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Worker Training and Retraining Programs in Iowa:
Explanation and Alteration

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The existence and structure of state funded worker training and retraining programs are a much debated economic and political topic in Iowa. On one side of the debate there is a group of economic developers and community college personnel trying to operate a system of worker training programs. On the other side of the debate there are certain staff at the University of Iowa Labor Center would like to have these programs revised. The debate covers a wide variety of topics including the treatment of the unemployed, worker and community competitiveness, and the growth of human capital in Iowa.

This project considers the response of the state of Iowa to the issue of worker training programs. In order to evaluate Iowa's policies, the federal response and the debate concerning Iowa's programs are discussed. Responses from local Economic Developers, University of Iowa Labor Center staff, and a task force of business persons and Economic Developers are discussed and evaluated. Finally, a list of recommendations for changes in the structure of certain worker training programs is provided.

Rationale for Worker Training Programs

There are five general views that support worker training and retraining programs without regard to cost, opportunity cost, or scope of the programs. These five views were derived, in part, from the discussion by McConnell and Brue (1992, 555 and 563). Three of the views are based on support of workers, companies, and communities having a stake in developing effective programs. Each of these three groups directly profit from the human capital acquired from these worker development programs. The other two views that support worker training and retraining programs are compassion and an economically based demand-side argument.
First, workers can be strongly affected by training programs. These programs can help them remain competitive in an increasingly complex and demanding working environment. Regardless of the type or focus of any given human capital development program, a trained worker will retain their skills after the formal training is complete. While the demand for these skills may change over time, the worker has a skills base that can be upgraded as the economy and job market changes.

Companies also have a long-term interest in worker development programs. Simply, worker training is the key to company competitiveness. A company with poorly trained workers will not be in business. Businesses have a definite interest in well-developed and accessible worker training programs to keep their worker productivity high and their business successful.

Next, worker training helps communities remain or become economically healthy. Training money and programs can be an influential portion of an incentive package to attract new businesses or encourage existing businesses to stay and expand operations. In a time when efficiency and competitiveness are such widely discussed topics, communities have a stake in worker training. The ability to boast training programs that increase productivity and focus on worker improvement could prove invaluable in competing for new or expanding employers.

Worker training programs are often created to fight unemployment. To understand the role of unemployment in the creation of worker training programs the nature of unemployment must be understood. Essentially, unemployment is a condition where a person does not have a job but is currently looking for one. The person may have quit, been fired, or is newly entering the job market. Structural and cyclical unemployment are subsections of unemployment, and are a natural part of having a market economy.

Structural unemployment occurs as the structure of consumer demand changes for goods and as technologies change the nature of jobs. Cyclical unemployment occurs as the overall economy fluctuates. With cyclical unemployment, the worker may still have the skills necessary for their previous position, but has been dismissed from duty because of national or local economic conditions.
Compassion is the fourth reason worker training programs are supported. Some people, certainly not all, believe that society should help retrain and re-employ those that have lost their jobs to downsizing, closing, automation, and process reengineering. Compassion as a justification for training programs recognizes that people are occasionally "down on their luck" and my need assistance in returning to the work force. A fifth, less emotional, reason that worker training and retraining programs are supported is that unemployed workers are a drag on the economy. Their community loses the income of these workers, their family experiences major lifestyle changes, the market loses their production potential, their region loses tax revenues, and there is the substantial cost of public assistance. This argument depends primarily on a demand-side economic argument. Basically, a market economy without working consumers is not going to be a successful economy.

Some would argue that unemployed workers should return to work. For a number of reasons, these workers may experience difficulty in becoming reemployed. They may have inadequate or outdated skills or may be victims of national or local recessions. Essentially, workers are involuntarily unemployed. Training programs can help these workers overcome their barriers and productively return to work.

Federal Response

The federal response to the issue of worker training programs has been quantitatively substantial. A piecemeal accumulation of programs has created the system shown in Table 1. Over a hundred and fifty unique but overlapping programs have been created. These programs are run out of a multitude of agencies serving each target group, and they face changes in structure and funding in the next few years.

The problems with this complex system are many, with the most client-related problem being the distribution of services. Very often clients are poorly served because they fit into a variety of target unemployed categories. For example, a homeless Native American veteran would most likely have a difficult time finding the assistance she would need. This is an
extreme case, but represents the obvious problems with the current structure. Seeking assistance would become even more difficult if the unemployed woman in the example above were referred from agency building to agency building in a large metropolitan area.

There is also a degree of confusion and frustration with program service distributors. As one state of Iowa administrator said, "I don't know how many federal training programs I oversee." Another reason that there has been a movement toward simplification of the worker training structure is to assist not just clients, but service distributors in their work. Counselors and advisors are most likely to be as frustrated as the clients they serve when program purposes overlap significantly.

Finally, there is the hope that reforming this structure will be cost effective. By eliminating multiple geographic locations, there will prospectively be a reduction in overhead costs in these programs. Reforming funding by placing more control of blocks of funding in the hands of the states will eliminate redundancy and will reduce overhead.

This reformation will come through funding being distributed through block grants and what are known as "one-stop placement centers" (Visdos 1996, 5 and American Association of Community Colleges 1996, 1). Block grants will help this restructuring through simplification of the funding structure; money will be given in blocks to states which will then distribute the funds as they see necessary. One-stop centers will facilitate this block funding structure and better serve clients by reducing overhead and providing many of the previously geographically diverse services in a single building.

State Response

The state of Iowa has responded independently of the federal government to cover some of the client areas not already served by federal programs. To understand the Iowa worker training and retraining programs, it is necessary to explain their structure. A list of these programs is given in Table 2 (Iowa Department of Economic Development, Website). The first of these programs is the Apprenticeship program. This program assists grass-roots
apprenticeship programs by providing a classroom element to apprenticeship learning. The activation of this program occurs on a case by case basis. For example, Northeast Iowa Community College has created a program for training in electrical, plumbing, sheet metal, and welding occupations. Teaching workers valuable skills that are applicable in a competitive job market before they enter this market helps society and the workers. Having these skills before entering the market will help them be competitive with both their peers and more experienced workers and will shorten the time before they can be productive workers.

A second program is the Loan Loss Reserve Program. This new program, created in 1995, will assist private businesses to receive low interest loans to continuously train and upgrade the skills of their workforce. Continuously educating and training workers helps both them and their employers remain competitive by being not just productive but flexible in a constantly changing workforce. At this point the Loan Loss Reserve Program is simply too under-funded to be in operation.

Next is Promise JOBS, an acronym for Job Opportunities and Basic Skills. This is an important part of Iowa's attempt to reform its welfare program. Promise handles about 88 percent of Iowa's welfare cases, with the goal of giving them the skills and opportunities to become productive, educated workers. There are a number of tools that this program is using to get people off welfare. These include on-the-job training, GED completion, post-secondary education, and others.

The Work Force Investment Program (WFIP) supports local projects that serve individuals not covered by federal or state programs. This program usually addresses displaced homemakers, minorities, school dropouts, and the disabled. Using a variety of tools and flexibility, this program is also utilized on a case by case basis.

Perhaps the most hotly debated programs are known as 260E and 260F, the Iowa Industrial New Jobs Training Program and the Iowa Jobs Training Program, respectively. These programs are a central focus of the debate concerning the existence of worker training and
retraining programs in Iowa. The reason for 260E and F being a focus of debate involves the method of funding used, and the way the programs interact with businesses.

Program 260E helps provide funds for companies that are expanding their operations or are moving their operations into Iowa. This program defrays the expenses incurred while training workers. Program 260F is committed to worker retraining. Funds provided through this program, instituted in 1992, help defray the expenses of expansion of businesses already in Iowa. 260F is directed to upgrading the skills of workers already employed and to educating workers during times of technological and mechanical retooling.

Debate

Programs 260E and 260F have been chosen as a focus of this paper due to their prominence in debate and discussion among Iowa economists and politicians. In order to understand the points of contention in this debate, a series of phone interviews was undertaken. The list of interviewees, shown in Table 3, focused on two influential and prominent groups. On one side is the group of economic developers located at the various community colleges throughout Iowa, supporting and facilitating these programs. Clara Oleson is the most prominent representative of the opposite side, consisting of a group of people who oppose worker training and retraining programs in Iowa, for a number of reasons.

One debate that currently preoccupies these groups is the funding mechanism for these programs. Program 260E provides funds for businesses which apply to the Iowa Department of Economic Development. Each company requesting funds develops their training plan through the local community college. If a company meets all the requirements of the program, funds are raised by having the community college sell certificates, which are very similar to bonds. This certificate money is then set aside for the business, which is reimbursed as training costs are incurred. A company then repays the certificates through a withholding of their employee payroll tax over a ten year period. Withholding the tax means that the company is not burdened with loan debt; the money that would have gone to the state of Iowa is simply diverted back to
repaying the certificates sold by the community college. Hence, default is only a concern when a company goes out of business, and then the default is only relevant if the certificate money was distributed before the company ceased business.

Program 260F is operated in a somewhat more complex manner, mostly because the program has two main parts. First is the New Employee Training portion, which provides loans up to $50,000 to companies throughout the state of Iowa with fewer than 500 employees. This part of 260F is targeted toward training new workers during a business expansion. Similar to 260E, these loans are repaid by a withholding of taxes over a ten year period. The tax withholding for repayment of these loans comes from incremental property taxes, payroll taxes, and machinery and equipment taxes. Once again, the burden of repaying loans is lifted from the business by this diversion of tax money from the state of Iowa to loan repayment.

The second portion of 260F is Employee Retraining, the segment that provides forgivable loans up to $50,000 for keeping workers up to date with technology and workplace skills. According to the Iowa Department of Economic Development, every loan made has been forgiven. A loan is forgiven when the business fulfills its training agenda and manages to retain the number of employees committed in the pre-funding agreement.

The second point of contention concerning worker training programs is the incentive argument. Clara Oleson of the University of Iowa Labor Center believes that programs such as 260E provide businesses with financial incentives and leave worker training as a secondary goal (Pins, 1994). According to Ms. Oleson, the funding provided through worker training programs has served as a wage subsidy and may actually encourage the development of low skill, low wage jobs.

Next, there is question as to the fairness in the distribution of the services provided by these programs. In an interview Ms. Oleson proposed the idea that the funding and services of these programs are being distributed disproportionately to white males in managerial types of positions. Should this statement be true, this would mean that worker training programs miss the groups they are created to help. The possibility that training and retraining programs fail to
serve the economically disadvantaged, those with few marketable skills, and those that face other barriers is problematic for a public service that lacks detailed accounts of clients.

Finally, and perhaps most loudly voiced, is the issue of accountability for programs 260E and F. There are currently few devices through which program evaluations can be performed. Clara Oleson believes that abuses in the system exist and are significant. There are three main accountability weaknesses in worker training programs. First, Oleson says, "...we can't evaluate if we are training our workforce..." To ensure that state funds are being spent appropriately and effectively, there would be a system to evaluate and guide program services.

Next, Oleson believes that funds distributed for worker training are often misused. For example, she notes in one of her studies that supplies for training workers often include video equipment (Oleson 1995, 22). This equipment is expensive and is reimbursed through 260E. Most importantly, it is kept by companies after training is completed. Third, Oleson notes that 12-15 percent of certificate money is given to the community college supervising the certificate. This money is intended to cover the costs of overhead of administrating the certificate as well as the legal costs associated with originating, selling, and overall dealing with the certificate and certificate monies. Oleson believes that this money is not consumed in these tasks and needs oversight.

Arguments for Iowa's Structure

Oleson's arguments against various facets of the Iowa worker training and retraining structure have not gone unanswered. During interviews, economic development staff of community colleges were able to respond to accusations made concerning the programs they supervise. Their main argument in support of the current structure is that increased bureaucracy will reduce the effectiveness of their programs.

Currently, each program is designed through interaction between the economic developers and the company requesting funds. To the developers, a lack of program development guidelines means flexibility to meet a company's particular training needs.
Flexibility means the ability to tailor each program to the training options that each unique set of workers may need. For example, a company may choose to do all or some training at the work site, or at the community college, or may decide to bring in a consultant to do the training. Developers believes that creating governing guidelines would stifle the program, and cause the businesses to stop taking part in the program. If this were to happen, then the incentive and training aspects of these training programs would be rendered useless.

The developers agreed almost overwhelmingly that worker training programs were indeed a wage subsidy and a direct financial incentive. They argue that this is not a negative use of funds and resources, but a positive one. If worker training funds are made part of a comprehensive package to attract and keep employers in the state, then they will still fulfill the objectives of a worker training program indirectly. Employers that move into or remain in the state will train workers of their own accord, and adding an incentive to make the training more cost effective to the company will ensure that the training is done well.

The rebuttal that economic developers generally used in response to the arguments of disproportionate distribution of training resources and a general lack of accountability is that the flexibility and ease of 260E and 260F are what make them useful. They argue that the companies like programs such as 260E and 260F because they offer opportunities that are not hampered with massive amounts of paperwork and red tape. To place strict information gathering and review criteria on the program is to stifle the program with bureaucracy.

My Proposals

The proposals that were made by Economic Developers, Oleson, and the Job Training Task Force for improvement of programs 260E and 260F fall into three overlapping categories: Tracking, Accountability, and Other changes (Interviews and Iowa Department of Economic Development January 1996). Tracking changes are those changes which would allow for improvement of the programs through increased information. Accountability changes are those
which would open the programs for analysis and structural alterations. Other changes are those which do not fall into either of the first two categories.

Tracking changes attempt to improve the operation of programs 260E and 260F. To this extent workers should be identified on an individual basis and allowed to give input as to the training they received. Exit interviews, for example, would allow program administrators to not just mold new worker training and retraining plans, but attain feedback on how the company’s training plan worked. Changes proposed by the trainees could be used to predict and correct the specific problems that were encountered in the operation of other training plans.

These programs would be more effective as an incentive tool if there were specific statistics tied to productivity and pay level increases. This would support the programs in two ways. One, it would definitely make the programs more popular in communities and across the state if administrators could show concrete changes in productivity and income for the people involved in the programs. Second, the program would be a more effective tool in a package for businesses if the company officials could see that the programs had and could improve the productivity of their workers.

The final tracking change is the level of assessment before training begins. Companies may not have a firm grasp of what education or training their employees receive, especially when the cost is paid by certificate or forgivable loan monies. To ensure that workers are receiving appropriate training, each employee should be evaluated to determine exactly what training or retraining needs to be done. This would prevent the training of a worker that already has a particular skill or ability.

Accountability changes overlap slightly with the intent of tracking changes, but they are primarily aimed at assisting in evaluating programs 260E and 260F. First, each college should be required to report demographics of individual workers. This is simply to test the charge that program resources are being improperly distributed. Regardless of whether such a charge has been made, this change would help provide an assessment of the focus of the programs.
Next, each college should be required to report overhead and administrative expenditures. This is to evaluate the 12-15 percent that community colleges receive from certificate sales. Reporting this sort of information is not done because there is any suspicion of community college officials, but to ensure that the appropriate amount of funds are being granted to the administrators of the programs. Finally, each company's training and retraining plan should undergo performance reviews. Currently, each community college reserves the right to perform audit receipts on reimbursement claims. Each community college also reserves the right to refuse a training plan for being inadequate or unacceptable. These rights should be expanded to include performance reviews which would evaluate the appropriateness and content of each training plan.

Finally, there are other changes that were discussed in the interviews with the economic developers and Oleson. First is the option to "sunset" programs 260E and 260F on a 5 to 7 year cycle. Sunsetting a program means that the legislature would have to reconsider the existence of the programs every cycle. This change poses a number of problems. First is the nature of fiscal government spending. If the programs are only instituted in times of extreme unemployment, the lag between the problem and reactivation of the programs would be considerable. By adding to the human capital of the state, these programs should be ongoing, regardless of the economic performance of the economy. Continuous improvement of the workforce would help prevent economic slumps, and should not be used as a short-term solution to cyclical economic problems.

The next suggestion is to provide more money for 260F, the forgivable-loan-based worker training program. A number of developers noted that the program is not being used to its full potential simply because the funds are not available in the quantity to make the program successful. This proposal should be seriously evaluated before being implemented. While it seems that the program simply needs more money, there should be more study as to the ramifications of increasing the funding of the program without any significant changes to the potentially defaultable funding structure.
Third is the institution of mandatory drug testing and EEO provisions into every training and retraining plan. Companies using these training programs are drawing on public funds and resources so they should be made to comply with socially desireable ends. Finally, community colleges need to coordinate the delivery of their services. There is no justification for the recreation of existing training programs. Some of this sharing of resources already exists, but it could be expanded through increased sharing of plans within the state as well as across the nation. The Department of Labor has already developed a database of community college training programs (American Association of Community Colleges, Website). This resource as well as a more interconnected network of administrators could make the worker training and retraining program more cost and resource efficient.
Conclusions and Further Research

Worker training programs fill an important role in the economy. They help workers, businesses, and the communities find economic and social stability by promoting skill development, productivity, and education. As with any allocation of public resources, there is debate as to the structure and methods used by these programs. The debate centered around Iowa’s particular set of programs has become extremely polarized, with each side stalwartly opposed to the views of the other. The evaluation and discussion of the training programs in Iowa provided in this paper has attempted to evaluate the arguments of each side of the debate on its merits and realism. The proposed alterations for the Iowa programs show that the programs need not be eliminated, but can be more workable and fair with changes made to the existing structures.

This project by no means ends the process of improvement for these programs. Further research and analysis should be done to examine the sources and causes of default on these programs, and try to prevent the occurrence of this default. Attempts should be made to follow the progress of changes made to the programs, to evaluate their impact on the operation and outcomes of the programs. Program administrators should examine the training structures of other states, regions, and even nations to find areas of improvement for their programs. The recent breakdown of Germany’s much-vaunted apprenticeship programs could help program administrators foresee and prevent problems, for example. Finally, careful attention should be paid to the costs and benefits derived from altering the structure of these training programs.
### Table 1

#### Federal Programs

<table>
<thead>
<tr>
<th>Target Group</th>
<th>Programs</th>
<th>Agencies</th>
<th>FY '94 (millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Veterans</td>
<td>18</td>
<td>4</td>
<td>$1,584.4</td>
</tr>
<tr>
<td>Youth</td>
<td>16</td>
<td>5</td>
<td>4,047.8</td>
</tr>
<tr>
<td>Native Americans</td>
<td>10</td>
<td>4</td>
<td>114.0</td>
</tr>
<tr>
<td>Econ. Disadvantaged</td>
<td>9</td>
<td>5</td>
<td>2,661.6</td>
</tr>
<tr>
<td>Dislocated Workers</td>
<td>9</td>
<td>3</td>
<td>855.5</td>
</tr>
<tr>
<td>Homeless</td>
<td>6</td>
<td>4</td>
<td>244.8</td>
</tr>
<tr>
<td>Women/Minorities</td>
<td>6</td>
<td>3</td>
<td>89.8</td>
</tr>
<tr>
<td>Migrant</td>
<td>5</td>
<td>2</td>
<td>92.6</td>
</tr>
<tr>
<td>Older Workers</td>
<td>4</td>
<td>2</td>
<td>568.2</td>
</tr>
<tr>
<td>Refugee</td>
<td>4</td>
<td>1</td>
<td>946.8</td>
</tr>
<tr>
<td>Not Classified (geographic or no group)</td>
<td>67</td>
<td>9</td>
<td>13,632.2</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>154</td>
<td>14</td>
<td>$24,837.7</td>
</tr>
</tbody>
</table>

### Table 2
State of Iowa Programs

<table>
<thead>
<tr>
<th>Program</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apprenticeship</td>
</tr>
<tr>
<td>Loan Loss Reserve Program</td>
</tr>
<tr>
<td>Promise JOBS (Job Opportunity and Basic Skills)</td>
</tr>
<tr>
<td>Work Force Investment Program</td>
</tr>
<tr>
<td>Iowa Industrial New Jobs Training Program (260E)</td>
</tr>
<tr>
<td>Iowa Jobs Training Program (260F)</td>
</tr>
</tbody>
</table>

Iowa Department of Economic Development, Website.
Table 3

List of Interviewees

Carolyn Cochran, Iowa Central Community College
Dennis Fetters, Iowa Valley Community College
Mark Kapfer, Eastern Iowa Community College
Thomas Lesan, Southwestern Community College
Clark Marshall, Iowa Lakes Community College
Laura Mosena, Indian Hills Community College
Lon Olejniczak, Kirkwood Community College
Clara Oleson, University of Iowa Labor Center
Rebecca Rump, Southeastern Community College
Collette Saylor, Des Moines Area Community College
Mark Stanley, Iowa Western Community College
Ken Vande Berg, Northeast Iowa Community College
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