



October 5, 2011

To: Members of our Community of Practice and Interested Parties
From: Jeremy Hays and Jason Walsh
RE: Green Jobs Training and the US DOL OIG Report

On September 30th the U.S. Department of Labor's Office of the Inspector released an audit of the Recovery Act's Green Jobs Program (GJP), a \$500 million investment in training to prepare workers for careers in energy efficiency and renewable energy industries. The Green Jobs Program, which directed some funds to labor market research and capacity building in addition to three job training programs, was modeled after the Green Jobs Act, legislation that was passed as part of the 2007 Energy Bill. The GJP, like the Green Jobs Act, has a particular focus on training low-income people to put them on a pathway out of poverty and into green jobs and careers.

The OIG report, unfortunately, is not a fair assessment of the Green Jobs Program. We detail the report's flaws below. First, however, we need to be reminded about a few basic facts and clear about the broader economic and political context that has surrounded the Department of Labor's efforts to train people for jobs in the clean energy economy.

Fact: Job training - maintaining a skilled workforce in this country - is critical to existing and emerging industries, especially clean energy and other green industries.

Fact: Job training programs create pathways to opportunity for people who want to secure good jobs and build careers in emerging industries.

Fact: Job training alone does not create jobs. Job training provides a supply of skilled workers who can help companies compete and who can ensure that new technologies and practices are implemented correctly.

Fact: In order to create green jobs, we must have demand for green goods and services - energy efficiency retrofits, solar installations, clean vehicles, wind energy, etc.

This last fact about demand speaks to the broader political and economic context that is frustrating the efforts of green jobs training programs to place people in new jobs.

Here is the political context: fossil fuel industries and their advocates in Congress, the entirety of the GOP and some Democrats, have effectively killed or stymied federal legislation subsequent to the passage of the Recovery Act that would create green jobs, or any jobs, at a scale commensurate with the employment crisis that is faced by communities across the nation, and in particular communities of color and low-income communities. Congress has blocked public investment in infrastructure (green and gray), killed comprehensive climate legislation that would have made polluters pay for the greenhouse gas pollution they emit and supported renewable energy and energy efficiency strategies, failed to pass a Renewable Electricity Standard that would require utilities to supply a minimum level of electricity to its customers from renewable sources, and shelved the Home Star legislation to jump start residential efficiency jobs. And at the same time they have continued to provide billions in federal subsidies to oil and gas companies that are currently making bigger profits than any companies in the history of money.

This is the economic context: the Great Recession that began in 2008 was way worse than anyone predicted. Our recovery has been anemic and “jobless.” Green job training programs are operating in the midst of labor markets where, as in the nation as a whole, there are roughly five applicants for every available job. With 14 million people unemployed, including 25 percent of the construction trades, new workers that have just completed training programs are competing with workers who have years of experience. This is a very different economic environment than when the Green Jobs Act was passed in 2007. At that time, green industries were begging for more trained workers to help their businesses grow. Now, many green economy businesses are reluctant to hire new workers, particularly in the absence of national policies that signal long-term, stable demand for renewable energy and energy efficiency.

This political and economic context provides a backdrop for the Office of Inspector General’s report on the Department of Labor’s Green Jobs Program. And, while we need careful evaluation of new programs and emerging strategies to fix our economy, we found serious flaws in the report.

The OIG report is not a fair or accurate assessment of the GJP, for the following reasons:

- **The report focuses on the wrong data to assess whether the funds are being used in a timely fashion.** The report claims that only \$167 million (33 percent) of the \$500 million awarded had been spent by grantees by June 30, 2011, while 73 percent of the grant periods had elapsed. But the proper data to analyze are the funds that have been “obligated,” not the funds that have been spent or “outlaid.” Obligations represent how much money has already been legally committed, while outlays measure how much money has actually gone out the door. Grantees enter into contracts with training providers, but providers only get paid when the training is completed, as taxpayers should expect from any

responsible stewardship of public funds. If obligations are analyzed, rather than outlays, the use of funds by grantees is closely aligned with the grant period. Almost two-thirds of the funds have been obligated in each of the three training programs and close to 90 percent have been obligated of the grants for labor market research and capacity building.

- **The report inappropriately focuses on and criticizes job placement outcomes, which is the outcome that will lag the most in any workforce development evaluation.** The OIG report cites data indicating that 8,035 training participants had entered employment through June 30, 2011, about 10 percent of the number projected. This number should surprise no one. The GJP training grants were awarded in early 2010. It takes training program a number of months -- to fine tune curriculum, hire instructors, recruit trainees -- before the first cohort starts training. As a consequence, most training started in the second half 2010. The OIG report cites job placement data from mid 2011, less than a year after most job training was even begun. It's simply unrealistic, even naïve, to judge a program's success or failure at job placement within such a short time frame. A fair evaluation should place at least equal emphasis on the fact that the grantees had collectively served over 52,000 participants and completed training for more than 26,000 through June of 2011.
- **The report emphasizes job placement outcomes for new workers, but buries training outcomes for incumbent workers.** The report's focus on the GJP's job placement outcomes marginalizes the value of incumbent worker training, which is not adequately captured by a job placement metric. Indeed, some of the grantees only provide incumbent worker training, and many adjusted their training plans in the face of an unexpectedly jobless recovery and correspondingly weak demand from employers for new hires. The report appears to acknowledge this fact: "Of the 52,762 participants served, grantees reported that 20,818 (39 percent) were incumbent workers. These incumbent workers were individuals who already have jobs and enrolled in training in order to retain their jobs, obtain new work, or otherwise upgrade their skills, and are generally not reflected in employment outcomes (page 11)." Despite this acknowledgement, the report doesn't include this important fact in the "What OIG Found" summary highlighted at the front of the report (which is as far as most readers will get).

So, as the economy continues to struggle along and Congress appears determined to ensure that America is ill equipped to compete in the most important global economic development race of the 21st century, we should reserve judgment on green job training programs that are just now hitting their stride. Given the current reality, we should be cautiously hopeful that the GJP has accomplished as much as it has to date and save a fuller and fairer analysis for the future.

This we know for sure: America can and should be a global leader in emerging clean energy industries. In order to do that, we must be proactive and by no means should we “wave the white flag” in the face of subsidized polluters at home and strongly supported clean energy industries abroad. To be a global clean energy leader, we must leverage our nation’s greatest asset – the American people. Job training programs provide a key to unlocking the potential of a new green economy while also providing opportunity for those who are struggling the most in the current economy.

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