

FY 2014

CONGRESSIONAL BUDGET JUSTIFICATION

EMPLOYMENT AND TRAINING ADMINISTRATION

Universal Displaced Workers Program

UNIVERSAL DISPLACED WORKERS PROGRAM

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SUMMARY BUDGET AUTHORITY AND FTE BY ACTIVITY								
(Dollars in Thousands)								
	FY 2012 Revised Enacted		FY 2013 Full Year C.R.		FY 2014			
					Current Law		Legislative Proposal	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
Income Support	0	0	0	0	0	0	0	1,157,000
General Funds	0	0	0	0	0	0	0	1,157,000
Training	0	0	0	0	0	0	0	1,255,000
General Funds	0	0	0	0	0	0	0	1,255,000
Re-Employment Services	0	0	0	0	0	0	0	727,000
General Funds	0	0	0	0	0	0	0	727,000
Wage Insurance	0	0	0	0	0	0	0	686,000
General Funds	0	0	0	0	0	0	0	686,000
Relocation Allowance	0	0	0	0	0	0	0	20,000
General Funds	0	0	0	0	0	0	0	20,000
Rapid Response	0	0	0	0	0	0	0	200,000
General Funds	0	0	0	0	0	0	0	200,000
Total	0	0	0	0	0	0	0	4,045,000
General Funds	0	0	0	0	0	0	0	4,045,000

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Introduction

The Administration will submit to the Congress a legislative proposal to establish a universal core set of services in which the focus is helping all dislocated workers find new jobs. The Universal Displaced Workers (UDW) program, upon enactment, will deliver on the Administration's vision to offer one set of services to displaced workers through one website under one brand: the American Job Center network.¹

The UDW program will build on the Department's 2014 budget theme, Built to Last: An American Economy Built on Skills for American Workers. UDW is consistent with the Department's strategic goals stated in the Employment and Training Administration's (ETA) 2011-2016 Strategic Plan: to help middle class families remain in the middle class, and to improve opportunities for workers to succeed in a knowledge-based economy through industry-recognized credentials. UDW is a key part of President Obama's comprehensive plan to get Americans the skills they need for the high-demand jobs of today and tomorrow.

Displaced workers are individuals who have lost their jobs through no fault of their own because their employer closed a plant or division, moved or abolished their position, or simply had insufficient work for them. UDW prioritizes reemployment services through a strong focus on early intervention and job search as its strategy to get workers back to work faster. A recent study² commissioned by ETA revealed that early access to specific reemployment strategies such as developing a reemployment plan, providing access to relevant labor market information, and prompt referrals to reemployment services and training, provide the fastest and most cost-effective way to get displaced workers back to work.

Universal Set of Services

UDW will assist all displaced workers, regardless of how they lost their job. Every displaced worker will be eligible to receive a comprehensive suite of reemployment services. Workers demonstrating attachment to the workforce of three years or longer may be eligible to receive training along with income support, job search allowances, and relocation allowances. UDW will offer a new path to reemployment for these workers by consolidating and improving upon the Trade Adjustment Assistance for Workers (TAA) and Workforce Investment Act (WIA) Dislocated Worker (DW) programs. UDW will streamline administrative steps and integrate proven practices, service delivery platforms, and infrastructure of the TAA and WIA DW programs to create the availability of a universal suite of training and employment services to a broader number of displaced workers. This program will also assist workers who may be displaced as a result of the international food aid reforms proposed in the 2014 Budget.

¹ American Job Center network is a new branding initiative that connects nearly 2,800 physical American Job Center locations across the country under one umbrella. Displaced workers will be able to access information about UDW and the American Job Center network through www.Jobcenter.USA.gov, which will provide a new single point of access for both displaced workers and businesses looking to hire.

²Impact of the Reemployment and Eligibility Assessment (REA) Initiative. IMPAQ International, LLC
Author(s): Poe-Yamagata, Eileen ; Benus, Jacob ; Bill, Nicholas ; Carrington, Hugh ; Michaelides, Marios ; Shen, Ted ; Tirumalasetti, Dharmendra.

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Eligibility

Applicants must meet general and specific eligibility requirements, including a three-year tenure requirement, to be eligible for the full suite of UDW benefits and services. UDW is anticipated to serve at least one million workers each year.

The eligibility requirements will be similar to those for the WIA-DW program. Receipt of Unemployment Insurance (UI) is not necessary to meet the eligibility requirement. In addition to meeting the general eligibility requirements, UDW participants must also meet additional eligibility requirements to receive training vouchers or weekly income support.

UDW Benefits and Services

Displaced workers will work with a case manager in the relevant state to determine the best mix of UDW benefits and services to accelerate reentry into the workforce. Eligible UDW program participants are entitled to receive:

- *Rapid Response*: Mitigates the negative impacts of unemployment through early intervention and the engagement of reemployment services as soon as possible, preferably before workers end their existing job.
- *Reemployment services*. Upon acceptance into UDW, every displaced worker will have access to reemployment services as a proven, highly cost-effective strategy to shorten the duration of unemployment. UDW prioritizes reemployment services through a strong focus on early intervention and job search as its strategy to get workers back to work faster. Counseling and assessments will also help participants understand the potential advantages and disadvantages of entering a training program. Since every UDW participant will not need the same level of reemployment services to return to the workforce, there will be – similar to WIA’s core and intensive services – two levels of UDW reemployment services: a Basic level and an Intensive level.

To be eligible for additional benefits and services beyond the reemployment services, UDW participants will need to demonstrate a three-year attachment to the workforce in the same firm or industry. Part-time workers will be eligible for training.

- *Training Voucher*. Provides up to \$8,000 over two years for training in high-growth, high-demand occupations. To be eligible to receive training vouchers, UDW participants will be required to have participated in reemployment services and to meet the criteria below:
 - There is no suitable employment for the worker;
 - The worker would benefit from appropriate training;
 - There is a reasonable expectation of employment following training;
 - Training must be reasonably available to the worker; and
 - The worker is qualified to obtain and complete the training, including having adequate financial resources available to complete the training when their weekly income support is exhausted.

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Training could include: occupational skills training; skill upgrading and retraining; on-the-job training; workplace training combined with related instruction; entrepreneurial training; job readiness training; adult education and instruction on literacy combined with skills training; and customized training. Training vouchers will be available for eligible UDW participants and can be used to cover the costs of personally customized training, as approved by the state, whether such training is provided through on-the-job training, through registered apprenticeship, or as incumbent worker training (in cases where additional training will avert a layoff). The Department would require training providers to report information on employment outcomes by program of study, so participants can make informed choices.

- *Job-Search Allowance.* Provides a stipend of to help cover job search expenses associated with finding work outside the participant's normal commuting area. Job search allowances are cash payments that cover the total costs of allowable travel and subsistence, up to a total of \$1,250.
- *Relocation Allowance.* Provides a stipend when participants must move to a new area for employment outside their normal commuting area. Relocation allowances may include:
 - Reasonable and necessary expenses of moving workers who have secured employment outside of their normal commuting area, their families and their household goods; or
 - A lump-sum payment equal to three times the worker's average weekly wage (but no more than \$1,250), to help them get settled.
- *Income Support (Weekly Income Stipend).* Provides those who are enrolled in training a weekly income stipend for up to 78 weeks after exhausting UI benefits, to help cover training-related costs like childcare or transportation. A participant's weekly stipend will be equal to 100 percent or 50 percent of their UI weekly benefit amount depending on whether, at the time of participation, their household income is below or above 130 percent of the Federal Poverty Line (FPL).

UDW participants may receive a weekly stipend if they were not eligible for UI; however, all participants must meet the enrollment in training requirement to be eligible to receive the UDW stipend. There are no waivers of the training requirement for the UDW weekly income stipend. In addition, UDW participants will need to meet benchmarks, which include, but are not limited to, whether the participant is receiving passing or failing grades.

- *Wage Insurance.* Provides a wage subsidy up to 50 percent of the difference between previous and current wages for UDW program participants who are age 50 or older and obtain full-time employment paying wages of \$50,000 or less per year. The subsidy will be for up to \$10,000, payable over a maximum of two years. UDW participants are eligible for wage insurance after finding employment any time within two years of separation from employment. UDW participants who have undergone a substantial amount of training and received a stipend are not eligible for wage insurance. Participants

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who received less than one month of training and used less than \$500 of a training voucher may still be eligible for wage insurance. Participants who receive wage insurance will not be eligible for training either concurrently or subsequently.

UDW Service Delivery:

As is the case under the TAA program, States would provide benefits and services to displaced workers in the UDW program as agents of the United States. Each state would do so through one or more state agencies, one of which is designated as the Cooperating State Agency (CSA) in an agreement between the state's Governor and the Secretary. The CSA operates the UDW program in the state in coordination with the American Job Center network partners that administer UDW program at the local level. ETA will provide extensive technical assistance and guidance to the workforce system leading up to and following the enactment of the UDW program.

Funding Mechanism

The Department's Office of the Chief Economist (CHECO) derived a 10-year projection of the UDW program costs. Using 2014 as a base year, it is estimated that UDW will cost \$4.04 billion in FY 2014, and \$31.14 billion over ten years. The phase-out of the TAA program allows for \$4.6 billion in savings from mandatory funds over 10 years, reducing the 10-year cost of UDW to \$26.5 billion. The WIA-DW phase-out also produces discretionary savings of \$7.8 billion over the 10-year budget window. Because DOL will no longer be requesting a budget for WIA-DW after UDW begins, the net effect to run UDW will be \$18.7 billion over 10 years.

Allocation Method and Flow of Funds

The Department is proposing an allocation method, flow of funds, and distribution timeline similar to the way funds are handled today for TAA.

Funds for benefits and services, other than the income support and wage insurance funds, will be provided to states through a funding formula for distribution. The funding formula will be designed to target training funds to the states where the resources are most needed. It uses a formula methodology to ensure stability of funding and transparency in the distribution.

Once received by states, the funds will be subject to mandatory sub-state distribution formula with a portion held at the state level, to ensure each local area gets the funds needed to serve workers while preserving a strong, centralized state-level presence that ensures consistency and accountability.

- **Minimum Funding Thresholds.** The UDW formula would have an 80 percent hold-harmless measure, wherein state allotments cannot be less than 80 percent of state relative share of prior year funding.
- **Rapid Response.** Funding for Rapid Response activities, will be handled through the Office of National Response (ONR) and will be provided to states on an as needed basis based on established ONR policies and procedures.

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- Weekly Income Stipend. Modeled after the TAA's TRA allocation process, funds for income support and wage insurance will be provided to states similar to the way states receive unemployment compensation funding, as those benefits will be provided through the current unemployment compensation infrastructure. States will notify the Department of projected need and request funds to serve UDW participants.

State and Local Administration

Ten percent of total UDW funds will be available to states for case management and administrative costs.

Transition

Beginning with enactment, all dislocated workers will become eligible for UDW, prorating benefits already received. While TAA-certified workers already participating in TAA will continue under that program, following the effective date of the UDW program a firm one-year deadline for new enrollment in TAA training will be set for TAA-certified workers and workers whose petitions are pending determination by the Department. All workers seeking services after this deadline date will only be eligible for UDW. In addition, the 2014 Budget requests funding for the WIA Dislocated Workers program through program year 2014.

FY 2014

Using 2014 as a base year, the Department's Office of the Chief Economist Officer (CHECO) derived a 10-year projection of the UDW program costs. Based on these calculations, the Department is requesting \$4,045,000,000 for the implementation of the UDW program in 2014. UDW is not meant to be an immediate cost-savings remedy for our current economic budget deficit; rather it maximizes the Nation's investment in providing a universal set of reemployment services to displaced Americans.