

## Statement of Sigurd R. Nilsen, Director Education, Workforce, and Income Security Issues

Mr. Chairman:

I am pleased to be here today to present the findings of our recent report on how the Department of Labor (Labor) and states have implemented some key provisions of the Jobs for Veterans Act (JVA).<sup>1</sup> Congress passed JVA in 2002 not only to improve employment and training services for unemployed veterans, but also to encourage employers to hire them. The ability of veterans to quickly obtain quality service and employment has always been important, but will become even more so as the number of service members leaving active duty is likely to increase by 200,000 yearly, according to Labor.

The act introduced several reforms to two of Labor's primary veterans' employment assistance programs—the Disabled Veterans' Outreach Program (DVOP) and the Local Veterans' Employment Representative (LVER) program—administered by the Veterans' Employment and Training Service (VETS). Under the act, DVOP staff are to focus on finding and serving veterans who need services to become job ready, including case management services for developing job skills. LVER staff are to focus on developing relationships with employers to encourage them to hire veterans. In addition, the act called for DVOP and LVER staff to be integrated with other staff providing employment and training services within the one-stop delivery system established in 1998 under the Workforce Investment Act (WIA), and established an incentive program to reward staff for outstanding service to veterans. To determine how well these programs were working to assist veterans across states, the act also required Labor to establish a performance accountability system as well as a national minimum standard—or threshold—that states must meet for veterans' employment.

GAO previously testified on our preliminary observations on the status of implementation of these key provisions of JVA.<sup>2</sup> My testimony today will present the findings of our completed work related to the JVA reforms of the DVOP and LVER programs. Specifically, I will address (1) action taken

<sup>1</sup>GAO, Veterans' Employment and Training Service: Labor Actions Needed to Improve Accountability and Help States Implement Reforms to Veterans' Employment Services, GAO-06-176 (Washington, D.C.: Dec. 30, 2005).

<sup>2</sup>GAO, Veterans' Employment and Training Service: Preliminary Observations on Changes to Veterans' Employment Programs, GAO-05-662T (Washington, D.C.: May 12, 2005).

to improve performance and accountability since the enactment of JVA in 2002 and any associated challenges; (2) whether available data reflect that such action has resulted in improved employment outcomes for veterans; and (3) factors affecting program oversight and accountability.

In summary, our work shows that Labor and most states took action to implement JVA reforms for improving the DVOP and LVER programs within the first two years of the new legislation.

However, our work also highlights several areas where Labor agencies should collaborate and take additional action to enhance outcomes of these reforms, particularly in the area of improving state oversight and accountability. To this end, our December 2005 report recommended that Labor agencies work together to provide states and local areas with strategies to address the long-standing challenge they have faced in integrating veterans' staff into their service delivery system. For those states with an incentive award system, the wide variation in methodology for awarding incentives as well as the mixed opinions on the program's success suggests that states could benefit from Labor presentation of methodologies that it considers successful and we recommended that Labor share these best practices. Finally, while states have appreciated the flexibility JVA provides them in serving veterans, such flexibility underscores the need for greater accountability to ensure that programs are on the right track in serving clients. However, accountability can be hindered and reforms implemented inconsistently when local level information is not always available, different Labor agencies do not coordinate their oversight efforts, and Labor does not use monitoring results to improve program performance. We therefore recommended that Labor strategically use monitoring results to target guidance and technical assistance to states and local areas most in need of improved performance. Labor generally agreed with our recommendations.

Our review was based on a survey of VETS directors as well as a survey of state workforce administrators in all 50 states and the District of Columbia. We also visited five states—California, Florida, Louisiana, Ohio, and Washington—where we interviewed VETS and state workforce officials, including local office managers and DVOP and LVER staff. In addition, we visited the National Veterans' Training Institute in Denver, Colorado, where we interviewed training officials and veterans' staff from 24 states who were attending training classes. Finally, we held discussions with Labor agency officials and contacted various veterans' service organizations and the National Association of State Workforce Agencies.

JVA amended Title 38 of the U.S. Code, the legislation that governs the DVOP and LVER programs, and by doing so, introduced an array of reforms to the way employment, training, and placement services are provided to veterans under the DVOP and LVER programs. (See table 1.) The act also required increased veterans' access to electronic services as well as to different types of Labor employment and training programs by requiring them to give veterans priority in receiving their services. In addition, it required federal contractors to advertise job openings at the appropriate employment service delivery system and report on their veteran hiring practices.

Background

Table 1: Comparison of Selected Provisions under Title 38 and JVA

Title 38 Before JVA Amendments JVA

Staff roles and responsibilities

? Prescribes 11 specific duties for DVOP staff and 13 for LVER ? Clearly distinguishes DVOP and LVER staff roles and gives staff. states flexibility in deciding their duties.

? Only LVER staff may be assigned on a part-time basis. ? Allows both types of staff to be assigned on a part-time basis.

Performance accountability

? Performance measures emphasize processes over outcomes.

? National standard not required.

? Each local employment office evaluated annually. ? Comprehensive performance

accountability system consistent with WIA performance measures.

? National performance standard for the rate at which veterans enter employment, a rate that all states are expected to meet.

? Annual performance reviews of veterans' services without specifying how many local offices will be evaluated.

Incentive awards

? No incentive award program. ? Incentive award program to encourage the improvement and modernization of veterans' services and recognize exemplary staff.

Source: GAO analysis of Title 38 and JVA legislation.

Within Labor, VETS has primary responsibility for helping the nation's veterans find employment. Among the programs that VETS administers are the DVOP and LVER programs, which were funded at about \$162 million in fiscal year 2005. VETS administers the agency's activities through representatives in each of Labor's six regional offices and within each state. The state directors are the link between VETS and each state's employment service system that is overseen by the ETA. The DVOP and LVER staff, whose positions are funded by VETS, are part of the state's public employment service system.

Employment services fall under the purview of ETA, which administers the Wagner-Peyser-funded Employment Services program within each state, providing a national system of public employment services to any individual seeking employment who is authorized to work in the United States. Like VETS, ETA carries out its employment service program through staff in Labor's six regions and workforce agencies in each state. In fiscal year 2005, ETA requested about \$700 million for the Wagner-Peyser program.

The DVOP and LVER programs, along with the Employment Services program, are all mandatory partners in the one-stop center system created in 1998 by WIA and overseen by Labor, in which services provided by numerous employment and training programs are made available through a single network.

Labor and States Acted to Implement Program Reforms, but Accountability Challenges Remain Labor and states have taken action to implement most JVA provisions to reform veterans' services since the law was enacted in November 2002, but challenges remain particularly in implementing reforms to improve accountability for the DVOP and LVER programs. Labor issued guidance clarifying the new roles and responsibilities for veterans' staff and allocated funding to states for an incentive program. Labor has also established performance measures aligned with state workforce systems under WIA as required by JVA. However, Labor reports that states will not be held accountable to a common national standard for veterans' employment until 2007. (See table 2.) States also report good progress in implementing provisions, but challenges remain in some local areas in terms of integrating veterans' staff with other employment services staff in local workforce centers. Many states also have not implemented an incentive program as provided in JVA for recognizing quality services to veterans.

Table 2: Summary of Labor's Completed and Planned Actions to Implement Selected JVA Provisions, as of December 2005

Provision	Labor's completed actions	Labor's planned actions
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Prior to JVA

Veterans' staff roles and responsibilities ? VETS issued first of several guidance letters

in ? Updates will occur as

September 2002. National Veterans' Training necessary. Institute subsequently began conducting training on

JVA provisions for veterans' staff in 2003.

JVA enacted November 7, 2002

First full program year following JVAa

Performance accountability ? VETS issued a guidance letter establishing new performance measures in June 2003, followed by guidance in May 2004 on negotiating performance measures with states. ? Labor anticipates that it will be 2007 before it can establish a national standard that states must meet for veterans entering employment.

First full fiscal year following JVAb

Incentive awards ? VETS allocated incentive award funds to states ? None. beginning in fiscal year 2004.

Source: GAO analysis of JVA provisions and Labor information.

aProgram year 2003 was the first full program year under JVA and ran from July 1, 2003, to June 30, 2004.

bFiscal year 2004 was the first full fiscal year under JVA and ran from October 1, 2003, to September 30, 2004.

**Staff Roles and Responsibilities** VETS took several steps to prepare veterans' staff for their new roles and responsibilities under the law, and while the majority of state workforce administrators reported that these staff had transitioned to a greater focus on intensive services for veterans and employer outreach as required by JVA, challenges remained in the areas of training and integrating staff in some one-stop offices. VETS began issuing guidance to transition staff to their new roles in 2002, and a training program soon followed in 2003. Both Labor's formal written guidance and technical assistance was well-received, with almost three-quarters of the 50 state workforce officials reporting on our survey that the quality was good or excellent in facilitating implementation of new staff duties.

VETS officials cited challenges, however, in meeting all training needs for veterans' staff informing them of their new roles and responsibilities under the act. While Labor's training institute continues to conduct and fund training, it estimated that the current funding would cover training for only about 16 percent of all veterans' staff each year, while annual staff turnover was averaging about 18 percent. In terms of staff integration, Labor officials said that integrating staff into the one-stop offices has been

a persistent challenge and the DVOP and LVER staff we interviewed cited a wide variation of integration in local areas. Reasons these staff cited for poor integration included a lack of support by the local office manager, the lack of education and training for other one-stop staff members on serving veterans, and only fair to poor quality of Labor's guidance and technical assistance to states in how to integrate veterans' staff into the local one-stop offices.

**Incentive Awards Program** VETS issued guidance in time to establish an incentive program in the first fiscal year after JVA, and 32 of the 50 state workforce administrators we surveyed reported implementing the program. State workforce officials in 17 states that did not implement the program cited various reasons. California, for example, cited that state law prohibited monetary or other gifts to employees for performing their duties. Idaho cited potential morale problems among one-stop staff that have limited opportunities to serve veterans. Four other

states cited that the awards were incompatible with the states' collective bargaining agreements. VETS officials said that some states had been more successful than others in designing their awards system and state opinions were mixed on the extent that the incentive programs resulted in improved services. Administrators in 16 states with award programs in place reported that their program had a positive effect on improving or modernizing veterans' services. On the other hand, administrators in 15 other states either said that their incentive program had no effect (7 states) or that it was too early to say (8 states).

Performance Accountability Labor has taken action to establish a new accountability system as required by JVA, but reports that more time is needed under the new system before it can hold all states accountable to the same standard for veterans' employment. As required by the act, Labor established some new performance measures for the DVOP and LVER grant programs in 2003 consistent with state performance measures under WIA. VETS officials told us they made additional modifications to the performance accountability system when they adopted the Office of Management and Budget's new common performance measures in July 2005. As these new systems were put in place, VETS officials said they also changed the method they use to calculate the entered employment measure and collect source data. However, VETS anticipates it will need at least 3 years under these measures until 2007 to collect comparable trend data needed to establish the national performance standard holding all states accountable to the same minimum goal for the rate veterans enter employment.

State Officials Reported that JVA Reforms Improved Veterans' Services and Employment Outcomes While data are not available to link the JVA reforms to changes in veterans' services and employment outcomes, most state workforce administrators we surveyed believed that the reforms have improved the quality of services to veterans, and have improved their employment outcomes. Overall, 33 of the 50 state workforce administrators reported that veterans' employment services have improved in their respective states since the law's enactment. Among six different services we asked about, administrators most often reported that DVOP staff were spending more time on case management since JVA, although somewhat fewer states reported that services to disabled veterans had similarly improved. (See fig. 1.)

Figure 1: Improvements in Services to Veterans since JVA Was Enacted

Services provided to disabled veterans have improved  
Veterans receive greater priority of referral to jobs  
LVER staff are spending more time on outreach to employers  
Electronic access to services for veterans through the Internet has increased  
Quality of case management and other intensive services has improved  
DVOP staff are spending more time on case management  
0 10 20 30 40 50 Number of states

Source: Responses to GAO survey by 50 state workforce administrators.

Workforce administrators in 33 states also reported improvement in veterans' employment results. These respondents attributed the improvement both to the law's reforms and to other factors. The reform cited most often as helping veterans obtain employment was the increased availability of case management or other intensive services through the DVOP program. Other than the reforms themselves, administrators said veterans' employment was influenced by

employer willingness or desire to hire veterans and by the strength of the local job market. (See fig. 2.)

Figure 2: Factors That Assisted Veterans in Obtaining Employment

Increase in availability of case management or other intensive services by DVOP staff

Outreach to new employers by LVER staff

Priority of service in Labor training programs

Priority of referral for federal contractor jobs

Greater willingness or desire to hire veterans

Veterans' skills matched credentials needed for available positions

Veterans' existing job skills were transferable to other jobs

More employers listing available jobs at local one-stops or local offices

Robust job market in local area

0 10 20 30 40 50

Number of states

Source: Responses to GAO survey by 50 state workforce administrators.

In terms of barriers to employment, state administrators reported that federal contractor failure to list job openings at the local one-stop centers was a factor under most likely to delay or prevent some employment. Other factors also presented obstacles to employment, the most frequent one being a poor local job market. This factor was cited nearly twice more often as other factors, such as non-transferability of skills or employer reluctance to hire veterans with National Guard or Reserve commitments. (See fig. 3.)

Figure 3: Factors That Delayed or Prevented Veterans from Obtaining Employment

Federal contractors not listing available jobs at local offices or one-stops

JVA reforms

Waiting list for Labor training programs

Veterans not receiving priority of referral for federal contractor jobs

Poor job market in local area

Veterans' skills were not transferable to available jobs

Reluctance of employers to hire veterans with possible National Guard and Reserve commitments

Veterans' skills did not match credentials needed for available positions

Employers not listing available jobs at local offices or one-stops

0 2 4 6 8 10 12 Number of states

Source: Responses to GAO survey from 50 state workforce administrators.

## Program Accountability Weakened by Absence of Local Data and Lack of Coordinated Oversight

Labor oversight and accountability for the DVOP and LVER programs has been affected by the lack of data available from local workforce offices in some states, as well as the lack of coordination among Labor agencies in monitoring and sharing information gathered on program performance. While state VETS directors responding to our survey most often reported that their monitoring role under JVA has had a positive effect on local accountability, 19 directors reported their monitoring role either had no effect or a negative effect. Our survey showed two main reasons for the lack of a stronger effect.

**Lack of Local Level Data.** In our survey, state VETS directors reported that performance data from local offices are not available in many states, limiting federal oversight and weakening local level accountability. State VETS directors reported in our survey that among four different tools used to monitor local office performance, the most beneficial were analysis and use of data captured in states' performance reports, along with on-site reviews of local offices. Under JVA, states took on greater responsibility for assessing their own performance, and VETS modified its monitoring practices in response by extending the time between site visits to local offices from 1 year to 5 years. VETS directors in 21 states, however, noted that data were not available to monitor performance of local offices, and in these states, federal oversight may be limited to the on-site monitoring visits by VETS directors required once every 5 years.

**Lack of Coordinated Oversight.** While Labor agencies are jointly responsible for monitoring employment and training services, little or no effort has been made to coordinate oversight or use the monitoring results to target assistance to states and localities that are most in need. For example, while VETS is responsible for monitoring performance of the DVOP and LVER programs, ETA oversees other workforce programs that serve veterans as well as nonveterans, such as WIA and Wagner-Peyser Employment Services. However, the two agencies do not generally coordinate their monitoring activities or share the results. Only five state VETS directors reported that they met with ETA officials to share monitoring results and take joint action to address problems.

Labor also lacks a strategy for using the monitoring information it gathers to improve performance across states and local areas. While Labor has authority under JVA to provide technical assistance to states that are deficient in performance or need help, VETS has yet to begin addressing the significant variation in performance levels among states, as reflected by their widely divergent performance goals. For example, in program years 2004 and 2005, states' negotiated goals for the rate at which veterans entered employment ranged from 38 to 65 percent, while Labor's national employment goal for veterans was 58 percent.<sup>3</sup> Although more than half of the state goals fell short of Labor's national target, VETS has not been proactive in determining why certain states are falling behind and in targeting them for assistance.

<sup>3</sup>Labor's national goal applies to all programs that serve veterans and is distinct from the JVA requirement to set a national minimum standard for the DVOP and LVER programs.

Our report recommended that the Secretary of Labor provide clear guidance to integrate veterans' staff into the one-stops and foster state use of incentives. We also recommended that Labor's program offices coordinate their oversight of JVA provisions, and that Labor use monitoring results to develop program improvements. Labor agreed with our recommendations.

Recommendations

Mr. Chairman, this completes my prepared statement. I would be happy to respond to any questions you or other Members of the Committee may have at this time.