Workforce Development in the United States
An Overview

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An Overview of the U.S. Workforce Investment System – Its Promise, Its Challenges

The United States' publicly funded workforce development system, broadly defined, is composed of multiple programs designed to meet the employment and skill needs of American jobseekers and employers. Federal programs range from those targeted to special populations (e.g., Vocational Rehabilitation for the disabled, Veterans Employment and Training, and Trade Adjustment Assistance for workers who lose their jobs due to US trade policy); to those designed to meet the needs of the general population and employers (e.g., programs authorized under the Workforce Investment Act (WIA) and the Higher Education Act (HEA)).

This paper focuses on programs authorized under title I of the Workforce Investment Act of 1998 (WIA) – designed as the nation's primary public workforce investment system through which all other services and programs may be accessed. The paper highlights just some of the many promising practices initiated across the country in support of a comprehensive, effective U.S. workforce investment system, as well as identifying system challenges.

The system established under WIA was designed to meet the employment and training needs of jobseekers (adults, dislocated workers, and disadvantaged youth) and employers. The workforce investment system serves over 15 million Americans a year, providing employment assistance, labor market and other workforce-related information and services, and access to training through its One-Stop Delivery system.

The publicly funded workforce investment system as a whole, continues to meet its performance goals of raising the employment, retention, and earnings of its participants as designed by law. In fact, it was one of the very first federal programs to incorporate performance-based accountability standards, established under its predecessor the Job Training Partnership Act.

There are numerous exemplary WIA programs throughout the country, making tremendous strides in providing high quality services to jobseekers; and successfully linking economic development, workforce development, and postsecondary training. However, the workforce investment system, with its declining federal funding and structural limitations, is not adequate as a stand alone program, to meet the overwhelming human capital needs of the U.S. today and in the future. State and local workforce systems must act strategically to establish partnerships and leverage resources that will enable them to meet the increasingly complex employment and skill needs of jobseekers, employers, and their regional economies in the future.

WIA: The Intent.

In 1998, when Congress passed the Workforce Investment Act (WIA), the new law was intended to address workforce challenges brought on by globalization, advances in technology, demographic changes, and subsequent economic restructuring – many of the challenges confronting us today. WIA was intended to fundamentally change the way workforce development services were provided across the U.S. through pursuit of the following objectives:

- Consolidation of programs, streamlining of services, and coordination of remaining workforce programs;
- Transfer of authority for system design and implementation to States and especially to local areas;
- Establishment of high level, business-led state and local Workforce Boards, responsible (with state and local officials, respectively) for the design and oversight of workforce investment systems;
- Development of an easily accessible, comprehensive One-Stop system for the delivery of employment and training services;
- Development of a voucher-like mechanism (Individual Training Accounts (ITAs)) for accessing training, which provides individuals with choice in the selection of training based on up-to-date labor market information and training institutions' performance data;
- Establishment of a demand-driven system, meeting the economic development and business needs of states and local workforce areas -- recognizing two equally importance customers -- jobseekers and employers;
- A strengthened performance measurement system, requiring continuous improvement and holding State and local workforce systems accountable for employment-related measures, including customer satisfaction.

System Overview.

State and Local Authority. In exchange for federal funding and enhanced authority under WIA and related programs (approximately $5 billion nationally each year), each state's Governor is required to strategically plan for and ensure the development of a statewide workforce investment system. Governors are required to appoint State Workforce Investment Boards to assist in the design and oversight of the workforce system. States are also required to establish local workforce investment areas for the receipt of funds and delivery of services at the local level. Many of the current 650+ workforce areas across the U.S. were "grandfathered" from WIA's predecessor, the Job Training Partnership Act system, contingent upon meeting basic performance and fiscal requirements.

Local workforce investment areas are required to have at their helm, business-led workforce investment boards (WIBs), to ensure broad-based community and private sector input into the design and implementation of local workforce investment efforts. Local boards are appointed by locally-elected officials, from nominations submitted from relevant local organizations. They are composed of a majority of business members, and are business-chaired. In addition to business leaders, each board is required to include leaders from education (K-12 and postsecondary), labor, economic development, and other relevant local organizations. Local boards are responsible, in partnership with locally elected officials, for the design of local workforce investment systems, designation of the One-Stop service providers, selection of youth program grantees, and for oversight over their local workforce systems. Every local area is required to have a One-Stop system for the delivery of a broad range of workforce services.

Program Integration and the Cohesive Delivery of Services. The Workforce Investment Act consolidated numerous federal workforce-related programs into three grants to states and local workforce areas: 1) Adult Employment and Training grants; 2) Dislocated Worker Employment and Training grants; and 3) Disadvantaged Youth Employment and Training grants. Funding for these programs flows to the states (which can retain approximately 15 to 20 percent of the funds for state-level activities), and on to the local workforce areas by formulas (unemployment and poverty weighted) prescribed in the WIA statute. System design, implementation, and oversight are left to the states and localities.

One-Stop Design. WIA directs states and local workforce areas to establish comprehensive One-Stop systems for the delivery of employment and training services -- to make it easier for ordinary Americans and employers to access employment information, job training and related services.

Under WIA, each local area is required to establish at least one comprehensive, physical One-Stop center through which all WIA services, as well as those from partner programs can be accessed in a community. Affiliated sites are also encouraged, so there may be multiple points of entry into a coherent workforce development system. Each One-Stop delivery system must offer a broad range of core (information, preliminary assessment, and employment-related), intensive (specialized assessments, indepth counseling, individual employment plans, case management, and short-term pre-vocational support), and access to training services.

The statute identifies a select list of programs that are required to partner with the workforce system for the delivery of services through the One-Stops, in an effort to build comprehensive workforce development systems across the country. But again, responsibility for state and local One-Stop system design is transferred to the states and local areas, respectively.

WIA Partner Programs include: Adult education programs for individuals with limited basic skills or English language skills; Trade Adjustment Assistance (TAA) for trade-impacted dislocated workers; the Employment Service (authorized under the Wagner-Peyser Act) responsible for labor exchange and administration of unemployment insurance systems; Vocational Rehabilitation for individuals with disabilities; Older Worker Community Service Employment; Postsecondary Vocational and Technical Education; and Employment and Training programs provided through the Community Services Block Grant, and federal Housing Acts. WIA also encourages (but does not require) partnering with other programs including: Welfare reform (TANF); Food Stamps Employment and Training; and National and Community Service Employment programs.

WIA requires that the workforce system and its partner programs establish memoranda of understanding (MOUs) to determine how system stakeholders partner, contribute resources, and deliver services through the One-Stops. The statute and follow-up regulatory efforts stop far short however, of prescribing partnership or resource sharing requirements. Congress and the Administration instead left the difficult partnering negotiations to the States and local areas. At a time when federal budget deficits loom large in the U.S., and domestic spending is sharply reduced, needless duplication and waste are not feasible. However, funding reductions seem to perversely result in the walling off of funding "silos" to protect dwindling budgets. As a result, partnering has become more difficult for states, and particularly for local workforce areas, in the absence of specific federal requirements for system integration and resource sharing, and the lack of financial incentives for partnering.

Universal vs. Targeted System. The Workforce Investment Act took what was previously a targeted collection of programs (focused primarily on economically disadvantaged and dislocated workers) and established an employment and training system for all jobseekers and for employers. WIA removed restrictive eligibility requirements, making all individuals regardless of income or employment status, eligible for "core" or front-end services through the One-Stop delivery system. Local workforce areas are authorized to provide WIA-funded intensive and training services to individuals who are in need of such assistance in order to find employment, with priority given to economically disadvantaged individuals when funding is determined to be "limited."

By loosening the eligibility requirements of the past, Congress intended that the WIA system would become more relevant for high skill/high wage employers, as well as more easily aligned with economic development efforts. These changes have provided significant flexibility for the workforce investment system, helping it to implement innovative strategies for meeting the needs of employers and work with economic development stakeholders. Employers are now to be recognized as important customers of the system. However, a serious concern has emerged, in part as the result of the opening up of the One-Stops and their core services to a universal population. This expansion of responsibilities has resulted in an apparent reduction in WIA-funded training in many states and local areas, and in some areas a reduction in services for individuals with multiple barriers to employment.

Training. It is now estimated that 15 million individuals are served each year through the One-Stops, so there is no question of the need for such an expanded system. However, when Congress made the decision to expand the responsibilities of the workforce system, it envisioned commensurate increases in funding. Unfortunately, funding has not increased. On the contrary, there has been a steady decline in WIA funding over the past five years, and the era of tight budgets is expected to continue in the foreseeable future.

Even with the decline in funding and the apparent decline of WIA spending on training, the U.S. General Accounting Office (GAO) found in a recent study, that the WIA system still spent over 40 percent of its funding in FY 2003 on training, and this estimate did not take into account funds used to pay for computer lab workshops in software applications, basic keyboarding, computer skills training, and even certain adult basic education classes offered through the One-Stop system. Nor did it appear to take into account training arranged by the One-stops but not paid for with WIA funds, which is significant.

While many localities still devote a significant portion of their WIA dollars to training, and many have sought to replace dwindling resources for training with non-WIA funding, there is no question that the WIA system, and training therein is seriously underfunded. When combined with the fact that the Adult Education system in this country is only serving 3 million of the over 40 million individuals in need of adult basic education, literacy, and English language education in the U.S., due to a serious lack of funding, it becomes even more apparent that the workforce investment system must become expert at the effective raising and leveraging of resources, public and private.

The Workforce Investment Act requires that most WIA-funded training be purchased through the use of individual training accounts (ITAs), a voucher-like mechanism. ITAs were established to promote personal decision-making and market-based training. Individuals were to select training providers based on performance information accessed through the one-stop delivery system. As a result, the best providers were expected to flourish. And training was to be provided only for occupations in demand.

While complications have resulted from fairly aggressive performance reporting requirements included in the WIA statute, most local systems continue to utilize ITAs for the purchase of a significant portion of the training provided in their areas. The states of Florida, Texas, Washington and Oregon have implemented some of the most extensive performance reporting systems with their training providers (particularly with their community colleges), with Florida linking funding for its community colleges to performance levels reported. Some argue that restrictions associated with the utilization of ITAs and their corresponding performance reporting requirements have also contributed to the decline in training – making it more difficult for providers to participate in the WIA system and package training that meets regional economic development needs. However, states and local areas determined to meet the training needs of their regions are increasingly finding ways to make the system work. And a number of states have received relief from some of the WIA training performance requirements through waivers received from the U.S. Department of Labor. WIA reauthorization is also expected to relax these performance and reporting requirements for the future once legislation is enacted.

Performance Measurement / Accountability. The U.S. workforce investment system was one of the first federal programs to hold its state and local workforce programs accountable for meeting outcome based performance standards. Building upon performance measures established under its predecessor, the Job Training Partnership Act (JTPA), WIA's performance measures were intended to hold workforce programs accountable for continuous improvement in the areas of: job placement, retention, earnings, skills attainment, and for the first time, customer satisfaction, based on state and locally negotiated performance levels.

WIA was also intended to encourage the development of common or at least consistent performance measures across partner programs over time.

The latest data available on performance of the workforce investment system in Program Year 2004, shows that the system as a whole, is meeting and exceeding in many cases, its performance targets set by the U.S. Department of Labor as described below. In the Adult program, 77 percent of participants found jobs after leaving the program; 86 percent were employed six months after leaving the program; and earnings increases averaged $3,736 from pre-WIA services to post-WIA services. In the Dislocated Worker program, 84 percent of participants found jobs after leaving the program; 91 percent were employed 6 months after leaving the program; and 93 percent earned more after receiving WIA services. In the Youth program, 77 percent of youth found jobs or enrolled in postsecondary education, the military or advanced or occupational training during the first quarter after leaving the program; and 65 percent earned a diploma, GED or certificate.

The U.S. Department of Labor has attempted to develop common measures for workforce programs across federal departments, to encourage increased program integration, leverage resources, and work toward the establishment of a comprehensive workforce development system that is aligned with economic development in the U.S. Attempts for common measures across federal programs have met with reluctance from other agencies however.

With regard to the specific measures prescribed in WIA, concerns range from a belief that there are too many measures; that these are not the right measures (more individual focused vs. system-impact focused); to the fact as noted above, that performance measurement is not consistent across all workforce-related programs. Regardless, performance measurement will continue to play a vitally important role in any efforts to devise a comprehensive workforce investment system for the future. Performance measures should foster system alignment, integration, innovation, high quality services for jobseekers and employers, and the leveraging of resources. They should also prove useful to state and local leaders for use in making the kinds of strategic policy and the day-to-day management decisions necessary to meet the employment, skills, and economic needs of their regions.

Progress to Date.

Despite its challenges, the U.S. workforce investment system as a whole has made considerable progress in working toward its key objectives since enactment of WIA in 1998. As one would expect, there is a range in the quality of programs and degree of reforms initiated across a country as large and diverse as the United States. Barriers such as inadequate funding, conflicting statutory and governance requirements, narrowly drawn geographic boundaries, turf battles, cultural blinders, and in some cases old-line bureaucracies have resulted in slow change in some states and localities. The shift from 40 years of supply-side federal workforce policy that concentrated primarily on the job seeker to one that has employers as a primary customer has taken time. However most state and local workforce systems are making this shift successfully – some moving even beyond the reforms originally envisioned in WIA. Any reluctance or inability to change on the part of others will become increasingly difficult in the future, as the success of state and regional economies will become ever more dependent upon the skills of their workers.

Some of the workforce strategies showing great promise in recent years include:

- Sectoral initiatives that focus on the needs of many employers in a specific industry;
- Cluster-based initiatives that focus on the workforce needs of groups of companies and/or services in a region, and the public and private entities on which they depend (including suppliers, consultants, education and training providers, business and professional associations, and government agencies);
- Career ladder approaches to training that provide upward mobility opportunities for low-skilled, low-wage workers;
- Utilization of specialized intermediaries (labor market organizers and partnerships that help workforce systems to plan, convene, broker, and organize the various critical components of labor market services in ways that successfully connect the needs of jobseekers and employers);
- Implementation of incumbent worker training to avert layoffs, increase productivity, and increase regional competitiveness; and
- Other strategies that result in the leveraging of resources, and the building of regional economies that benefit a wide range of workers and employers, as well as strengthen regional tax bases.

The U.S. workforce investment system must learn and build upon the promising practices established in these and other successful initiatives, as well as look for new ways to contribute to the competitiveness of the workers and employers in the regions they serve.

State Coordination, Regional Alignment, and Leadership. At the state and local levels, system integration, coordination, regional alignment, and innovation varies. Some states such as Texas, Florida, Michigan, Utah and others have enacted state laws that mandate consolidation of WIA and related programs beyond that required by federal law (WIA).

In <u>Texas</u> in 1995, the State legislature enacted legislation that merged 28 workforce programs from 10 agencies into one new agency, the Texas Workforce Commission (TWC). The Legislature charged TWC with planning and delivering workforce services to meet the needs of employers, workers, and communities through an integrated system with strong local control. Within this framework, the Texas Workforce Network emerged-- a partnership between the TWC, its 28 local workforce development boards (WDBs), service providers, and other stakeholders. TWC allocates federal funds through annual contracts with the local boards, to provide services in the: Temporary Assistance to Needy Families (TANF); Workforce Investment Act; Food Stamp Employment and Training; Child Care and Development Fund; and Welfare to Work (until its elimination) programs. This has provided Texas' local workforce boards with the opportunity to manage a broader set of funding streams and programs than is found in most states. This statutory change influenced agency structures and set the tone for much of Texas' progress made in the last decade – including better alignment with economic development and an advantage in meeting the needs of the state's employers. *(Source: Fahy, Pat. Workforce Development in the State of Texas: An Overview, case study prepared for the New Commission on the Skills of the American Workforce, January 2006.)*

In Florida, the state legislature vested responsibility for WIA, the Wagner-Peyser Act, Temporary Assistance for Needy Families (TANF), Veterans' Employment and Training, Food Stamp Employment and Training, Welfare-to-Work, and Job Corps recruitment directly under the local workforce development boards -- consolidating the funding streams of these programs, and requiring that employment and training services be provided through the One-Stop delivery system. The state legislature also placed all Employment Service employees under the day-to-day supervision of local workforce boards, while maintaining their State merit status. *(Source: Fahy, Pat. Workforce Development in the State of Florida: An Overview, case study prepared for the New Commission on the Skills of the American Workforce, November 2005.)*

State leadership in the area of system integration in these an other states, has resulted in comprehensive service delivery through the One-Stops; increased resource sharing; the leveraging of limited resources; the elimination of wasteful duplication; and cohesive governance arrangements. Such integrated service delivery also appears to encourage employer utilization of the system due to reduced bureaucracy and more flexible funding. It also appears that this sort of integration better enables local workforce systems to link effectively with economic development and to engage in innovative service delivery strategies such as sector initiatives – possibly due to a willingness to take advantage of flexibility provided in WIA on the use of funds, and a broader vision for the workforce system as the result of having more stakeholders at the table.

Increasingly, states and local areas are recognizing the need to align workforce development with regional economic development efforts. The WIA statute encourages regional planning and service delivery by providing Governors with the authority to require local areas to join together around true labor market or economic development regions, regardless of local area designations, in planning and service delivery efforts. The law even authorizes states to require shared regional performance measures. The degree to which this authority has been used however varies. While few states are requiring such regional cooperation, an increasing number are using an incentive approach to encourage regional collaboration.

States currently have at their disposal a significant portion of WIA funding with which to encourage innovation, system integration, regional alignment, and other positive behaviors. Each state may retain 15 percent of all WIA funds it receives annually, as well as an additional 25 percent of its dislocated worker funds, with which it can provide incentives, technical assistance, rapid response assistance, and other forms of support for the encouragement of positive initiatives and outcomes. The degree to which states have taken advantage of this very attractive "carrot" approach to moving the system forward, again varies significantly. The most effective states are using their state-held monies to foster alignment with economic development priorities; invest in regional initiatives designed around business needs (e.g., sectoral, cluster, career ladder, incumbent worker, layoff aversion strategies); and encourage innovative strategies for serving their hardest to serve populations.

In Oregon, the Governor established the *Employer Workforce Training Fund* (EWTF) in November 2003. The overall goal of the EWTF is to support the retention and growth of living wage jobs, a skilled workforce, and competitive business in Oregon. The EWTF supports regional projects at over 100 companies that have resulted in training for more than 5,500 workers. In addition, EWTF stakeholders say that stronger partnerships have been forged between workforce and economic development at the regional level, and employer relationships have been improved. The melding of workforce and economic development has leveraged funds, stretching state and federal dollars in a more effective and efficient system for workers and employers.

As part of the EWTF initiative, Oregon has established local *Workforce Response Teams* (WRTs) to focus on the development of and training for local jobs. There are 15 WRTs -- one in each workforce region of the state. The WRTs are proactive resource teams consisting of representatives from the Employment Department, Community College, WIA service providers, one or more local economic development organizations, the Oregon Economic and Community Development Department Regional Development Officer, and other representatives as determined by the region to be necessary. These teams provide a single point of contact, set regional priorities for the use of funding, and control and award grants to businesses. The teams work together to provide comprehensive business solutions, developing strategies to work with multiple employers in a sector and/or cluster to maximize regional and statewide impacts. *(Source: Fahy, Pat. Workforce Development in the State of Oregon: An Overview, case study prepared for the New Commission on the Skills of the American Workforce, November 2005.)*

In Michigan, the state has used its state-held money, matched with philanthropic and private sector funds, to encourage the development of Michigan's Regional Skills Alliances (MiRSAs), bringing regional, industry-based partnerships among employers, education institutions, training providers, economic development organizations, and the public workforce system together to plan for and solve their regions' workforce challenges in innovative ways. MiRSAs have become effective vehicles in Michigan, allowing the workforce system to be more agile and flexible in responding to the needs of employers in key regional industry clusters through the use of more flexible resources, and helping the system to better connect to high skill industries. MiRSAs are developed around sectors on a regional basis – in labor market areas -- rather than around artificial or political boundaries. The state outlines the objectives it wants to see in the alliances, and asks the regional partnerships to come together to apply for recognition and funding, supported with foundation support from the Mott Foundation. Each MiRSA must have a lead convener identified before achieving recognition. Business leadership is key. *(Source: Questions and Answers about Michigan Regional Skills Alliances, http://www.michigan.gov/rsa/0,1607,7-210-30473-93250--,00.html).*

In Illinois, the state has used state-held monies to implement its Critical Skills Shortage Initiative (CSSI), an aggressive strategy to connect economic development and workforce development to meet the needs of Illinois' employers for skilled workers on a regional basis; and to improve the economic prosperity of workers and their families. The Illinois Department of Commerce and Economic Opportunity (DCEO) has the lead on CSSI, encouraging a regional approach across the state, focusing on key industry sectors that drive state and regional economic growth. Illinois identified ten geographic areas, known as Economic Development Regions (EDRs). DCEO allows each region to identify the sectors of key importance in their region, and develop a strategy around that determination. Local workforce board-led coalitions determine their region's: key industry sectors; the size and distribution of shortages in critical occupations within those sectors; root causes and regional solutions; and develop proposals to pilot test and implement, leveraging resources for the projects. CSSI is providing $3 million in planning grants and $15 million in implementation grants to the regions. The key sectors emerging in the 10 economic development regions include healthcare; (advanced) manufacturing; and transportation, warehousing, and logistics. Targeted occupations within these industries must: represent strong employment demand; be critical to industry competitiveness; provide good earnings and benefits; and be appropriate for targeting by the workforce development system. *(Source: Fiala, Gerard. Case Study on IL CSSI Initiative for NCEE).*

Over the last several years, New York State (NYS) has made a series of strategic investments in cutting-edge initiatives designed to foster economic growth, job creation and workforce development. Signaling the state's transition to a new phase of economic and workforce development, the initiatives emphasize capacity- and partnership-building efforts to create the context for economic and job growth; industry modernization, cluster/sector strategies, incumbent worker training and career advancement objectives. These approaches take priority over conventional industrial recruitment policies and narrow job placement/retention goals. Among the state's most ambitious initiatives is a high-technology economic development plan that aims to make the state a global leader in academic research, business creation, and job development. In 2001, NYS allocated $250 million in state general funds to leverage over $700 million in federal, university and private investment for the creation of an "Empire State High Tech Corridor". The effort promotes collaboration among academia, government, and business for purposes of commercializing scientific breakthroughs and creating businesses and jobs. At the heart of the initiative are *Centers of Excellence* and *Centers for Advanced Technology* (CAT) programs, which partner researchers at leading universities with their industry counterparts to develop new technologies, give businesses a competitive edge and create high-quality jobs. The NYS 's labor and workforce development officials have joined in support of this high-tech economic development agenda, investing more than $80 million of state and federal WIA funds since 1999 in programs designed to meet the workforce-related demands of firms in the emerging sectors, while ensuring that the high-tech/biotech investment generates high wage, career-oriented jobs -- particularly for dislocated workers. These programs promote career ladder mapping and incumbent worker training, encourage business growth and industry modernization, and help local workforce entities build capacity. In addition, they have sought to involve local workforce investment boards in planning initiatives, scoring proposals received from local vendors, and convening stakeholders.

New York has also established several other initiatives, using WIA funding, to assist business in boosting economic growth. *Building Skills in New York State* (BUSINYS) helps businesses train incumbent workers in needed skills that will lead to career growth and increased wages. The program allows firms to apply on-line for training grants and gives workers the opportunity to gain industry-recognized certifications. *Accelerate New York* targets small and emerging businesses that operate below their potential due to the absence of a strategic business plan or insufficient capacity to meet staffing needs. Under WIA's allowable research provisions relating to incumbent workers, the program helps businesses create or improve their plans and prioritize training needs, while requiring LWIBs to identify key industry sectors and businesses needing assistance. *(Source: Troppe, Mark; Schultz, Mark; Dorrer, John. RISEbusiness: Connecting the Workforce Investment System with Small and Emerging Businesses, April 2004.)*

Recognizing industry partnerships as a form of "workforce intermediary," Pennsylvania has provided funds, ranging from $5000 to $150,000 to strengthen existing partnerships and seed fund development of new partnerships in the Commonwealth's nine targeted Industry Clusters of: Advanced Materials and Diversified Manufacturing; Agriculture and Food Processing; Building and Construction; Business and Financial Services; Education; Information and Communication Services; Logistics and Transportation; Lumber, Wood and Paper; and the Life Sciences. Entities that are knowledgeable and experienced in working with a targeted industry cluster may apply for partnership funds, but in most cases, local WIBs are recipients of the funds, and must at least be represented in the partnership. The long-term goals of the industry partnerships are to: create sustainable regional industry partnerships that can target training, education, and workforce development programs to higher skill jobs in demand by industry; enhance the competitiveness of the industry, cluster, and region; and provide long-term earning and career opportunities for employees.
(Source: Governor Rendell's Strategy for Building a Skilled Workforce, ***http://www.paworkforce.state.pa.us/about/cwp/view.asp?a=471&q=152120****.)*

Pennsylvania and other states including Minnesota, Florida, Massachusetts, and Oklahoma (among others), are also combining the state-level administration of workforce and economic development systems, for enhanced system alignment.

In Florida, the state Legislature established a novel public-private partnership between the state's business, government and education sectors dedicated to expanding Florida's economic development and international trade activities called Enterprise Florida (EFI). EFI has since formed affiliate partnerships concentrating on capital financing, technology innovations, international trade, business development, and workforce development. The State Legislature also created Workforce Florida, Inc. (WFI), a quasi-public nonprofit organization, to serve as the State Workforce Investment Board and to act as the chief policy agency for workforce development. WFI's current state and local policy is focused on economic development and serving businesses first. By enhancing economic development, State leaders contend they will make more jobs available and raise the skills of the workforce. *(Source: Fahy, Pat. Workforce Development in the State of Florida: An Overview, case study prepared for the New Commission on the Skills of the American Workforce, November 2005.)*

Ensuring Regional Competitiveness through Local Innovation, Business Relevance, and Alignment of Workforce and Economic Development.

The Council on Competitiveness, a forum of American business, university, and labor leaders collaborating for economic prosperity, identified innovation as the single most important factor in determining America's success through the 21st Century. The Council urged the coming together of talent, investment, and infrastructure to foster new innovation "hot spots" in regions across the U.S. than can sustain jobs and wage growth.

A growing number of local Workforce Investment Boards (WIBs) already work to bring these key ingredients for innovation together at the local and regional levels. The best WIBs are leading efforts in their communities, convening partners, brokering services, leveraging resources, identifying and following through on necessary actions to develop their regional knowledge-based, economies. Often overlooked, this brokering and convening function is a critical element for any regional economic growth strategy. However, this level of leadership does not yet exist in all areas of the country.

When Congress enacted WIA, it envisioned the establishment of a market-driven workforce investment system. The law authorizes a strong and active role for business -- utilizing the business-led local workforce boards for the design and oversight of local systems; and recognizing industry, businesses and employers as important customers of the system.

The statute also required that all states and local areas receiving WIA funds, engage in strategic planning, taking into account the labor market and economic development needs of their regions. WIA included a number of provisions that were intended to result in alignment with economic development including:

- Economic development representation on all state and local WIBs;
- A requirement that local boards coordinate workforce investment activities with economic development strategies and develop employer linkages;
- A requirement that local boards provide "connecting, brokering, and coaching" to promote participation of employers in the workforce system and ensure the effective provision of services for employers;
- Clarification that states may use WIA funds to devise and oversee strategies for: layoff aversion, incumbent worker training, and linkages with economic development activities at the Federal, State, and local levels, including business retention and recruitment activities.

Since WIA's enacment, the workforce system has continued to improve its services for businesses. In a survey of local WIBs conducted by the National Association of Workforce Boards last year, of those local areas responding, more than 80 percent reported engaging in sectoral strategies to meet the needs of employers; 48 percent have organized separate business service centers; and more than 55 percent reported raising outside funds to support their business service offerings. While caution should be exercised when viewing the survey, as those reporting back may be more likely to engage in these more progressive activities, the U.S. GAO also found significant improvements in recognition and utilization of the workforce system on the part of employers.

Local workforce boards are increasingly building their systems around innovative initiatives designed for the regional delivery of training, and for linking with economic development and education. Even with all of this progress, there continue to be serious concerns that the workforce system at large is still underutilized and undervalued by employers. The system must look to examples of promising practices for guidance and incentives.

Some excellent examples of local areas that have taken an aggressive approach to serving the needs of business are described below. These examples are illustrative of the kinds of innovative strategies that can be implemented in regions around the country to build comprehensive, workforce investment systems that are at the center of important regional economic efforts.

In late 2001, the <u>Delaware Valley Healthcare Council in Pennsylvania</u>, convened representatives of the region's life sciences industry to identify opportunities to redirect workers who were anticipated to be dislocated as a result of September 11 into life science careers. As part of that effort, the <u>Philadelphia Workforce Investment Board (PWIB)</u> and Southeast Pennsylvania's four other WIBs funded a study to assess the quantitative workforce gaps in the industry. In addition, PWIB opened a downtown Philadelphia one-stop center with a specialty in healthcare. Following an industry summit in March 2002, the group, chaired by the CEO of Jefferson Health System, opted to support a lasting initiative to address the ongoing workforce issues that would be experienced in the industry. They created the "Life Science Career Alliance (LSCA)," to sustain the initiative. The Philadelphia Workforce Investment Board became the home of the LSCA, with its mission to "maintain and increase the strength of life sciences in the Delaware Valley by maintaining and improving the regional life sciences workforce." Goals of the Alliance include: mobilizing regional resources to ensure the availability of a skilled workforce to support the life science sector; systematically identifying and monitoring regional workforce supply/demand for life sciences; publicizing the opportunities for life science careers in the region; and promoting sector collaboration on workforce development issues. *(Source: Case Study written on the Life Science Career Alliance for NCEE in cooperation with the Philadelphia Workforce Investment Board.)*

The city of <u>Boston</u> has uniquely parlayed its strong economic resurgence – using fees charged to developers building within city limits – into a new funding stream in support of workforce development and job training. Because Boston's residential and commercial real estate are in such high demand, the city has been able to require developers to pay "linkage fees" that then finance job training programs for its lower skilled populations. The result is a highly effective community development strategy. This initiative combined with agency restructuring has generated a flexible source of revenue that contributes to Boston's high quality workforce development efforts and overall approach to strengthening the local economy. (*Source: Cheney, Gretchen. Case Study written for NCEE in cooperation with the City of Boston.)*

In San Diego, the San Diego Workforce Partnership (responsible for administering San Diego's WIA programs) joined in collaboration with the San Diego and Imperial Counties Community Colleges Association (SDICCCA) to establish the Workforce Alliance Project -- designed to foster a stronger dialogue between industry and education and to focus on the ongoing challenge of educating and training San Diegans to fill the high-demand, high-wage occupations that are shaping their region's diverse economy. The Workforce Alliance Project brings educators from the region's community colleges and four-year universities together with key representatives from local businesses. Building upon groundwork already laid through regional sector analyses commissioned by the Workforce Partnership, these industry cluster advisory groups will develop and oversee meaningful projects in Biotechnology, Healthcare and Medical Services, Hospitality and Visitor Services, and Telecommunications in the San Diego region. *(Source: San Diego Workforce Partnership, Workforce Alliance Project, http://www.sandiegoatwork.com/generate/html/Employers/workforce_alliance.html)*

In Jacksonville, Florida, WorkSource, Jacksonville's workforce investment board, worked with the regional economic development authority, to develop an incumbent worker training strategy that had the greatest economic impact for their region. First, WorkSource implemented a survey of more than 600 companies in the region to help them understand the economic climate and the needs of local businesses. The economic development organization had already determined through research which industries should be targeted for recruitment and relocation to the Jacksonville area. With this data in hand, WorkSource was able to segment the market and determine their priority customers by industry, by size of firm, and by devising a system to sort business customers into three tiers of service. WorkSource aligned its targeted industry lists with those of the regional economic development partnership, focusing on key sectors, including biotechnology, aerospace, manufacturing, health services, corporate headquarters and distribution. WorkSource funds just-in-time, customized training that improves worker skills and productivity and helps to stabilize the workforce, getting a good return on its investment because the training costs are shared by the employers. On average, WorkSource pays 35 percent of the costs and the employer pays the other 65 percent. In just 18 months, WorkSource was able to supplement training costs for 1,230 employees at an average cost to WorkSource of only $751 per employee, and the bulk of this training was provided to workers determined to be lower wage or working toward self-sufficiency, as determined by the local workforce board. *(Source: Troppe, Mark. Case Study written on WorkSource, Jacksonville, FL for NCEE).*

In northern rural Pennsylvania, where manufacturing represents over 25 percent of the region's employment, the North Central, Northwest, and West Central Workforce Investment Boards joined with the Northwest Industrial Resource Center, the Ben Franklin Center for Central and Northern PA, and the North

West and North Central PA Regional Planning and Development Commissions to form the "Manufacturing Education and Economic Network" Industry Partnership (MEEN). MEEN is designed to better organize, align, and direct resources toward the manufacturing sector in this region of the Commonwealth. MEEN is an umbrella industry partnership across the diverse, but manufacturing intensive fourteen county Northwest and North Central regions of Pennsylvania. The Partnership will combine and integrate the expertise of multiple organizations focused on expanding employment in the manufacturing sector. Administered by the North Central WIB, MEEN has received $800,000 in Incumbent Worker Training Funds for the 14 county region over the past two years. Funding has already assisted powdered metals, plastics and other manufacturing companies with their advanced training needs with the goal of increasing their global competitiveness. North Central WIB had already organized 6 industry consortia (healthcare; energy; transportation education and employment; plastics; electronics; and regional career education) in the North Central region, that will help with further assessing the advanced workforce needs of the manufacturing cluster in the region. *(Source: Industry Partnership in North Central, PA – The Manufacturing Education and Economic Network (MEEN).*

In McAllen, Texas, the McAllen Economic Development Corporation (MEDC), working with the local community college, the Lower Rio Grande workforce investment board, and other partners has engaged in a multi-year economic strategy to transform the Lower Rio Grande region to a diversified economy that capitalizes on its geographic position and its designation as a foreign trade zone to create jobs. Twenty years ago, McAllen suffered from 20 percent unemployment. The economy depended primarily on the agriculture and retail sectors, and there was great uncertainty as to how the growing number of maquiladoras setting up manufacturing operations in nearby Mexico would affect the region's economy. The MEDC then led an effort to diversify the regional economy, create jobs, and increase and enhance relationships with its Reynosa, Mexico colleagues just across the border. The region's leaders quickly identified assets that could support their strategy and benefit the entire Lower Rio Grande River Valley, including their location in central North America; their access to the lower labor rates in Reynosa; the region's growing and young population base; and an agreement among the region's leaders about the need to work together.

While the initial focus was to attract companies to locate in Reynosa, MEDC recognized that, if they were strategic about recruiting manufacturers, there would be benefits from related suppliers and service companies that would choose to locate on the U.S. side of the border. Capitalizing on their location, they became a center of transportation, warehousing, and logistics for imports through Mexico. They further built on the fact that they had a Foreign Trade Zone, a "free port" (under U.S. laws and NAFTA provisions) through which raw materials and/or finished goods may be brought from another country duty-free and then, may be stored, assembled, repackaged, graded, manufactured, or re-exported without payment of U.S. Customs duties -- extremely important to just-in-time manufacturing. Recognizing the demands of manufacturers and their clients for increasingly short product life cycles, they positioned the region as a "rapid response manufacturing center."

Workforce development and education leaders have become progressively more involved in implementation of the economic development strategy. In 1993, the region opened South Texas College, a comprehensive community college that has grown from 1,000 to more than 17,000 students. The college also has grown from one to five campuses and centers across the region, including a Nursing and Allied Health Center in McAllen, and a Technology Center in south McAllen near the Foreign Trade Zone. Today, STC offers a four-year degree, the Bachelor of Applied Technology, and associate degrees and certificates in over 90 degree and certificate program options, and is well integrated into the region's economic development strategy. Overall, the strategy is responsible for helping to attract more than 500 employers and nearly 100,000 jobs to the region, along with billions of dollars in private investment. MEDC estimates that the companies recruited to Reynosa have a $3 billion annual aggregate impact on the McAllen economy. The region currently reports an unemployment rate under 7 percent. *(Source: Troppe, Mark. From a Case Study of McAllen,TX, developed for "Integrating Employment, Skills, and Economic Development: A Perspective from the U.S.,"(a paper written but not yet published for the OECD.))*

Meeting the Skill Needs of Adult Workers as Part of an Aggressive Economic Development Strategy. Prior to the enactment of WIA, the primary focus of federal employment and training programs was on serving the needs of the unemployed, the economically disadvantaged, and dislocated workers. With the addition of employers as a primary customer, as well as alignment with economic development identified as an important goal, many local areas have had difficulty in figuring out how to prioritize employer services, align with economic development, and still meet the needs of individuals with barriers to employment. The three goals are not mutually exclusive however, and many local workforce systems have identified successful strategies for accomplishing all three.

In Bridgeport, Connecticut, WorkPlace, Inc., Southwestern Connecticut's regional workforce development board has found an innovative way to leverage limited resources for the training of low wage workers. Through pursuit of company and foundation support, the WIB successfully established WorkPlace Scholarships to improve access to training of low wage workers and workers who need technology skills to stay employable in priority areas determined by employer needs. *(Source: WorkPlace Scholarships, a High Impact Opportunity, WorkPlace, Bridgeport, CT. http://64.106.231.10/workplace/projects__wpscholarships2.asp).*

In the State of Oregon, community colleges are reimbursed for their students in a way that fairly recognizes their role in serving working adults. The state funds non-credit programs (development education and adult education) at the same rate as credit programs; and part-time students at an amount proportionate to fulltime students. Colleges tally the aggregate amount of time that students spend at the college, with 510 hours translating as one FTE, regardless of the type of course or the number of hours in a course. The "510 hours Divisor," as it is called, acts as a "great leveler," providing the system with an incentive to expand its adult basic and part-time offerings. Costs for programs that are more expensive, such as technical courses with lab work, are offset by the greater number of hours that can be billed for such courses. This policy increases access to training for adults. *(Source: Fahy, Pat. Workforce Development in the State of Oregon: An Overview, case study prepared for the New Commission on the Skills of the American Workforce, November 2005.)*

In <u>North Carolina</u>, its community college system is one of the most extensive in the country and is considered the backbone of the state's workforce training system. The NC community college system pioneered free, customized job training for new and expanding businesses in 1958 and continues to provide the nation's most recognized customized job training service. This service is also available through the North Carolina Community Colleges' Customized Training and Development Services and "contributed to the multiple rankings that list North Carolina's business climate as one of the best in the nation." Significantly, the community college system serves an astounding 760,764, which is estimated to be one out of every six adults in the State. The financial incentives provided to individuals and employers helps fuel this impressive number. An entire year of training is free to any dislocated worker. The system is integrally tied to state and regional economic development efforts. *(Source: Fahy, Pat. Workforce Development in the State of North Carolina: An Overview, case study prepared for the New Commission on the Skills of the American Workforce, June 2005).*

In <u>New York</u> State, to leverage the workforce and education systems with its high-tech investment, especially the business opportunities created through their Centers of Excellence/CAT programs, the NYSDOL and State Board have launched several career ladders initiatives using WIA state level 15% funds. For instance, *Moving NY Forward–Career Ladder* helps businesses train workers for positions at key points along career ladders in key industry sectors. *Mapping Career Ladders in Key Industry Sectors* promotes career ladder development in the emerging sectors, such as biotech and nanotech. The program requires local boards to identify viable career pathways and project partners from education, industry and the community, and to work with qualified consultants to complete the mapping process, design skills training and facilitate needed policy changes. One such project is the *Greater Capital Region Biotech Career Pathways Initiative*, in which the NYSDOL, four local boards, three community colleges and three regional employers have joined together to develop a career map applicable across bio-tech careers, such as biomedical product builders and injection molding specialists. These programs have the goal of building local capacity by realigning LWIB policies and practices to support training in the demand occupations. Finally, NYS's workforce and economic development partners support other innovative programs to expand access to training such as: *E-Learning*, which makes content from e-learning providers accessible to small companies to upgrade the skills of their management teams in areas such as team building, communications and project planning; the *New York Skilled Manufacturing Resource Training* program, which uses WIA funds to train manufacturing workers in process improvement and productivity enhancing techniques; and the *Strategic Training Alliance Program*, which supports firms, employer consortia and LWIBs in meeting demand for skilled workers, especially in high-tech jobs. *(Source: Troppe, Mark; Schultz, Mark; Dorrer, John.*

RISEbusiness: Connecting the Workforce Investment System with Small and Emerging Businesses, April 2004.)

The state of Washington has long recognized the importance of its 34 community colleges in terms of their contribution to economic and workforce development; and it has been a leader in integrating workforce related services. The State has found that career and technical education boosts student employment and earnings and generates tax revenues that "far exceed the costs" of the program. Washington's community and technical colleges provide four primary offering include: Academic Transfer; Workforce Training and Education; Basic Skills; and Home and Family Life courses. Perhaps the most innovative initiative however, has been the creation of eleven "Centers of Excellence" built with state funds from the State Board of Community and Technical Colleges (SBCTC).

These Centers are located in community and technical colleges and targeted to industries to help solve skill-related problems, ensure a continuing flow of new entrants, and provide a source of upgrading the incumbent workforce. The Centers are intended as "one-stop shops" for the firms that comprise targeted clusters, so that educators and trainers are able to more efficiently stay abreast of changes in technology and employment and develop resources for employers. One example of a "Center of Excellence" is the Center for Information Technology Excellence (CITE) at Bellevue Community College. This Center is affiliated and co-located with the National Workforce Center for Emerging Technologies (NWCET). CITE is an information resource and solution provider for: model information technology education programs; best practices; up-to-date research; information dissemination; instructor development; and the sharing of industry trends impacting employment, education, and business growth across Washington State.
(Source: Fahy, Pat. Workforce Development in the State of Washington: An Overview, case study prepared for the New Commission on the Skills of the American Workforce, September 2005.)

Conclusion.

If the United States is to succeed economically in the future, we must ensure that all Americans have access to high quality education and training throughout their lifetime. We must ensure that employers can find the skilled workers they need to remain competitive. And we must bring partners together to identify the strengths, challenges, resources and needs of their regions, enabling the collaborative building of regional, knowledge-based innovation economies.

The U.S. workforce investment system, authorized under the Workforce Investment Act, was intended to meet these challenges. The WIA system currently provides a wide range of vital services to over 15 million U.S. jobseekers and employers through its One-Stop delivery system including:
- Labor market information, job search assistance, guidance and counseling to help jobseekers find the right jobs, and employers find the right employees;
- Transition assistance to dislocated workers;
- Support services for individuals pursuing employment and training;
- Assistance for low-wage workers in search of career growth opportunities in

jobs that lead to self-sufficiency; and
- Access to training for individuals in need of skills that will enable them to find employment and progress in their careers.

It is also working to improve its relevance for businesses; and to better align with economic development. While improvement has been documented, the level of business recognition and utilization of the WIA system is still not adequate.

With an expanded array of responsibilities and missions, at the same time as federal resources have diminished, the U.S. workforce investment system has been challenged. Many daring states and localities have thrived as the result of the expanded authority vested under the WIA statute. Others have struggled to change the culture of their programs -- still figuring out how to serve jobseekers (including those hard-to-serve) and employers equally and effectively. Expanded responsibilities coupled with funding reductions have resulted in an apparent decrease in the provision of training paid for with WIA funds. And some states and localities have seen a reduction in services to the hardest-to-serve individuals.

Consequently, it has become increasingly apparent that the U.S. workforce system can no longer afford to operate as a stand alone program. Partnering and the leveraging of resources for training and other workforce services will be essential in the future if the system is to survive and provide the kinds of services and outcomes needed for U.S., state and regional competitiveness.

Despite these challenges, the workforce investment system as a whole has made significant progress in meeting the objectives set forth in WIA.

Local Workforce Investment Boards are increasingly performing the essential function of convening system stakeholders, resources, and service providers – leveraging limited funding, and partnering with employers, educators, and economic developers to identify and meet the employment and training needs of their regions. State and local workforce systems are recognizing the importance of innovation in how they serve their customers – implementing sectoral, cluster-based, career ladder, incumbent worker, and other strategies for meeting the skills needs of workers and employers. This level of insight and leadership does not yet exist in all areas of the country however, and must expanded and deepened. Recognizing that future economic prosperity in the U.S. will depend on the competitiveness of regional economies, states and local workforce areas must engage in efforts to collaboratively build their regional efforts.

Because performance measurement is so important in driving behavior, performance measurement will continue to play a vitally important role in efforts to build comprehensive, innovative workforce investment systems that meet the needs of state and regional economies, respectively. It bears repeating that performance measures can foster system alignment, integration, innovation, high quality services for jobseekers and employers, and the leveraging of resources. This is an important responsibility of states, and an increasing number are implementing performance measures and incentive initiatives (monies) that reinforce their strategic policies and desired behaviors.

We should always be prepared to raise the expectations and capacity of the U.S. workforce investment system to act as important catalysts for change -- encouraging the evolvement of State and local WIBs into higher level authorities for jobs and growth, marrying the disciplines of economic development, workforce development and technical education. Those workforce systems around the country that either do not want to, or are incapable of performing these higher functions –will find it increasingly more difficult to survive.