



Missing the Mark Again: Bush Administration's Career Advancement Accounts

NEWS FROM EPI

FOR IMMEDIATE
RELEASE
Monday
July 24, 2006

CONTACT
Bruce Herman
(NELP)
212-285-3025, ext.
304
or
Karen Conner
Stephaan Harris
(EPI)
202-775-8810
news@epi.org

Recent announcements by U.S. Department of Labor officials have touted Career Advancement Account (CAAs) demonstration projects as an innovative response to automotive dislocations by Ford and General Motors in nine states. After reviewing this project's details, National Employment Law Project (NELP) and the Economic Policy Institute (EPI) find that CAAs are a poorly targeted and woefully inadequate response to auto industry dislocations.

"In terms of dollars, numbers of workers potentially helped, and states selected for the CAA demonstration, this proposal seriously misses the mark," stated Bruce G. Herman, Executive Director for National Employment Law Project. "Our main concern is that the Bush administration's proposal is more about advancing its own agenda, and less about helping dislocated automotive workers or affected communities."

The administration's proposal provides up to \$1.5 million to each of the nine states selected, with each state required to come up with \$1.5 million in matching funds. Funds must be used to set up individual accounts of up to \$3,000 to individuals impacted by auto plant closings and layoffs in Georgia, Michigan, Missouri, Minnesota, Oregon, Ohio, Oklahoma, Tennessee, and Virginia.

"The administration is forcing states to accept a program Congress has never authorized and to shift money from critically needed job training as the price for getting a little extra help for jobless workers," said EPI vice president Ross Eisenbrey.

Rather than rely upon existing dislocated worker programs under the Workforce Investment Act, the CAA demonstrations force states to set up separate voucher delivery mechanisms to implement the demonstrations.

"Just as with its post-Katrina response, where the administration sought to eliminate prevailing wage protections and replaced public schools with vouchers and charter schools in New Orleans, CAA demonstrations advance an agenda that has neither been sought by the affected states, industry stakeholders, or impacted workers," commented Rick McHugh, Midwest Coordinator for NELP.

NELP's and EPI's reservations about the auto CAA demonstration proposal include:

- The proposal is extremely limited in the amount of assistance offered. At \$3,000, a CAA offers less money than a typical dislocated worker gets either under the Workforce Investment Act or as Trade Adjustment Assistance for training and re-employment services. In Michigan, \$3,000 is about half the cost of one semester's tuition at a community college.

-More-

- In overall dollars, the proposal is extremely limited when compared to the expected job losses. Tens of thousands of GM, Ford, and Delphi workers are facing job loss, including those accepting buy-outs. When impacted suppliers are factored in, tens of thousands more are facing layoffs and are potentially eligible. At \$3 million per state, CAAs would offer assistance for a maximum of 1,000 workers in each of the nine states, or 9,000 affected individuals overall. While estimates vary, up to 250,000 auto-related job losses are expected nationwide.
- The CAA assistance is poorly targeted. Offering each participating state the same \$1.5 is hardly fair. Michigan faces roughly 125,000 dislocations related to auto industry restructuring over the next three years. Oregon, Minnesota, and Virginia, in comparison, can be expected to suffer less than 10 percent of Michigan's job losses.
- By focusing solely on the states hit by announced GM or Ford plant shutdowns, the CAA demonstration ignores some of the neediest communities. Most noticeably, Indiana has large numbers of impacted suppliers but is not among the states selected for the demonstration. Oregon, which is included because a small GM parts operation is shutting down there, has a very limited role in automotive production despite this single closing.
- CAAs amount to a voucher for training or reemployment services, using the same market-driven approach to public services as the flawed Medicare prescription drug program and offering a potentially confusing set of options to recently dislocated workers. Better programs for dislocated workers include case management and peer networks for jobless workers with state and local coordination of training programs to address affected communities' workforce development needs.

The demonstrations require states to set up a wasteful new voucher delivery mechanism in order to provide CAAs by no later than October 1, 2006. This rapid implementation schedule is not adequately supported – administrative spending is capped at five percent–further straining state and local workforce agencies in the selected states. Instead of asking impacted states and affected communities what help they need, this CAA demonstration promotes the administration's agenda of using private, rather than public, entities to deliver training.

###

For additional background about "Personal Reemployment Account" proposals, now renamed Career Advancement Accounts by the Bush Administration, see "**Setting the Wrong Course**" (February 2005) at http://www.epi.org/content.cfm/webfeatures_viewpoints_personal_reempl_accounts, and visit NELP's website. Under UI publications, view "**Missing the Mark**" at www.nelp.org/ui/federal/initiatives/prapolicy.cfm (June 2003).

National Employment Law Project is a non-profit legal and policy advocacy group based in New York City. The **Economic Policy Institute** is a non-profit, non-partisan think tank located in Washington, D.C.