



SEP 8 2014

The Honorable Pat Quinn
Governor of Illinois
State Capitol
207 Statehouse
Springfield, Illinois 62706

Dear Governor Quinn:

The Employment and Training Administration (ETA) is pleased to respond to your request for waivers of statutory and regulatory requirements under the Workforce Investment Act (WIA). This action is taken under the Secretary's authority to waive certain requirements of WIA Title I, Subtitles B and E, and sections 8-10 of the Wagner-Peyser Act. On July 22, 2014, the Workforce Innovation and Opportunity Act (WIOA) was enacted. Many of WIOA's provisions take effect on July 1, 2015, but the existing WIA state and local plan provisions remain in effect until July 1, 2016. ETA is conducting a review of WIOA's implementation timeline and provisions, and will be issuing guidance in the future regarding the new State Unified Plan provisions and waivers as part of its implementation actions. Current WIA waiver approval timelines have been adjusted in accordance with the expected end date (June 30, 2016) for the existing WIA State Plans.

The State's recent WIA waiver requests are written in the format identified in WIA section 189(i)(4)(B) and 20 CFR 661.420(c), and meet the standard for approval at 20 CFR 661.420(e). The following is the disposition of the State's waiver requests (copy enclosed).

Waiver of WIA Section 133(b)(4) to increase the allowable transfer amount between Adult and Dislocated Worker funding streams allocated to a local area.

The State is requesting a waiver to permit an increase in the amount a state is allowed to transfer between the Adult and Dislocated Worker funding streams. The State is granted this waiver through June 30, 2016. Under the waiver, transfer authority is limited to 50 percent. This limitation provides states flexibility while ensuring consistency with Congressional intent regarding the level of funding appropriated for the WIA Adult and Dislocated Worker programs. Under this waiver, the State must identify indicators or information gathering it will use to track improved outcomes, and report the results of the waiver in the WIA Annual Report, especially how services were maintained for both Adult and Dislocated Worker populations.

Waiver of WIA Section 134(a)(1)(A) to permit a portion of the funds reserved for rapid response activities to be used for incumbent worker training.

The State is requesting a modification of its currently approved waiver to permit use of rapid response funds to conduct allowable statewide activities as defined under WIA Section 134(a)(3), specifically incumbent worker training. The State is requesting to use up to 40 percent of rapid response funds for incumbent worker training only as part of a layoff aversion strategy. This waiver is approved through June 30, 2016.

When implementing the approved portion of this waiver, the following conditions apply:

- All training delivered under this waiver is restricted to skill attainment activities.
- State must continue to conduct required Rapid Response activities as described at WIA section 134(a)(2)(A).
- The State is required to report performance outcomes for any individual served under this waiver in the Workforce Investment Act Standardized Record Data system (WIASRD), field 309 and any credentials received by individuals served under this waiver in the WIASRD field 619.
- In its WIA Annual Report, the State should report on how this waiver impacted outcomes in support of job-driven training principles, as well as indicators the State will use to track employer and participant outcomes.

TEGL No. 26-09, Section 7A, "Workforce Investment Act (WIA) Waiver Policy and Waiver Decisions for PY 2009 and 2010" and TEGL No. 30-09, "Layoff Aversion Definition and the Appropriate Use of Incumbent Worker Training for Layoff Aversion Using a Waiver" provide policy guidance related to implementation of this waiver.

The approved waivers are incorporated by reference into the State's WIA Grant Agreement, as provided for under paragraph 3 of the executed Agreement, and this constitutes a modification of the State Plan. A copy of this letter should be filed with the State's WIA Grant Agreement and the approved State Plan. In addition, as required by TEGL No. 6-13, the State should address the impact these waivers have had on the State's performance in the WIA annual performance report, due on October 1 of each year.

We look forward to continuing our partnership with you and achieving better workforce outcomes, please contact Arlene Charbonneau, Federal Project Officer for Illinois, at (312) 596-5491 or Charbonneau.Arlene@dol.gov.

Sincerely,



Portia Wu
Assistant Secretary

Enclosure

cc: Byron Zuidema, Regional Administrator, ETA Chicago Regional Office
Arlene Charbonneau, Federal Project Officer for Illinois

**ILLINOIS DEPARTMENT OF COMMERCE & ECONOMIC OPPORTUNITY
WORKFORCE INVESTMENT ACT WAIVER REQUEST – INCUMBENT WORKER TRAINING - 7-11-14**

BACKGROUND

The Illinois Department of Commerce and Economic Opportunity is requesting a waiver to allow the use of up to 40 percent of the State rapid response funding described in WIA Sec. 133(a)(2) for use in developing statewide projects to improve job retention and avoid additional layoffs. This waiver will expand state resources to assist workers and companies to retain or retrain workers.

Incumbent Worker Training (IWT) in Illinois has been a proven tool in Illinois' economic recovery efforts to assist companies to upgrade skills of current workers and hire additional employees through pipeline strategies. There is a need to expand layoff aversion and skill attainment strategies because of Illinois' persistent unemployment rate of 8.7 percent, which is higher than the national average. **This document outlines the additional detail requested by Illinois' Federal Project Officer and the US Department of Labor National Office to support the waiver request.**

Policy and Procedures for Implementing the Waiver

This waiver will be administered using the incumbent worker policy outlined in Illinois WIA Policy Letter 07-PL-33, *Change 4*. This policy provides grant recipients with guidance on implementing incumbent worker training (IWT) using either formula funds or awarded statewide discretionary funds. It also outlines the layoff aversion, skill attainment and reporting requirements of each incumbent worker. A copy of the policy is provided as Attachment 1.

Training and Employment Notice 09-12 directs the states to adopt a strategy for layoff aversion with Rapid Response funding. Illinois considers a layoff averted when: 1) a worker's job is saved with an existing employer that is at risk of downsizing or closing; or 2) a worker at risk of dislocation transitions to a different job with the same employer or a new job with a different employer and experiences no or minimal unemployment. By emphasizing the strategy of layoff aversion, DCEO issued a Request for Application seeking training projects for existing employees who are at risk of losing their jobs unless they obtain skill upgrades, or provide training to unemployed individuals who require employer specific training upon being hired or classroom based skill upgrades to be qualified to be hired. A copy of the latest Request for Application is provided as Attachment 2.

Evidence of Past Success in Averting Layoffs through Incumbent Worker Training

Illinois is building a track record of success in averting layoffs through incumbent worker training. Approving this waiver request will provide Illinois with the flexibility to expand this program and save more jobs. DCEO awarded more than \$1.4 million in Program Year 2012 statewide rapid response funds to 4 grantees that coordinated 49 incumbent worker projects saving more than 1,000 jobs. The average cost of the incumbent worker training is \$1,400; whereas, the average ITA to retrain a dislocated worker in Illinois is over \$5,000.

DCEO awarded more than \$1.6 million in Program Year 2013 statewide rapid response funds to 6 grantees that have planned incumbent worker projects for more than 30 companies.

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Justification and Plan for Using the Waiver Authority

The use of statewide rapid response funds for Incumbent Worker Training layoff aversion projects is part of Illinois' strategy to retain jobs that meet the needs of Illinois employers. Global competition has required companies to drastically adapt in order to survive and changes in the workplace have increased employer's demand for a skilled workforce. Investing public resources to support technical training of incumbent workers is a practical layoff aversion strategy for the state. It retains good jobs in the economy; retains critical industries in the region and can lead to creation of jobs in key industry sectors. Workforce programs coordinated for these industry sectors drive career pathways and higher-paying job opportunities. Developing human capital by improving workforce skills as a result of technology or workforce change increasingly serves as the foundation of competitive advantage and can be a core driver of economic success.

A better skilled workforce is the most effective retention tool. It is imperative that communities retain these local businesses as they are valuable resources that generate jobs and create tax revenue. Training can help stabilize a company by contributing to increased productivity and overall competitiveness and in many cases provide companies' employees promotional opportunities and increased wages. Ongoing incumbent worker training is a valuable investment for a business that can have a positive impact on its bottom line. As the state's goals for a better trained workforce are achieved, local businesses and local economies are strengthened and therefore future layoff situations are prevented.

Incumbent worker training is a proven strategy for using skills upgrading training to help current employees retain employment and help employers avoid layoffs. It also has proven to be a more cost effective strategy over traditional ITA retraining. Another advantage for incumbent worker training is that, in many cases, the worker is able to advance their career thereby opening up a position for someone less skilled. This creates new job opportunities for the low-income participant.

Attachment 3 is a letter from Congressman Bill Foster and several other members of the Illinois Delegation that highlight the fundamental importance of Incumbent Worker Training in supporting Illinois' workforce. DCEO echo's the Congressman's call to eliminate the restrictive application of the layoff aversion requirement. Approving Illinois' request for *up to 40%* of the statewide rapid response funds will provide the needed flexibility to expand our proactive layoff aversion efforts throughout the state.

Demonstration of Partnerships to Effectively Implement Incumbent Worker Training and Avert Layoffs

The following success stories illustrate Illinois' effective partnerships with organizations that serve key industry sectors.

North Business and Industrial Council

NORBIC is an economic development organization that promotes job growth and community advancement through the provision of professional and technical services to manufacturers located in the State of Illinois' Northeast Economic Development Region. Founded in 1975, Chicago based NORBIC works to revitalize Northeast Illinois' manufacturing base, and to retain and create jobs. It does this by proactively identifying manufacturing clients through partnerships with local governments, trade associations, and other economic development organizations, objectively assessing these manufacturer clients' needs, and then leveraging the capabilities of its own programs with those of its partners to create integrated focused solutions that address the identified needs and produce measurable positive change.

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Success Story: Friendship Village of Schaumburg is a Continuing Care Retirement Community near Chicago for adults aged 62 and older. They are the leading healthcare facility in the Chicago Metro Area with well over 1,000 seniors living at the facility. After the passage of the Affordable Care Act, many procedures traditionally provided at hospitals are shifting to continuing care facilities. Friendship Village needed to meet the new requirements to perform these medical procedures or they would lose patient referrals from regional hospitals to their facility. These referrals account for the highest percentage of their business and they were at risk of losing millions in revenue if they did not upgrade the skills of their nurses. Through a partnership with a local community college, Friendship designed and implemented a program for 70 nurses utilizing Incumbent Worker Training through WIA Rapid Response funding from the Illinois Department of Commerce and Economic Opportunity. Not only was the project a huge success, but now they have designed a similar program for nurses in other healthcare facilities as well. This WIA-funded training avoided the immediate need to layoff 70 nurses in favor of finding and hiring higher skilled individuals. It also created a training model to fill a critical need of other healthcare providers in this situation.

Regional Partnership: The North Business and Industrial Council (NORBIC) and DCEO have also collaborated with WIA agencies and members of its network of manufacturing employers and training providers to upgrade the skills of dislocated workers. In Program Year 2012 NORBIC facilitated the placement of 31 individuals into OJTs and the direct placement of 10 participants that were receiving services through the traditional individual training account (ITA) model. Of these 41 dislocated workers, 34 transitioned to permanent employment in jobs with average hourly wages in excess of \$18.50 per hour.

University of Illinois Business Innovation Services

The University of Illinois Business Innovation Services (BIS) provides customized training services and technical assistance, as well as public workshops and certificate programs. With a professional staff of experts, BIS specializes in organization-wide systemic improvement from top management strategy to hourly worker skills. The most effective role is to help develop the potential within each organization to achieve a culture where innovation and constant improvement thrive. BIS's hallmark has been the ability to help organizations change and grow profitably. This is accomplished through collaboration with the talent within the organization, introducing new methodologies and systems to drive innovation and ideas that create the future. U of I - BIS has a 30 year track record of success helping to build high-performing organizations in manufacturing, healthcare, municipalities, and financial services. BIS's goal is to promote a robust U.S. economy helping organizations compete globally and profitably.

Success Story: FLEExCO, located in Downers Grove, is an industrial facility that manufactures belt fasteners, lacing, and conveyor belting tools. To avert layoffs, FLEExCO worked with the University of Illinois Business Innovation Services to provide skills upgrade training to 11 staff. This initiative focused on strategies and tactics that will continue to make FLEExCO competitive in a global marketplace by training employees with the skills necessary to build its export capability. As a result of this training, FLEExCO averted layoffs and made improvements in their operations, management, profitability, employee morale, customer satisfaction, communication, and teamwork.