG SGAs that competitively funded all of the 142 CBJTG grants to date, address two ways Title I of WIA is to be coordinated with the HGJTI and CBJTG initiative. First, each of the SGAs required that applicants demonstrate that a proposed project be implemented by a "strategic" partnership that included at least one entity from the workforce investment system (i.e., state and local workforce investment boards, state workforce agencies, one-stop career centers and their partners), the education and training community, and employers and industry-related organizations. Second, each of the SGAs encouraged the applicants to integrate WIA funding at the state and local level into their proposed project to "ensure that the full spectrum of assets available from the workforce system is leveraged to support" either the "HGJTI solution," in the case of the HGJTI projects, or "the capacity building and training activities," in the case of the CBJTG projects.<sup>62</sup> Examples provided in the SGAs of the integration of WIA funds included using (1) supportive services (e.g., transportation, child care) funded under WIA, (2) individual training accounts, which provide WIA participants with the opportunity to choose training courses, and (3) WIA customized training, which is designed to meet the special requirements of an employer.<sup>63</sup>

Another training resource, not mentioned in the SGAs, that has particular benefit to employers is on-the-job training (OJT). With OJT, the employer provides occupational training to a WIA participant in exchange for a reimbursement of up to 50% of the wage rate of the participant. This subsidy is to compensate the employer "for the extraordinary costs associated with training participants and the costs

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<sup>61</sup> 29 USC 2832. Each state also has a WIB that is to assist the governor in setting statewide workforce investment policy. Like the local WIB, a majority of state WIB members must be representatives of businesses, and the chairperson must be one of those representatives. (29 USC 2821). For the intent of Congress in carving out a role for businesses in WIA, see U.S. Congress, House Committee on Education and the Workforce, *Employment, Training, and Literacy Enhancement Act of 1997*, report to accompany H.R. 1385, 105<sup>th</sup> Cong., 1<sup>st</sup> sess., H.Rept. 105-93, (Washington: GPO, 1997) p. 91, and U.S. Congress, Senate Committee on Labor and Human Resources, *Workforce investment Partnership Act of 1997*, report to accompany S. 1186, 105<sup>th</sup> Cong., 1<sup>st</sup> sess., S.Rept. 105-109 (Washington: GPO, 1997), p. 17.

<sup>62</sup> For the HGJTI SGAs, see 69 *Federal Register* 56086, September 17, 2004, and 71 *Federal Register* 32564, June 6, 2006. For the CBJTG SGAs, see 70 *Federal Register* 22908, May 3, 2005, and 71 *Federal Register* 37952, July 3, 2006.

<sup>63</sup> To receive customized training, the employer must commit to employ an individual on successful completion of the training. The employer receives a subsidy of not more than 50% of the cost of the training.

associated with the lower productivity of the participants.”<sup>64</sup> Both OJT and customized training contracts may be written for eligible employed workers when an employee is not earning a self-sufficient wage as determined by local board policy. They may also be written when the OJT or customized training relates to the introduction of new technologies, introduction of new production or service procedures, or upgrading to new jobs that require additional skills, workplace literacy, or other appropriate purposes identified by the local board.

In addition to the two training services particularly geared to employers, there is also a WIA requirement that training services be directly linked to occupations that are in demand in a local area, or in another area to which an adult or dislocated worker receiving such services is willing to relocate. A local board may also approve training services for occupations determined by the local board to be in sectors of the economy that have a high potential for sustained demand or growth in the local area. These training provisions, including OJT and customized training, can help to ensure that workers find good jobs and that employers have access to the workers they need.

The WIRED SGA did not specifically mention partnerships that include the workforce investment system. WIRED partnerships are to include “change agents representing an array of key interests including government, academia, business, community development and entrepreneurship.”<sup>65</sup> The WIRED SGA also did not specifically address the integration of WIA resources. All applicants were required, however, to describe how resources under existing federal, state and local programs “will be aligned...”<sup>66</sup> Other provisions of the WIRED SGA related to coordination with WIA (1) required applicants to “clearly link goals and associated strategies to addressing the identified workforce and economic development challenges”<sup>67</sup>; (2) required applicants to “demonstrate that strategies are built upon and align with current state and local strategic plans currently in place” under, among other things, the Workforce Investment Act,<sup>68</sup> and (3) permitted applicants to “identify federal regulatory and statutory barriers that impede their reform efforts and identify specific waiver requests pursuant to WIA Sections 189 [general WIA waiver authority] and/or 192 [workforce flexibility plans] and the relevant WIA regulations.”<sup>69</sup>

While the WIRED SGA is not particularly specific on the role of WIA in the initiative, WIA does contain many pertinent provisions. The only provision that

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<sup>64</sup> 20 CFR §663.710.

<sup>65</sup> WIRED SGA, p. 10.

<sup>66</sup> Specific resources cited on page 11 of the WIRED SGA were “any existing grants such as: (1) grants awarded under the President’s High-Growth Job Training Initiative; (2) Community-Development Block Grants; (3) grants from the Department of Commerce’s Economic Development Agency; (4) Empowerment Zone/Enterprise Community designations; and (5) foundation grants focused on workforce development or economic development.”

<sup>67</sup> WIRED SGA p. 11.

<sup>68</sup> Ibid. Other entities listed were the Department of Commerce’s economic development programs, and the Department of Housing and Urban Development’s community development programs.

<sup>69</sup> Ibid.

appears incompatible with the WIRED initiative is the prohibition on the use of WIA funds for economic development activities.<sup>70</sup> WIA staff may participate, however, on economic development boards and commissions, and work with economic development agencies to provide information about WIA programs; assist in making informed decisions about community job training needs; and promote the use of first source hiring agreements, which require private companies that receive public monies to agree to use the public sector as the first source for job hires.

In addition, governors may include state agency officials responsible for economic development on state WIBs. The membership of local boards must consist of representatives of economic development agencies, including private sector economic development entities. Finally, the state plan must contain information describing the skills and economic development needs of the state.

Other WIA provisions relevant to all three demand-driven initiatives are those that pertain to regional and interstate planning, information sharing, and coordination. Under WIA, a state may require the local boards for a designated region<sup>71</sup> to participate in a regional planning process that results in establishing regional performance measures for workforce investment activities. A state may also require the local boards for a designated region to share employment statistics, information about employment opportunities and trends, and other types of information that would assist in improving the performance of all local areas in the designated region. Further, a state may require the local boards for a designated region to coordinate the provision of workforce investment activities, including the provision of transportation and other supportive services, so that they extend across the boundaries of local areas within the designated region. Likewise, two or more states that contain an interstate region that is a labor market area, economic development region, or other appropriate contiguous subarea of the states may designate the area as a region for joint planning, information sharing and coordination of services.

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<sup>70</sup> 29 U. S. C. 2931(e)

<sup>71</sup> A designated region is a combination of local areas that are partly or completely in a single labor market area, economic development region, or other appropriate contiguous subarea of a state.

## Policy Questions for Potential Congressional Oversight

The 110<sup>th</sup> Congress may decide to conduct oversight hearings on the President's demand-driven initiatives. The following are questions Congress may wish to address in its oversight role.

(1) In the HGJTI and CBJTG SGAs, DOL has stated that it may require that projects participate in an overall evaluation of the outcomes and benefits of the projects.<sup>72</sup> Grantees were required to agree to make records on participants, employers and funding available and to provide access to program operating personnel and to participants. Does DOL plan to fund an independent evaluation of these grants? If yes, would the study examine implementation issues, achievement of goals and outcomes, or both? What is the time line? Would grants that were awarded non-competitively be evaluated (i.e, those for which there was no SGA)?

(2) As noted earlier in this report, DOL has stated that “These [three] initiatives are meant to demonstrate how talent development can increase productivity and drive economic growth. They will help American workers benefit from the growth in the global economy.”<sup>73</sup> How will DOL measure whether the initiatives increased productivity, promoted economic growth, and enabled participants to gain from globalization? How long after the completion of the grants would it be prudent to determine if these goals were met?

(3) In the HGJTI, CBJTG, and WIRED SGAs, grantees were required to submit quarterly financial and progress reports and a final report. Information to be included in the quarterly reports included a status update on leveraged resources and strategic partner activities. (a) What was the value and nature of the leveraged resources? That is, were they primarily cash or in-kind? Were they from federal, state, local government, private for-profit, or private non-profit resources? Were there any barriers to obtaining the leveraged resources? (b) What was the nature of the partnerships? What types of activities did partnerships engage in? What were the most successful ones in terms of meeting project goals? Were there barriers to forming partnerships? How did the partnerships differ from the composition of workforce investment boards under WIA?

(4) The SGAs also required the grantees to describe outcomes including information on all capacity building, training, employer, and grant deliverable outcomes as well the anticipated impact of these outcomes on the community college and industry partners, and on the broader community. How will DOL determine if the outcomes anticipated by the grantees came to fruition?

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<sup>72</sup> The WIRED SGA required that selected applicants participate in an evaluation of the initiative. As previously noted in this report, the RFP for this evaluation has been issued.

<sup>73</sup> Testimony of DOL Secretary Elaine L. Chao, in U.S. Congress, House Committee on Education and the Workforce, *Building America's Competitiveness: Examining What Is Needed to Compete in a Global Economy*, Washington, 109<sup>th</sup> Cong., 2<sup>nd</sup> sess., Apr. 6, 2006, Serial 109-34 (Washington: GPO, 2006).

(5) The SGAs also required the grantees to describe promising approaches. What were the promising approaches to meeting the needs of employers and workers? Will they be shared with other local communities? How? Were there promising approaches that are relevant to reauthorization of WIA?

(6) Were any of the criteria for sector selection better predictors than others of participants' ability to obtain jobs — particularly fairly high-paying positions? Were some sectors better than others at providing opportunities for workers to obtain employment — particularly high-paying jobs? Does DOL anticipate reexamining the 14 sectors it chose to target for HGJTI awards?

(7) In the HGJTI SGAs, DOL states that for each of the 14 sectors identified by DOL, comprehensive industry reports are published after executive and workforce solutions forums have been held. Reports have been released for advanced manufacturing, aerospace, automotive, biotechnology, construction and healthcare. To date, reports have not been put on-line for energy, financial, geospatial, hospitality, IT, retail sectors and transportation, although awards have been made in each of these sectors.<sup>74</sup> What is the purpose of the reports? Were they perhaps intended to assist applicants in designing projects which could be funded by DOL? Will reports become available for all of the sectors or did DOL discontinue them? If the latter, why?

(8) Under the WIRED SGA, applicants could identify specific regulatory and statutory waivers under WIA's waiver and work-flex authorities that could assist applicants in their reform efforts.<sup>75</sup> DOL also was to work with grant participants in identifying waivers. What areas were identified by applicants and grantees as requiring waivers to address impediments to reform? Were the areas identified permissible under the statute?

(9) The WIRED SGA did not require that at least one entity from the workforce investment system (i.e., state and local workforce investment boards, state workforce agencies, and one-stop career centers) be included in a partnership to implement the project as it did in the HGJTI and CBJTG SGAs. To what extent, if any, is the workforce investment system involved in WIRED?

(10) Many activities funded by HGJTI and CBJTG are those traditionally supported by the Department of Education (ED) (e.g., distance education, curriculum development). In what ways are these initiatives coordinated with ED? For example, in 2002, ED created the Community College Labor Market Responsiveness Initiative to develop and disseminate information to help community colleges keep pace with the needs of a diverse student body and a dynamic labor market. In 2003, a report was published on defining the characteristics of a market-driven college, and in 2004, a three-volume guide was published to assist colleges wanting to become more

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<sup>74</sup> No report has been written for homeland security, but no awards have been made in this area.

<sup>75</sup> These authorities are under WIA Sections 189 and 192.

market-driven.<sup>76</sup> Did DOL use the products of this initiative to inform the development and implementation of the HGJTI and CBJTG initiatives?

(11) The mission of the Department of Commerce's Economic Development Administration (EDA) is "to lead the federal economic development agenda by promoting innovation and competitiveness, preparing American regions for growth and success in the worldwide economy."<sup>77</sup> While one of EDA's key investment programs is to expand and upgrade physical infrastructure, EDA also invests in partnership planning, which it describes as supporting Economic Development Districts, Indian Tribes, and others with long-term planning efforts.<sup>78</sup> The Commerce Department's FY2007 Budget Justification says that, EDA "will focus on promoting regional economic development strategies and demonstrating performance."<sup>79</sup> The justification further states that "To implement the goals and objectives of the Strengthening America's Communities Initiative (SACI), the Economic Development Administration will work in partnership with HUD to establish a results-based Federal economic development framework, thus empowering America's communities to achieve and maintain global competitiveness."<sup>80</sup> Is DOL's WIRED initiative, which is intended to transform and rebuild regional economies, duplicative of these EDA activities? Is EDA working in partnership with DOL as well as with HUD? Was any of EDA's FY2005 budget of \$255.4 million or FY2006 budget of \$250.7 million used in conjunction with the WIRED initiative?<sup>81</sup>

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<sup>76</sup> Westat and the Academy for Educational Development, *Documented Characteristics of Labor Market-Responsive Community Colleges and a Review of Supporting Literature*, 2003, and MacAllum, Keith et al., Academy for Educational Development, *The 21st-Century Community College: A Strategic Guide to Maximizing Labor Market Responsiveness*, 2004.

<sup>77</sup> EDA, *Overview of Programs and Priorities*, Ben Erulkar, Deputy Assistant Secretary of Commerce for Economic Development, July 28, 2006, p 2.

<sup>78</sup> *Ibid.*, p.3

<sup>79</sup> Department of Commerce, *Budget Justification FY2007*, p.71.

<sup>80</sup> *Ibid.*

<sup>81</sup> *Ibid.*