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**Challenges to Implementing Sectoral Workforce Programs and
Proposed Changes for This Model**

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Report

Presented to the Faculty of the Graduate School of

The University of Texas at Austin

in Partial Fulfillment

of the Requirements

for the Degrees of

Master of Public Affairs

And

Master of Business Administration

The University of Texas at Austin

May 2011

Acknowledgements

I would like to thank Chris King and the Ray Marshall Center for the Study of Human Resources, for the opportunity to work on the development of *CareerAdvance*, which became a profound influence on this professional report. Thank you to my readers, Chandler Stolp and David Jemison, for their input and comments on this manuscript. I also want to thank the individuals I interviewed for their insight into the development and implementation of sectoral programs. I also want to acknowledge my fellow dual-degree classmates, Marina Isupov, Jon Rogers, and Jacob Steubing for the wit and levity they brought to our years at UT. Finally, I want to thank my husband, Brad, for his support and encouragement throughout this process.

April 29, 2011

Abstract

Challenges to Implementing Sectoral Workforce Programs and Proposed Changes for This Model

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The University of Texas at Austin, 2011

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The focus of this professional report is sectoral workforce development programs. Sectoral programs represent a fairly recent innovation in workforce development. Rather than train a low-skilled worker for low-skill job with low pay, sectoral programs train workers for higher-skill jobs that offer career trajectory and living wages, while filling a demonstrated labor-market need within the local economy. These programs have numerous benefits, but face significant implementation challenges. Sectoral programs have the potential to become high-performing, value-creating organizations; however competition for scarce resources, poor employer coordination, and lack of long-term planning can hinder the success of these programs. This report discusses these challenges, lessons learned in the field, and proposed changes to the workforce development system that could encourage the success and expansion of sectoral programs.

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Chapter 1: Introduction

Even in the midst of the latest recession, structural changes in the labor market resulted in employers struggling to fill positions in specific occupations, despite the high unemployment rate. “According to the Bureau of Labor Statistics, the U.S. economy will produce 15.6 million net new jobs between 2006 and 2015, nearly half of which will require some type of postsecondary education credential.”¹ Workforce development, a traditional backwater in public policy, has been challenged to find new ways to train and equip the next generation of workers. The traditional approach in workforce development has focused on immediate job placement, or labor force attachment, without regard to the long-term viability of the job, or any emphasis on training unemployed workers in new skills. As a result, these programs have been relatively ineffective at securing stable, long-term employment and wage gains for workers.

A new approach to workforce development is the sectoral program, an effort that bridges the gap between unskilled workers and employers in focused industry sectors with demand for skilled positions. These programs lie at the intersection of public workforce development and business demands, providing the necessary training that results in credentials recognized and valued by the labor market. The critical success factors in designing sectoral programs are to understand what skills and credentials are valued by employers and to determine which jobs have the strongest demand for workers.

¹ Susan J. Schurman, Louis Soares, “Connecting the Dots: Creating a Postsecondary Education System for the 21st-Century Workforce,” in *Transforming the U.S. Workforce Development System*, ed. David Finegold, et al (Champaign, IL: Labor and Employment Relations Association, 2010), 126.

“The rapid pace of technological change and the relentless pressure exerted by global competition means that doors to job opportunities in growing sectors of the economy are continuously opening, while job opportunities in stagnant sectors are declining.”² The U.S. economy, though technically in recovery from a recession, is still experiencing major economic challenges. These challenges are especially acute for those workers who are experiencing structural unemployment. These workers must acquire skills in a new field to return to full-time employment. In order to be relevant to and effective for these workers, workforce development programs need to adopt an approach that is flexible and tailored to the changing needs of the global economy. Sectoral programs provide an opportunity for these workers to retrain in an area with long-term, sustainable employment prospects. For the purposes of this report, the term “sustainable employment” will refer to jobs and careers that are anticipated to provide living wages, and the opportunity to move out of poverty, rather than the ecological definition of “sustainable”. Sectoral programs have the potential to stand out as high-performing organizations in the crowded field of lackluster workforce development programs.

THE CURRENT WORKFORCE DEVELOPMENT SYSTEM

The current workforce development system is based largely on the 1998 Workforce Investment Act (WIA). In an effort to give local authorities more influence, WIA instructed states to set up local boards to oversee and contract for workforce development services at the local level. These workforce development areas are usually delineated by geopolitical boundaries, such as groups of counties. Workforce Investment

² Duane E. Leigh and Andrew M. Gill, *Do Community Colleges Respond to Local Needs?* (Kalamazoo: Upjohn Institute. 2007), 7.

Boards (WIB) are made up of representatives from the public and private sector, and are intended to provide employer input into the system. These WIBs oversee and coordinate the distribution of WIA services through One-Stop Career Centers.³ The focus of WIA has traditionally been quick placement of workers into jobs, with little consideration of the long-term viability of that placement. WIA performance standards do include six-month job retention and earnings measures, yet the emphasis has mainly been on immediate labor market results. Each state implements its own programs under WIA. Some states are stronger than others in training workers and providing services that are valued in the labor market.

SECTORAL WORKFORCE PROGRAMS

Sectoral workforce programs are programs that connect unemployed or underemployed individuals with employers that have semi-skilled and skilled labor shortages, usually by training workers for a career in a specific field or sector. These programs often combine general training, such as adult basic education, and job-readiness skills, with career-specific training that leads to a recognized credential that has value in the labor market. Compared with traditional workforce development, sectoral programs are fundamentally different in their approach. Sectoral programs are a part of a “new breed of workforce organization [called] workforce intermediaries.”⁴ “Workforce intermediaries are homegrown, local partnerships that bring together employers and

³ Mary Gatta and David Finegold, “Meeting America’s Skills Challenge,” in *Transforming the U.S. Workforce Development System*, ed. David Finegold, et al (Champaign, IL: Labor and Employment Relations Association, 2010), 10.

⁴ Robert P. Giloth, “A Case for Workforce Intermediaries,” in *Workforce Intermediaries for the 21st Century* (Philadelphia: Temple University Press, 2004), 4.

workers, private and public funding streams, and relevant partners to fashion and implement pathways to career advancement and family-supporting employment for low-skilled workers.”⁵

Sectoral programs improve the labor market efficiency or “the speed with which individuals seeking employment are matched to vacant jobs in local labor markets.”⁶ Beyond reducing unemployment, sectoral programs provide benefits to the community which they serve by focusing on long-term job retention and career advancement, with a realistic understanding of what it takes [for] a family to prosper. “The most effective workforce strategies target higher wage jobs, mix job readiness and contextualized skill training, provide post-employment services and supports, and provide upgrade training in the context of identified career pathways.”⁷ Sectoral training is focused on that “identified career pathway”.

REPORT PURPOSE

The topic for this report developed from research currently being conducted at the Ray Marshall Center for the Study of Human Resources in sectoral programs and anti-poverty strategies. *CareerAdvance*, a sectoral program in Tulsa, Oklahoma was designed and implemented with input from the Ray Marshall Center. *CareerAdvance* offers parents of young children in Head Start programs training, individualized assistance, and

⁵ Ibid, 5.

⁶ Leigh and Gill, *Do Community Colleges Respond*, 47.

⁷ Giloth, *Workforce Intermediaries*, 4.

financial support for careers in the health care sector.⁸ (Further information about *CareerAdvance* can be found in Chapter 4.) Despite extensive research and preparation, the program experienced many challenges in its first year of operation. The purpose of this report is to further the research in sectoral development, by identifying common implementation challenges, lessons learned from past implementations, and finally, to recommend changes to the workforce development system to promote the use of sectoral programs.

METHODOLOGY

For this report, I draw from research in current workforce literature, articles, and government documents, and interviewed leading practitioners in workforce development. I focused on the challenges of implementing a sectoral program, and working with low-skill adult learners. I also investigated programs that are considered leaders in their field to identify the characteristics and factors that contributed to their success.

Another large portion of my research was to interview researchers and practitioners currently working in sectoral programs. The purpose of interviewing both researchers and program leaders and staff was to get the dual perspectives of research and the “on-the-ground” implementation. For current practitioners, I interviewed individuals from both mature sectoral programs that have been in place for a decade or longer (such as Capital IDEA and Project QUEST), and individuals in “start-up” sectoral programs, (such as *CareerAdvance*). The purpose of investigating both types of organizations was to identify the different challenges a sectoral organization faces, depending on its stage of

⁸ Robert Glover, Tara Carter Smith, Christopher T. King, Rheagan Coffey, “*CareerAdvance: A Dual-Generation Antipoverty Strategy Implementation Report*” (Austin: The University of Texas, 2010), 3.

maturity. The researchers and workforce development experts I interviewed are considered thought-leaders in workforce development, and their input was extremely valuable in assessing what strategies in sectoral programs are most effective.

For this report, I interviewed and researched the following individuals and programs:

Christine Bailie, Graduate Research Assistant, Ray Marshall Center for the Study of Human Resources, Austin, Texas

Liz Eccleston, Manager, *CareerAdvance*, Community Action Project, Tulsa, Oklahoma

Tanya Glover, Career Advancement Specialist, *CareerAdvance*, Community Action Project, Tulsa, Oklahoma

Micah Kordsmeier, former Project Coordinator, *CareerAdvance*, Community Action Project, Tulsa, Oklahoma

Jack Litzenberg, Senior Program Officer, Pathways out of Poverty Program, Charles Stewart Mott Foundation, Flint, Michigan

Ron Modesty, Senior Employment Coordinator, Capital IDEA, Austin, Texas

Robert McPherson, Research Scientist, University of Texas (retired), Austin, Texas

Mary Peña, Executive Director, Project QUEST, San Antonio, Texas

Alicia Plati, Executive Director, Community Hospitals Authority, and former healthcare workforce intermediary, Tulsa, Oklahoma

REPORT ORGANIZATION

Chapter 2 outlines the deficiencies in the current workforce system, and how sectoral programs can address these problems. Chapter 3 examines the characteristics of sectoral programs and their interactions with the workforce development system.

Chapter 4 discusses the challenges of implementing and running a successful sectoral program, and Chapter 5 identifies the lessons learned in implementation. Finally, Chapter 6 proposes changes to the workforce development system to encourage the success of sectoral programs.

Chapter 2: Deficiencies in the Current Workforce Development System

The current workforce development system has many flaws, which have been exacerbated by the current economic downturn. These deficiencies include a lack of a coherent system of regulations, service providers, and programs; the absence of recognized credentials in WIA-sponsored training; the lack of adequate local employer input; and an emphasis on short-term goals, rather than long-term labor market success.

LACK OF COHERENT SYSTEM

Despite numerous reform efforts since the late 1960s, the workforce development system remains largely fragmented. In January 2011, the Government Accountability Office (GAO) issued a report on federal workforce training programs to identify areas where efficiencies could be achieved. In fiscal year 2009, 47 employment and training programs were administered across nine agencies and spent approximately \$18 billion.⁹ Out of the 47 programs examined by the GAO, all but three overlap and provide “at least one similar service to a similar population”.¹⁰ Throughout the system, there are problems of fragmented organizations, funding silos, lack of employer input, and generally poor performance. In an attempt to improve the workforce development system, many potential solutions have been tried, including “devolution of governance, consolidation of

⁹ U.S. Government Accountability Office, *Multiple Employment and Training Programs: Providing Information on Colocating Services and Consolidating Administrative Structures Could Promote Efficiencies*, GAO-11-318SP (Washington DC: 2011), 5.

¹⁰ *Ibid*, 13.

programs, and performance contacting”¹¹, but each of these “solutions” has led to further complications.

There is a systemic breakdown in communication and coordination between stakeholders: Workforce Investment Boards, state and local agencies, federal agencies, education providers, etc.¹² Agencies with virtually identical eligibility requirements have different assessment or entrance exams, as well as different performance expectations, are usually unwilling to share assessment results in a systematic basis.

The primary workforce development system, funded through WIA, has over 650 local workforce boards that oversee and coordinate services in their assigned area, which are usually groups of counties. These boards often have limited communication with other boards, including WIBs within the same regional labor market. Each WIB is a quasi-political entity, which provides a disincentive for cooperation and encourages “turf wars”. “This service and governance model makes it exceedingly difficult to achieve the funding flexibility needed to serve increasing important regional labor markets.”¹³ This local control can also invite political interference, which serves short-term, instead of long-term goals. Politicians often look for short-term, low-cost solutions, at the expense of stronger programs that may not provide the photo-op results needed in an election cycle.

¹¹ Giloth, *Workforce Intermediaries*, 13.

¹² F. Ray Marshall and Henry A. Plotkin, “Creating a 21st Century Workforce Development System,” in *Transforming the U.S. Workforce Development System*, ed. David Finegold, et al (Champaign, IL: Labor and Employment Relations Association, 2010), 296.

¹³ Schurman and Soares, “Connecting the Dots” in *Transforming*, 136.

ABSENCE OF RECOGNIZED CREDENTIALS FROM WIA-SPONSORED TRAINING

Surprisingly, “with few exceptions, WIA-sponsored training does not offer recognizable occupational credentials or academic credit that provides meaningful benchmarks of achievement with value in the job market or that links to a college-degree pathway.”¹⁴ This system hurts not only the workers, who are expending time and effort on training with no labor-market benefits, but also the governments (and by extension, the taxpayers) funding these programs. It is a waste of scarce resources to train people for the sake of training. A more economically sustainable approach would be to offer training that has value in the marketplace. Everyone benefits – the worker is able to secure employment with increased skills applicable in a field with demonstrated labor-market needs; the economy benefits by virtue of that worker’s increased expenditures, and the government reaps both the increased tax revenues and reduced social service obligations (e.g. Medicaid, SNAP, TANF) to that worker.

For a training program to be successful, it needs to offer not only recognized credentials that are valued by the labor market, but also flexibility to meet the needs of non-traditional students. This problem is not limited to just public workforce development: “job training programs provided by employers and unions or through the public workforce development program contain the needed flexibility but seldom yield recognized credentials.”¹⁵ The workforce development system is “geared to provide short-term training, mostly for hard-to-employ and dislocated workers to obtain jobs that

¹⁴ Schurman and Soares, “Connecting the Dots” in *Transforming*, 135.

¹⁵ *Ibid*, 128.

require little skill”,¹⁶ but is generally separate from the higher education system. Community colleges are beginning to fill this void between basic training and higher education, however, more work needs to be done in this area.

LACK OF EMPLOYER INPUT

In the current system, there is not much effort put into understanding the local labor markets. Robert McPherson, one of the architects of San Antonio’s Project QUEST and the Texas workforce system, discussed how most traditional workforce development focuses on the supply side of the labor market equation, the workers, with very little engagement with the demand side – the employers. “If you are going to engage and connect with employers, then you must know your labor markets.” It is crucial to “get employers what they want or something they need.”¹⁷ In the design of Project QUEST, a priority was placed on employer needs, and developing an occupation-based training program with employer input.¹⁸ However, “the current system often focuses more on the vendors who deliver employment and training services than the ‘customers’ for these services.”¹⁹ “Ironically, even during the depths of the [current] recession, when

¹⁶ Schurman and Soares, “Connecting the Dots” in *Transforming*, 135.

¹⁷ Robert McPherson (retired research scientist, University of Texas) in discussion with the author, March 3, 2011.

¹⁸ Robert McPherson and Brian Deaton, “The Job Training Demonstration Project. Phase 1: Conceptual Design” (The Texas Employment Commission, 1992), 14.

¹⁹ Marshall and Plotkin, “Creating a 21st Century,” in *Transforming*, 286.

unemployment reached 10%, some jobs were hard to fill because the mismatch between labor market demands and workforce skills remained.”²⁰

Additionally, the mismanagement of WIBs and low-quality workers hired from traditional workforce development programs can prevent employers from becoming more involved. Alicia Plati, the healthcare workforce intermediary in Tulsa, Oklahoma, noted in an interview the lack of follow-through on the state level of workforce development. She indicated that most healthcare employers were interested in the *CareerAdvance* project, and the employers wanted to participate in the Employer Roundtable discussions. However, it was very difficult to overcome poor communication between Workforce Tulsa (WIB), and Workforce Oklahoma (service provider), which eventually discouraged employers from participating.²¹

EMPHASIS ON SHORT-TERM GOALS RATHER THAN LONG-TERM SUCCESS.

Workforce development funding is traditionally linked to job placement, rather than training for a long-term, sustainable employment. Jack Litzenberg, senior program officer for the Charles Stewart Mott Foundation, noted that the current model of workforce development is “rapid-attack employment”, which emphasizes employment above training. The performance measures currently in place focus mainly on short-term employment and wage gains.²² In Oklahoma, the WIA enrollment system is very inflexible and not designed for enrollees in long-term training, even though long-term

²⁰ Marshall and Plotkin, “Creating a 21st Century,” in *Transforming*, 287.

²¹ Alicia Plati, in discussion with the author, February 7, 2011.

²² Jack Litzenberg, in discussion with the author, March 2, 2011.

training has the largest benefit to the enrollee. The system would remove participants from the system every 90 days because they were not actively seeking employment.²³ This emphasis on immediate gains is evident in the GAO report on the multiple federal employment and training programs. The most common measures tracked by all workforce development programs (including, but not limited to WIA programs) include how many participants:²⁴

- Entered employment (38% of programs surveyed)
- Employment retention, usually 30-day (29% of programs surveyed)
- Wage gain or change (23% of programs surveyed)

These performance measures are indicative of the short-term focus of the current system. Credential and educational attainment measures, though utilized by some programs, are not as common as the ones listed above.²⁵ This emphasis on immediate employment is also evident in the lack of impact studies. An impact study is considered the best method to determine the affect of the program, isolated from other factors. They are usually long-term (longitudinal), expensive studies to conduct. Of the 47 programs the GAO surveyed, “only 5 reported demonstrating whether outcomes can be attributed to the program through an impact study”.²⁶

²³ Liz Eccleston and Tanya Glover, in discussion with the author, February 8, 2011.

²⁴ GAO, *Multiple Employment and Training*, 10.

²⁵ GAO, *Multiple Employment and Training*, 10.

²⁶ *Ibid*, 11.

Chapter 3: What is a Sectoral Workforce Program?

In *Transforming the U.S. Workforce Development System*, David Finegold states that given the challenges of the current workforce development system, “...the most viable, though still difficult and unproven, option is for the government and private sector to partner, along with education providers, investors, and nonprofits, to foster the development of sustainable skill systems.”²⁷ Sustainable skill systems are clusters of businesses and training providers in innovative areas of the economy. Cluster development is cited as an example of creating shared value in the economy. Clusters “play a crucial role in driving productivity, innovation, and competitiveness.”²⁸ These systems have the potential to address some of the deficiencies in the current workforce development system including:²⁹

- Lack of sectoral and regional capabilities
- Failure to serve the majority of the workforce
- Poor connections with economic development and job creation

Sectoral programs can provide these sustainable skill systems and create shared value in the regional labor market. They fall between complete reliance on the free market to connect workers and employers, and the government providing direct employment to workers. Sectoral programs come in many forms, but the common

²⁷ David Finegold and John McCarthy, “Creating a Sector Skill Strategy: Developing High-Skill Ecosystems,” in *Transforming the U.S. Workforce Development System*, ed. David Finegold, et al (Champaign, IL: Labor and Employment Relations Association, 2010), 182.

²⁸ Michael E. Porter and Mark R. Kramer, “Creating Shared Value,” *Harvard Business Review* 89, no 1/2 (2011), 72.

²⁹ Finegold and McCarthy, “Creating a Sector Skill Strategy,” in *Transforming*, 183.

element of all sectoral programs is that they train workers for higher-skilled, higher-wage jobs in areas where there is an identified labor market need. Both the employer and worker benefit. Typically, these jobs are considered “middle skill”, or jobs that require more some form of post-secondary education and training, but not necessarily a bachelor’s degree.³⁰ Examples of middle-skill jobs include plumbers, construction professions, and healthcare professions such as nursing or emergency medical technician.

Sectoral programs provide a combination of general and specific training. General training can be used across all industries and employers. Specific training is directly related to the employer or firm providing it.³¹ It is not as portable to other employers as general training. Firms are reluctant to provide general training, since employees can take the training they received to other firms. Participants in sectoral programs traditionally need some form of general training, such as computer skills, or adult education, but they also need specific training in the industry they are pursuing. This approach benefits the employer because they do not have to provide the training, but reap the benefits of higher employee productivity, and less turnover.³²

In 2010, the National Network of Sector Partners, an organization focused on promoting the use of sectoral workforce programs, issued their *Sector Snapshot – A Profile of Sector Initiatives*. This report surveyed 198 sectoral programs across the

³⁰ Harry J. Holzer and Robert I. Lerman, “America's Forgotten Middle-Skill Jobs” (Washington DC: The Workforce Alliance, 2007), 8.

³¹ Gary S. Becker, *Human Capital* (Chicago: The University of Chicago Press, 1993), 33-41.

³² Becker, *Human Capital*, 46.

country, and found the programs are as diverse as the individuals they serve.³³ These programs collaborate with multiple stakeholders including WIBs, training providers, employers, and community colleges. Despite the economic downturn, the majority of programs (73%) surveyed had expanded their programs within the past two years. Eighty-three percent of these programs targeted more than one sector.³⁴ Sectoral programs have begun to change how states approach workforce development policy. In 2007, 11 states were investigating sector strategies. By 2010, half of the states were either actively utilizing sectoral programs or investigating how to do so.³⁵

Several longitudinal studies of workforce programs have been conducted in the past decade. In a study of 160,000 WIA recipients, Heinrich, et al concludes that the program impact of WIA participation for females was an increase of \$2,363 in annualized earnings. Males participating earned an average of \$1,676 in annualized earnings.³⁶ In a two-year impact study of three sectoral programs, Public/Private Ventures found that participants in sectoral programs earned 18.3 percent more, about \$4,500, than the control group, over a 24-month period. These participants were also more likely to be working in the second year of the study, and had more consistent work over the course of the

³³ National Network of Sector Partners (NNSP), “Sector Snapshot: A Profile of Sector Initiatives, 2010” (Insight Center for Community Economic Development, 2010), 1.

³⁴ NNSP, “Sector Snapshot”, 7.

³⁵ Ibid, 1.

³⁶ Carolyn J. Heinrich, Peter R. Mueser, Kenneth R. Troske, Kyung-Seong Jeon, Daver C. Kahvecioglu. “New Estimates of Public Employment and Training Program Net Impacts: A Nonexperimental Evaluation of the Workforce Investment Act Program” (Washington DC: US Department of Labor, 2010) 39.

study.³⁷ Smith, et al conducted an evaluation of locally-funded workforce development programs in Travis County, Texas including Capital IDEA. The evaluation began in 2007 with a small cohort from Capital IDEA, and has expanded to 879 participants. For participants that completed Capital IDEA’s training programs, 6.75 years after program entry, their earnings were over \$3,000 greater, per quarter, than the comparison group.³⁸ Sectoral programs have a record of success helping individuals improve their employment and earning power. The benefits of sectoral programs for employers include reduced recruitment costs, lower turnover, and improved productivity. Moreover, sectoral programs can lead to “better industry practices and investments related to workforce development” in the sectors which they serve.³⁹

The drawbacks to sectoral programs include the length of training and high initial costs to the workforce development system. Training a low-skilled individual for a job that requires at least some postsecondary education takes a substantial amount of time, approximately three years.⁴⁰ This time can be reduced with compressed, contextualized curriculum that focuses on competencies instead of academic “seat time”. The up-front costs encompass training costs, academic remediation costs, support services, and the opportunity costs of lost wages for the trainee. However, these drawbacks are

³⁷ Sheila Maguire, Joshua Freely, Carol Clymer and Maureen Conway, “Tuning in to Local Labor Markets: Findings from the Sectoral Employment Impact Study” (Philadelphia: Public/Private Ventures, 2010), 12-15.

³⁸ Tara C. Smith, Christopher T. King, Daniel G. Schroeder, “Local Investments in Workforce Development: 2011 Evaluation Update” (Austin: University of Texas, 2011), 34.

³⁹ Giloth, *Workforce Intermediaries*, 12

⁴⁰ Mary Peña, in discussion with the author, March 10, 2011.

outweighed by the long-term benefits, both monetary and social, to the worker and the economy. Sectoral programs can provide the connection between workers and employers, but in order for a program to be successful; it must be market-responsive and have cooperation from all of the stakeholders.

MARKET-RESPONSIVENESS

Although many workforce development programs provide training, what sets sectoral programs apart is the intense focus on labor-market (skill) demands and recognized credentials. Rather than starting with the worker and finding employment for that individual (supply-side), the sectoral program starts with the employer to determine what skills are needed in the labor market, and the size of the demand, and works backward to develop the necessary training programs, and recruit interested individuals for that career (demand-side). Figure 1 displays the traditional workforce development process. Figure 2 shows the sectoral workforce development process.

Figure 1: Traditional Workforce Development Process



Figure 2: Sectoral Workforce Development Process



Community colleges are often the starting point for training (or retraining) workers displaced by the changes in the labor market. However, there is substantial variability in the quality of vocational education offered in the community colleges. Recently, the United States Department of Education conducted a study of market-responsive community colleges, in order to identify what policies and practices support labor market responsiveness. The definition the study proposed is:

A labor-market-responsive community college delivers programs and services that align with and seek to anticipate the changing dynamics of the labor market it serves. These programs and services address the educational and workforce development needs of both employers and students as part of the college's overall contribution to the social and economic vitality of its community.⁴¹

The key aspects of this definition can be applied to sectoral programs. Successful sectoral programs align to the labor market needs (instead of training individuals for non-existent jobs, for example), and are flexible to change direction as economic conditions change. They look ahead to anticipate new labor market needs, and simultaneously create training and educational programs that meet the current and expected economic

⁴¹ U.S. Department of Education, Office of Vocational and Adult Education, “The 21st-Century Community College: A Strategic Guide to Maximizing Labor Market Responsiveness, Volume 1 - Unleashing the Power of the Community College,” (Washington DC, 2004), 5.

needs of both students and employers. Labor-market responsive colleges and sectoral programs share several key characteristics, including a “market-responsive mission”, rapid development of new occupational skills curriculums, and close ties to local businesses.⁴² These characteristics are very important.

This focus on employer needs requires an extensive analysis of labor market needs. “The term labor market describes all the individual interactions that take place between people looking for jobs and employers seeking workers in a given occupation, industry, or geographic area.”⁴³ Sectoral programs must constantly engage employers to understand what their needs are, and how to best meet those needs. Understanding the employer environment is especially important when one sector may be declining, and other sectors are beginning to expand. One way that sectoral programs can engage employers is to develop industry “roundtables” outside of the local Workforce Investment Board.⁴⁴ Since, most labor markets are regional in nature, these meetings with employers allow the program administrators to get an industry-wide view of the staffing challenges and skillsets needed, and provide the opportunity for the sectoral program to tailor its training directly to the needs of the local employers. However, follow-through by the program is essential to building the relationships with employers. In Tulsa, a healthcare roundtable was established, and there was significant interest and input from local employers. However, due to miscommunication within the WIB, and

⁴² Leigh and Gill, *Do Community Colleges Respond*, 52

⁴³ Robert McPherson, “A Labor Market Approach to Workforce Development,” (Austin: University of Texas, 1994), 6.

⁴⁴ McPherson, 2011.

lack of follow-through, some of the momentum was lost, and employers became less enthusiastic about participating.⁴⁵

MULTIPLE STAKEHOLDERS

Since sectoral programs seek to bring together all components of the labor market, a defining characteristic of the programs is that they have multiple stakeholders that participate with the organization. These stakeholders include the employers, workers, community colleges or other training providers, workforce investment boards, and local agencies that may provide “wrap-around” or support services, such as childcare.

Employers: Employers are the businesses for which sectoral programs train their participants. Employers that work with sectoral programs usually have an identified or anticipated labor shortage. The employers are traditionally already established in the community and usually assist with the program design, or identifying the skills the workers must have to be successful in their particular industry. According to the National Network of Sector Partners *2010 Sector Snapshot*, the most common industries targeted by sectoral programs were healthcare (66%), manufacturing (57%), and construction (40%).⁴⁶ Sectoral programs may provide more services to employers than simply training of prospective employees. The four most commonly provided services for employers include: customized training, referral of candidates for hiring, human resources services, and business development services.⁴⁷ Sectoral programs can also help

⁴⁵ Plati, 2011.

⁴⁶ NNSP, “Sector Snapshot”, 7

⁴⁷ NNSP, “Sector Snapshot”, 22.

employers identify the root causes for their supply/demand mismatch. For example, a healthcare provider may perceive that they have a shortage of nurses. A sectoral program conducting a labor market analysis, may find that there is not a shortage of nurses, rather the work schedules do not meet the existing workers' needs. By identifying the inefficiencies in the labor market, the sectoral program can assist the employer in finding cost-effective solutions that meet the needs of the employer and the worker.

Community Colleges: “In their workforce development role, community colleges serve a key economic development function by developing training programs that assist their communities in retaining existing employers and attracting new ones.”⁴⁸ Community colleges are involved in 18% of sector partnerships.⁴⁹ Community colleges most commonly fulfill the role of training provider: 94% of programs that partner with community colleges do so for training purposes.⁵⁰

Community-Based Organizations: Community-based organizations (CBOs) are involved in 22% of sector partnerships.⁵¹ CBOs provide a wide variety of services including training, social services, employment services to workers, and services to employers.⁵² CBOs can help sectoral programs address the wide range of needs that

⁴⁸ Leigh and Gill, *Do Community Colleges Respond*, 1.

⁴⁹ NNSP, “Sector Snapshot”, 9.

⁵⁰ *Ibid*, 13.

⁵¹ *Ibid*, 9.

⁵² *Ibid*, 13.

participants may have, such as childcare, transportation, and adult basic education services.

Workforce Investment Boards: Under the Workforce Investment Act of 1998 (WIA), workforce investment boards were established to “coordinate and oversee education and job training at the state and local level.”⁵³ Twenty-seven percent of sector partnerships work with a local WIB. “WIBs are more likely to be involved in sector initiatives in several industry sectors – biotechnology, energy/utilities, IT, telecommunications, healthcare, transportation/warehousing, construction, and manufacturing.”⁵⁴

EXAMPLES OF SECTORAL PROGRAMS IN DIFFERENT STAGES OF DEVELOPMENT

CareerAdvance: *CareerAdvance* is a project run by The Community Action Project of Tulsa County, Oklahoma, working with researchers at the Ray Marshall Center for the Study of Human Resources at the University of Texas at Austin, and Harvard University’s Graduate School of Education. The program is part of a larger dual-generation strategy with Head Start centers to end the cycle of poverty. Research has shown that “postsecondary education and training is likely to increase the financial stability and life-long learning of low income parents, [and] financial stability and postsecondary education improve child outcomes.”⁵⁵ *CareerAdvance* is a sectoral program that provides comprehensive training (including occupational skills, work

⁵³ Gatta and Finegold, “Meeting America’s Skills Challenge,” in *Transforming*, 10.

⁵⁴ NNSP, “Sector Snapshot”, 9-10.

⁵⁵ Glover, et al, “*CareerAdvance*”, 1.

readiness skills, and contextualized adult basic education) and builds employer relationships through industry intermediaries.⁵⁶ The program also fosters peer support through the cohort system, and includes cash incentives for participants who met specified benchmarks.⁵⁷ *CareerAdvance* began in 2008 and as a new sectoral program, experienced many challenges in implementation over the past year and a half.

CareerAdvance currently runs a peer-cohort of participants enrolled together in a healthcare career pathway. The pathway begins with the Geriatric Technician/Certified Nursing Assistant (CNA) program, advances to Licensed Practical Nursing (LPN), and culminates with a college degree in Registered Nursing (RN). To date, the results have been mixed. For the first cohort, the initial results were discouraging, with few participants qualifying to move on to the LPN program. Although the students passed the CNA licensing exams, they were not able to pass the entrance exams into the LPN program. However, changes have been made in the subsequent cohorts in an effort to improve preparation for college-level curriculum. The program continues to expand and is now in its third cohort of approximately 15 students. The fourth cohort will include a health information technology pathway as well as a nursing pathway.

Capital IDEA: Capital IDEA is a sectoral workforce program located in Austin, Houston, and Round Rock, Texas. Begun in the late 1990s, Capital IDEA connects “committed, yet underemployed people to employers in need of highly skilled

⁵⁶ Glover, et al, “*CareerAdvance*”, 3.

⁵⁷ *Ibid*, 7.

workers.”⁵⁸ It is designed for low-income adults who desire training for a career with a living wage, but are unable to pay for the training necessary. The programs targets occupations with starting wages at or above \$14 per hour.⁵⁹ The program offers careers in the following areas:⁶⁰

- Health Care Careers, such as dental hygienist, nursing, emergency medical services
- High Technology Careers, such as automotive technician, computer support specialist, and network/systems administrator
- Professional Trades, such as lineman or HVAC technician

Capital IDEA is a nationally-recognized program, with well-documented success. In the past ten years, Capital IDEA has graduated over 700 individuals from its programs.⁶¹ In the latest longitudinal study of program participants, almost 7 years after graduation, Capital IDEA graduates were earning approximately \$3,000 per quarter more than the comparison group.⁶² Figure 3 displays the earning of Capital IDEA participants before and after enrollment (and subsequent completion) in the program.

⁵⁸ Capital IDEA, “About Us,” Capital IDEA, Accessed 18 March 2011, http://www.capitalidea.org/about_us.html.

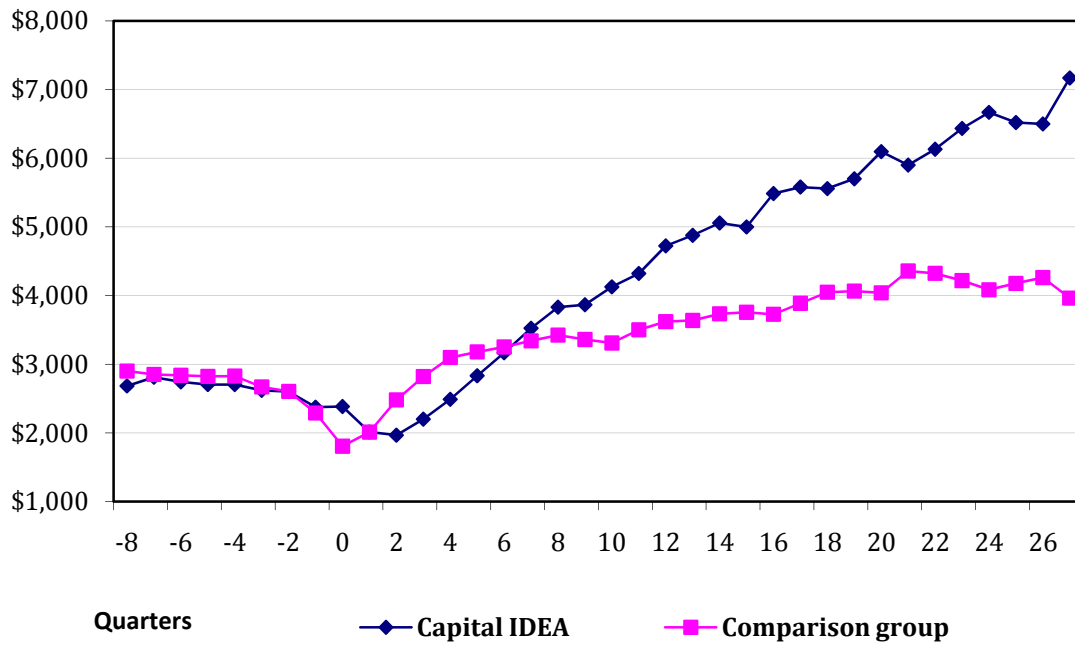
⁵⁹ Christopher T. King, Tara Carter Smith, and Daniel G. Schroeder, “Evaluating Local Workforce Investments: Results for Short- and Long-Term Training in Austin,” (Austin: University of Texas at Austin, 2009), 4.

⁶⁰ Capital IDEA, “About Us,” Capital IDEA, Accessed 18 March 2011, http://www.capitalidea.org/about_us.html.

⁶¹ Capital IDEA, “2009 Annual Report”, (Capital IDEA, 2009), 2.

⁶² Smith, et al. “Local Investments in Workforce Development”, 34.

Figure 3: Capital IDEA vs. Comparison Group Earnings Over Time



Source: Local Investments in Workforce Development: 2011 Evaluation Update

Chapter 4: Challenges to Implementing Sectoral Workforce Programs

Sectoral programs have the potential to move workforce development into a value-creating function. However, these programs face substantial challenges, particularly in the initial implementation. Sectoral programs must overcome siloed organizations that are not accustomed to working together, political interference, and lack of employer engagement. They must also address the unique challenges of adult learners and find ways to secure funding for long-term viability.

LACK OF REGIONAL LABOR MARKET FOCUS

The current workforce development system is highly decentralized, and there is a lack of regional cooperation, especially among WIBs. Although federal workforce development programs encourage a regional labor market focus, the financial incentives are still divided up according to city or county boundaries. This challenge is not new. In the implementation guide for the *Texas Workforce and Economic Competitiveness Act of 1993*, the challenge of regional labor markets is presented: “By enfranchising units of general local government (or combinations thereof) with a population of 200,000 or more for a program of its own, the legislation has balkanized workforce services in urban labor markets.”⁶³ As an example, in central Texas, Travis County has its own WIB (Capital Area), while the surrounding area, including Williamson and Hays counties, is in a separate WIB (Rural Capital).⁶⁴ These two WIBs share a regional labor market. There is no financial incentive for adopting a regional focus, because doing so would require

⁶³ McPherson, “A Labor Market Approach”, 4.

⁶⁴ Texas Workforce Commission, Workforce Investment Act Title I-B Program Year 2008 Annual Report, (Texas Workforce Solutions, 2008), 40.

sharing scarce resources. Without a regional focus, there is a lack of information about which skills are necessary for the labor market. “In many instances, cooperative planning among SDAs [service delivery areas, better known as WIBs] was not a top priority, even though local economies and labor markets function on a regional basis.”⁶⁵ This lack of cooperation can result in a mismatch between workers’ skills and jobs available.

The relevant area over which to evaluate local labor markets varies by location. In the study of the labor market responsiveness of California Community College Districts, county boundaries did not necessarily represent the limits of a relevant local labor market. In some instances, the county was too large (e.g. Los Angeles county), and in other cases, the local labor market extends beyond the county lines. The authors found that several individual community colleges (serving either one county or a portion of a county) had low scores for labor market responsiveness, but when considered as a part of their community college districts – which better represented the local labor market, the districts received high scores for responsiveness.⁶⁶ Additionally, the lack of regional focus is a much larger problem in urban, rather than rural areas. Rural areas recognize the benefit of working together and combining resources to deliver workforce development services.⁶⁷

⁶⁵ Giloth, *Workforce Intermediaries*, 14.

⁶⁶ Leigh and Gill, *Do Community Colleges Respond*, 187.

⁶⁷ McPherson, “A Labor Market Approach”, 4.

POLITICAL INTERFERENCE

Similar to the challenges of a decentralized system, political interference is also a major issue for sectoral programs. The success of sectoral programs is built on a long-term focus. This long-term focus can create tensions with the short-term realities of our electoral process. Political interference can be seen on the workforce investment boards, because the members are usually appointed by the governor or other elected official. Often, WIBs are not aligned with regional labor markets, rather to counties, which invite interference of local politics. Ray Marshall, former U.S. Secretary of Labor wrote about this challenge:

The political constraints on the workforce system all too frequently include the indifference or ignorance of local elected officials about their own role in promoting the workforce system...And while it is always hazardous to generalize about all WIBs in all parts of the country, it is a glaring weakness of the current system that elected officials often do not grasp the centrality of workforce development or even the importance of connecting it to economic development.⁶⁸

In Tulsa, the challenge of political influence (or lack thereof) was evident on the local WIB – Workforce Tulsa. There is an absence of a comprehensive workforce development system in Oklahoma, resulting in wide variations in services provided. According to Alicia Plati, the healthcare workforce intermediary that worked with Workforce Tulsa, the board was set up haphazardly, and did not understand the purpose or best way to approach workforce development. Efforts to set up an industry roundtable were initially well received, but received little employer buy-in, due to disorganization on the board. There was tension between the newly-hired director of the WIB and the board about what was allowed and disallowed under WIA legislation. Workforce Tulsa did not

⁶⁸ Marshall and Plotkin, “Creating a 21st Century,” in *Transforming*, 295-296.

allow any interpretation of the WIA Title II legislation, even though other WIBs in Oklahoma were able to secure funding for non-traditional programs. Furthermore, Alicia said that she quickly learned that “WIB funding was implicitly dependent on political connections.” Ultimately, the dysfunction within Workforce Tulsa pushed local agencies away from the board or led them to pursue funding outside the WIB.⁶⁹

EMPLOYER ENGAGEMENT

Based on discussions with both sectoral practitioners and workforce development experts, the role of employer engagement was cited as extremely important to the success of the program. Up-front employer engagement is uncommon in the workforce development system. The traditional approach to workforce development is supply-side focused, that is, they focus on participants (workers) not employers.⁷⁰ However, encouraging employers to become partners with sectoral agencies can prove to be very challenging, especially for new programs. Employer relationships are built on history and past successes; new programs do not have any results to rely upon.⁷¹

To get around this challenge, a common pitfall for sectoral programs is to develop a training program and curriculum to “sell” to a specified industry, before conducting employer analysis and outreach. This is especially common if the program is under a short-term constraint to show results, or if there is a disconnect between program administrators and staff about the goals of the program. However, this approach does not

⁶⁹ Plati, 2011.

⁷⁰ McPherson, 2011.

⁷¹ Ron Modesty, in discussion with the author, March 10, 2011.

yield the best results, because the employers do not have the opportunity to assist the program in curriculum development, or identification of the necessary skills for future employees.⁷² This puts the program at a further disadvantage because the employers do not see the “value added” of the training.

Included in the challenge of employer engagement, is the concern of employer bias. The traditional separation between employers and workforce development, and to some degree, vocational and academic education, can lead to an assumption that all workers who are in the workforce development system are unskilled or have barriers to employment. Employer experts agree that the biases still exist, but they differ on how to mitigate this challenge. Bob McPherson encourages programs to “do everything that they can to separate people being served from potential employers, until they are completely trained and ready to be employed.” In his opinion, it would be a disservice to the clients to perpetuate the bias by having them interact with the employer earlier rather than later. He cites the study by Gary Burtless that showed that incentive payments stigmatized the population from the employer perspective.^{73,74}

Jack Litzenberg of the Charles Stewart Mott Foundation takes a different approach, stating that a crucial way to mitigate this bias is to find a way for the employer

⁷² Christine Bailie, in discussion with the author, March 3, 2011.

⁷³ McPherson, 2011.

⁷⁴ Gary Burtless, “Are Targeted Wage Subsidies Harmful? Evidence from a Wage Voucher Experiment.” *Industrial and Labor Relations Review* 39, no. 1 (1985): 112-114. The study found that participants with employer incentive vouchers were less likely to obtain employment than participants without vouchers. The stigma of “economically and socially disadvantaged” may have prevented employers from hiring voucher recipients.

to value the trainer, and by association, the trainee or client. The client needs to be trained by individuals experienced and respected by the industry. Additionally, some prejudices are eliminated as the employer sees their survival (as a business) improved by that employee or client.⁷⁵

EDUCATIONAL AND EMPLOYMENT CHALLENGES

By serving clients that are unemployed or underemployed, sectoral programs may have participants with significant educational challenges and barriers to employment. These challenges can include deficiencies in math and reading skills, personal challenges such as a lack of ‘soft skills’, immigrant documentation status, criminal history, and family challenges, such as securing childcare, or excessive household debt. *CareerAdvance* faced challenges in all of these areas, particularly in the first cohort. After receiving the academic assessment scores for the first cohort, the program had to rework the academic curriculum to address recognized deficiencies in math and reading.⁷⁶ After subsequent cohorts struggled with the academic material, the program added an additional adult basic education class, designed to help participants pass the GED, and pass entrance exams into the community college.⁷⁷

Of the programs surveyed in the 2010 Sector Snapshot, 21% of program participants had less than a 12th grade education. Non-native English speakers made up another 22% of program participants.⁷⁸ Compounding these challenges is the gap

⁷⁵ Litzenberg, 2011.

⁷⁶ Micah Kordsmeier, in discussion with the author, February 2011.

⁷⁷ Eccleston and Glover, 2011.

⁷⁸ NNSP, “Sector Snapshot”, 19.

between academic and vocational education. When the academic system is involved, it is usually to provide GED or adult basic education classes, but these classes can expend valuable time and resources, often with weak results. As seen in *CareerAdvance*, there were challenges in linking the GED curriculum to the jobs that the students were preparing for. The curriculum was not contextualized to the skillset or tailored to the adult learner.

In addition to academic challenges, sectoral programs also experience challenges relating to participants' barriers to employment such as motivation or childcare arrangements. In *CareerAdvance*, several students successfully completed the program, but then expressed hesitancy to work full-time. This hesitancy was due to lack of motivation, fear of the unknown, or familial pressure to stay at home with their children (especially from their husbands or partners).⁷⁹ The *CareerAdvance* implementation report also cites scheduling challenges, especially related to childcare arrangements for the participants. The hours for classes and clinicals did not correspond to the hours at CAP early childhood centers. The program was forced to hire an additional childcare provider to meet the needs of the students.⁸⁰

FUNDING CHALLENGES

Nearly every program researched for this report identified “funding” as a major challenge. (*CareerAdvance* is a notable exception because they received a grant from the George Kaiser Family Foundation and the U.S. Department of Health and Human

⁷⁹ Eccleston and Glover, 2011.

⁸⁰ Glover, et al, “*CareerAdvance*”, 19.

Services for their program.) More mature programs are not immune to the funding challenges. Both Ron Modesty of Capital IDEA, and Mary Peña of Project QUEST said that the changes in the funding allocation process, due to fewer resources, have made it more difficult to secure public funding.⁸¹ This year, their funding process became a more direct competition against other local agencies. Surprisingly, Modesty said that securing funding is not any easier now than it was at the beginning of the program.⁸² The *2010 Sector Snapshot* showed a more mixed outlook on funding. Over the next two years, 42% of programs surveyed expected their funding to increase, but 33% expected their funding to decrease. Of those programs that expected their funding to increase, some of this increase was due to American Recovery and Reinvestment Act (ARRA) funding, which is temporary. ARRA funding was required to be obligated by September 30, 2010, and expended soon thereafter. As a result of the Final Fiscal Year 2011 continuing resolution, WIA funding was cut by \$182 million.⁸³ For 2012 and beyond, larger-scale cuts to workforce development funding are expected. In addition to federal cuts, and regardless of location, most programs expect funding to decrease at the state level.⁸⁴

Most programs receive a combination of public and private funding. Historically, sectoral programs start out solely with public funding, and then expand to private funding sources. Given the current budgetary constraints, many agencies are focusing on

⁸¹ Modesty, 2011; Peña, 2011.

⁸² Modesty, 2011.

⁸³ National Skills Coalition, “Most deep cuts averted in FY 2011 budget,” National Skills Coalition, April 12, 2011, <http://www.nationalskillscoalition.org/homepage-archive/workforce-fares-better-in-fy2011.html>.

⁸⁴ NNSP, “Sector Snapshot”, 27.

securing funding from private sources, including individual donors, foundations, and businesses. Most public funding comes with “strings attached”, and programs have to balance the needs of the program with spending constraints. For example, Capital IDEA secured funding from the Jobs and Education for Texans Grant Program (JET)⁸⁵ to expand into Williamson County, Texas. This funding restricted the career paths Capital IDEA could offer in Williamson County, as opposed to its other locations. Similarly, *CareerAdvance* received a grant from the U.S. Department of Health and Human Services, which prohibits cash incentive payments to program participants. *CareerAdvance* devised a way to provide incentive payments in the form of debit cards that could only be used for specified purchases.

⁸⁵ Jobs and Education for Texas Grant Program was enacted in 2009 by the Texas Legislature to expand sectoral programs for high-demand jobs in Texas. The \$25 million fund includes a \$10 million Job Building Fund, \$10 million Launchpad Fund, and \$5 Career and Technical Scholarship Fund. See <http://www.everychanceeverytexan.org/funds/background.php> for more details.

Chapter 5: Lessons Learned

In the process of interviewing workforce development experts and practitioners, several themes emerged as “Lessons Learned” for sectoral program implementation. First and foremost, programs must identify appropriate sectors to pursue. Once a sector has been selected, efforts should be made to engage employers and to understand the academic requirements for the training program prior to recruiting participants. Finally, effective program design will minimize bureaucracy by considering the entire system.

IDENTIFY APPROPRIATE SECTORS

In order for a sectoral program to be successful, the program must fill an identified labor market need. These positions must be both necessary to the employer and viable for the target population. Sectoral programs should research local and regional workforce trends, and maintain contact with the economic development community to identify emerging and growing sectors.⁸⁶ Ron Modesty of Capital IDEA stressed the importance of being flexible in the selection of careers, especially as the program matures. For example, Capital IDEA dropped bank tellers and semiconductor technicians from their program because of lower salaries and lack of demand. In their place, Capital IDEA has developed programs in utility services and renewable energy.⁸⁷ Project QUEST emphasized maintaining contact with employers, even as a sector begins to decline. The aerospace industry was a large employer in the San Antonio area, but when that sector began to contract, the connections Project QUEST had with the

⁸⁶ USDoeD, “The 21st-Century Community College” (Washington DC, 2004)

⁸⁷ Modesty, 2011.

employers enabled the program to provide transition services to employees that were laid off.

The initial sector selection will guide the rest of the program, including employer engagement, coordination with other stakeholders, and determining the academic requirements for program participants. However, all sectoral programs should maintain flexibility in identifying and recruiting additional sectors.

ENGAGE EMPLOYERS FROM THE OUTSET

Employer engagement is what separates sectoral programs from the rest of workforce development. “Success begins with careful selection of industries and firms facing shortages of skilled workers, collaborating with employers to clearly identify the skills needed, and finding ways to fulfill those needs.”⁸⁸ According to Jack Litzenberg, the importance and challenge of becoming well known and well respected in the industry that the program wants to pursue is the most important factor for success. The program needs to understand as much as the employer in that industry, and become proficient in that industry. This can be accomplished organically by growing grass-roots expertise and reaching out to employers, or by hiring an expert in that industry. Programs should concentrate on getting employers involved, and incorporate employer input into the design and implementation of program.⁸⁹ To engage employers, find a chronic or critical

⁸⁸ Robert W. Glover and Christopher T. King, “Sectoral Approaches to Workforce Development: Toward an Effective U.S. Labor-Market Policy,” in *Human Resource Economics and Public Policy*, ed. Charles J. Whalen, (Kalamazoo, MI: W.E. Upjohn Institute for Employment Research, 2010), 242.

⁸⁹ Litzenberg, 2011.

shortage in a given industry that will pull higher-quality employers to the program.⁹⁰ Efforts that start with the “if we build it they will come” mentality will not result in quality employer engagement or the desired results for employees.⁹¹ Many sustainable careers are in rapidly evolving areas of the economy. The program must be in tune with employers and not get ahead of them. Capital IDEA begins with employer engagement, then identifies necessary training, and only then selects participants.⁹²

In addition to focusing on labor market needs, sectoral programs have also had success appealing to community engagement aspect of employers. Community engagement is what keeps the employers involved, even when the demand for workers is not as high. Given the current economic situation and high unemployment, employers can find potential employees without the assistance of the sectoral program, but the community engagement connection helps participants rise above the other applicants. Selecting a new employee from a sectoral program removes some of the risk for the employer. The employer already knows what skills the sectoral participant has and the employee is not an unknown quantity.

IDENTIFY ACADEMIC SKILLS NECESSARY PRIOR TO RECRUITMENT

When developing a training program, sectoral program directors should intimately understand the academic requirements for the training program. These include required reading, math, and writing skills, computer skills, test-taking strategies, and other adult

⁹⁰ McPherson, 2011.

⁹¹ Bailie 2011; Modesty 2011.

⁹² Modesty, 2011.

basic education skills. If possible, the academic portion of the training should be tailored to the adult learner, rather than the traditional college student approach. The majority of workers recruited for sectoral programs do not have college-level skills. A student may technically possess a high school diploma or GED; however, their skills may be far below twelfth-grade level. To overcome this issue, Project QUEST and Capital IDEA helped the community colleges build intense remediation programs as an alternative to the standard developmental courses. More fast-paced, contextual programs are necessary, but can be time consuming and expensive to develop.⁹³ Sectoral programs should also consider setting minimum academic standards, such as reading at the 7th grade-level, or above. These academic standards can strengthen the participant pool, and prevent a program from inadvertently setting a participant up for failure.

In addition to academic skills, sectoral programs should also emphasize life skills and soft skills, such as conflict management, as these are crucial to long-term job retention. At the beginning of *CareerAdvance*, the program staff underestimated how much time they needed to fully address soft skills. As a result, the first cohort of students did not receive as much soft-skills instruction as would have been desired.⁹⁴

HAVE A SYSTEMS APPROACH THAT MINIMIZES BUREAUCRACY

In order to overcome the fragmented workforce development system, sectoral programs should seek to create a systems approach in conjunction with the stakeholders, to minimize unnecessary bureaucracy. Programs should make attempts to build

⁹³ Peña, 2011.

⁹⁴ Kordsmeier, 2011.

“connections among different levels of education and training providers ... and between them and employers, investors, and other key stakeholders”⁹⁵ so that everyone sees the benefit of coordination. Relationships with other agencies should be considered strategic alliances. These alliances offer the sectoral program access to expertise outside their field of focus and facilitate an exchange of knowledge between the agencies. In order for these alliances to be successful, both parties must be accountable.

Alicia Plati noted that a major lesson learned from her perspective (the WIB), is to attempt to get everyone to the same understanding of the purpose, mission, and values of the program, from the beginning. This would assist everyone in understanding the factors behind decisions.⁹⁶ *CareerAdvance* utilized coordination meetings with each stakeholder to establish and build these alliances. Members of the individual departments of partner agencies were invited to attend, along with upper management or administration officials.⁹⁷ These meetings helped everyone gain a common understanding of the program and clarified what function and purpose each stakeholder served. These meetings have several tenets of effective strategic alliances including exchanging knowledge on specific topics, and locating the function of the alliance at the appropriate level of the organization.⁹⁸

⁹⁵ Finegold and McCarty, “Creating a Sector Skill Strategy,” in *Transforming*, 201.

⁹⁶ Plati, 2011.

⁹⁷ Eccleston and Glover, 2011.

⁹⁸ Jeffrey H. Dyer, Prashant Kale, and Harbir Singh. “How to Make Strategic Alliances Work”. *Sloan Management Review*, Summer 2001, 37-43.

Extensive efforts should be made to minimize bureaucracy. Engaging employers “requires a streamlined process that minimizes paperwork and allows rapid and flexible local responses to changing labor market conditions.”⁹⁹ Having to repeat steps multiple times could turn off participants and stakeholders from participating in the program. Ron Modesty noted, “At the beginning, we were arrogant enough to believe we could do it all on our own. Now, we know there is no need to reinvent the wheel”. Capital IDEA partners with other local agencies and finds ways to work together so that everyone succeeds.¹⁰⁰

To minimize bureaucracy and agency infighting, programs should focus on the delivery system, which rises above the stakeholders, and adopt performance measures that support the system.¹⁰¹ To bring multiple stakeholders together, Project QUEST continually reminds stakeholders of the agency’s position as an intermediary. Project QUEST can talk to both sides of the market and bring groups together. Operating as an intermediary has helped the organization gain credibility and provide a platform for common discussion.¹⁰² Sectoral programs should encourage more conversations with staff members of partner agencies, rather than exclusively focusing on management and administration. Leaders should identify a chain of command at each partner agency, and document expectations in writing. Developing and documenting these relationships early

⁹⁹ Finegold and McCarty, “Creating a Sector Skill Strategy,” in *Transforming*, 201.

¹⁰⁰ Modesty, 2011.

¹⁰¹ McPherson, 2011.

¹⁰² Peña, 2011.

in the process could prevent challenges and misunderstandings later.¹⁰³ When disagreements inevitably arise, all parties will have a common document to refer to.

Together, the sectoral program and stakeholders should seek to create shared value. The concept of shared value involves “creating economic value in a way that also creates value for society by addressing its needs and challenges.”¹⁰⁴ Shared value expands the economic and social value of the services provided by the sectoral program. Rather than focusing on what each organization must “give up” in order for the program to be a success, stakeholders can focus on the value created by the program.

¹⁰³ Kordsmeier, 2011.

¹⁰⁴ Porter and Kramer, “Creating Shared Value,” 64.

Chapter 6: Proposed Changes

Currently, a sectoral bill has been introduced in the United States Senate and House of Representatives. The Strengthening Employment Clusters to Organize Regional Success (SECTORS) Act was introduced on March 29, 2011. The Act would “address disparity between high unemployment and shortage of workers with specialized skills sets for high-growth industries like biosciences, clean energy, and advanced manufacturing.”¹⁰⁵ This bill will provide grants to sectoral programs starting at \$250,000 and up to \$2.5 million, three-year implementation grants. This legislation is an excellent way to encourage the development of sectoral programs. Below are proposed changes to the current workforce development system that should also be addressed.

REFOCUS WORKFORCE DEVELOPMENT SYSTEM TO MEET EMPLOYER NEEDS

“Business-driven needs, that is, the skill sets demanded by long-term secular changes in the labor market, must be the touchstone for shaping workforce development programs and services.”¹⁰⁶ Rather than follow the “work-first” or “rapid-attack” model, workforce development needs to address the gap between available workers, and employer demand. It is a waste of time, energy, and scarce resources to simply train low-skill workers for more low-skill jobs. This type of basic training will only result in the same individuals returning to the workforce development system at a later date and perpetuate the bias that all workforce development recipients are unskilled and hard to

¹⁰⁵ “Sens Brown, Snowe Introduce Bill to Spur Clusters-Based Job Growth,” Sen. Sharrod Brown press release, March 29, 2011, http://brown.senate.gov/newsroom/press_releases/release/?id=9B208F27-AB7F-40EB-8CD4-0242E91453FE

¹⁰⁶ Marshall and Plotkin, “Creating a 21st Century,” in *Transforming*, 285-286.

employ. Workforce development organizations should work in conjunction with economic development agencies to identify growth sectors of the economy and collaborate with employers to develop appropriate training programs to meet those needs.

REORGANIZE WORKFORCE DEVELOPMENT AROUND REGIONAL LABOR MARKETS

A symbiotic relationship exists between sectoral development and job growth. Developing self-sustaining industry clusters can attract and create high-wage jobs and promote emerging industries. Workforce development should focus on the regional labor market, rather than the arbitrary boundaries of WIBs. “Productivity and innovation are strongly influenced by ‘clusters’ or geographic concentrations of firms, related businesses, supplies, service providers, and logistical infrastructure in a particular field.”¹⁰⁷ If possible, WIBs should be reorganized and consolidated, especially in urban areas, to better represent the labor market. With a regional approach, WIBs could identify more sectors for development, meet with a larger range of employers, and focus more resources on training workers. WIBs could be crucial to creating value within the workforce development system, rather than simply providing a perfunctory role. “[B]y upgrading workers’ skills, economic developers can upgrade the quality of industries and jobs available. This is so because industry tends to adapt to the qualifications of workforces. Communities like Austin, Texas, for example, have used this strategy to promote high-value-added economic development, both by attracting outside companies like IBM, 3M, and Texas Instruments and by facilitating the development of indigenous companies like Dell.”¹⁰⁸

¹⁰⁷ Porter and Kramer, “Creating Shared Value,” 72.

¹⁰⁸ Marshall and Plotkin, “Creating a 21st Century,” in *Transforming*, 291.

LONG-TERM GOVERNMENT FOCUS

The current system is very successful at short-term training. However, as Mary Peña of Project QUEST said, “We know [the worker] can get a job. It is not the job we want them to have.”¹⁰⁹ Chronically unemployed workers need long-term training to improve their skills. There is currently a mismatch between the length of successful training programs and the length of typical workforce funding cycles. Sectoral programs are often multiple years in length, usually 3 years, while funding cycles are in one- or two-year increments. Therefore, it is very difficult to fund sectoral programs because the performance and results are only apparent in the longer term. As evident with Capital IDEA, participants began to show significant gains over the comparison group at approximately 3 years after entry into training. Sectoral programs need time to help workers reach acceptable education and skill levels. They also need some flexibility in performance measures and multi-year funding programs.¹¹⁰ Ron Modesty acknowledged that if WIA could permit a more long-term focus, then sectoral programs and One-Stop centers could “do amazing things together.”¹¹¹

On a larger scale, “the U.S. has failed to develop well-recognized sector skill standards and a strong sectoral dimension to public workforce training initiatives found in other nations.”¹¹² For example, Singapore is a “leading global example of sustained

¹⁰⁹ Peña, 2011.

¹¹⁰ Peña, 2011.

¹¹¹ Modesty, 2011.

¹¹² Finegold and McCarty, “Creating a Sector Skill Strategy,” in *Transforming*, 191.

government effort to develop” its workforce.¹¹³ Singapore used “generous investment incentives and other policies to attract multinational corporations to locate manufacturing, distribution, and regional headquarters in Singapore. It then used a reimbursable training levy to encourage firms to provide ongoing training to help the workforce move into increasingly high-value-added jobs.”¹¹⁴ These policies are both pro-business and pro-worker. This approach encourages companies to invest in Singapore, and invest in their workers. Singapore’s workforce development policies were not based on the electoral cycle, but focused on the steps needed to build long-term competitive advantage. The U.S. should shift its funding cycle for workforce development to support long-term programs. In addition, since labor markets are more regional, rather than national, states should begin a strategic planning process to identify what sectors they should attract in the years ahead, and what skills the workers will need for those jobs.

FOCUS ON LIFELONG LEARNING AND THE NEEDS OF NON-TRADITIONAL STUDENTS

Workforce development policy also needs to facilitate lifelong learning. “We must abandon the view that education ends with high school or college. One way to facilitate this change is to help political leaders and the public understand that learning is lifelong.”¹¹⁵ Unfortunately, many individuals find themselves needing workforce development services because they have not continued to update their skills. In addition to outside training and education, lifelong learning also includes education in the

¹¹³ Finegold and McCarty, “Creating a Sector Skill Strategy,” in *Transforming*, 187

¹¹⁴ *Ibid*, 187

¹¹⁵ Marshall and Plotkin, “Creating a 21st Century,” in *Transforming*, 289.

workplace. Many professional careers require individuals to upgrade their skills through continuing education and licensing requirements. Increasing the skills of their employees makes the employer more competitive in the global marketplace.

Many individuals that utilize workforce development and sectoral programs are working learners. Working learners are typically adult students returning to the education system (academic and/or vocational) while continuing to work. In many cases, they have no option to do otherwise. The workforce development system needs to address the needs of these workers who are juggling multiple commitments. The rapid growth of for-profit colleges “can be attributed to the adoption of a new model that is specifically geared towards working learners...The model is student-centric, linking course delivery and pedagogy specifically to the needs of students, and also labor market-centric, based on developing close ties with employers for the purposes of curriculum development and career placement.”¹¹⁶ Although their business and educational models have significant drawbacks (including cost and quality of education), for-profit colleges are focused on working learners. Workforce development should learn from the for-profit college business model and focus on meeting the needs of the students and local labor market.

CREATE TOOLS TO HELP SECTORAL PROGRAMS BECOME HIGH-PERFORMING ORGANIZATIONS

Sectoral programs have the potential to become high-performing organizations. In the 2010 Sector Snapshot survey; programs were asked “What is the most useful role

¹¹⁶ Schurman and Soares, “Connecting the Dots” in *Transforming*, 134.

states can play in supporting sector initiatives?” Sixty-seven percent of programs responded that capacity building would be either very helpful or somewhat helpful.¹¹⁷ Capacity building includes assisting sectoral programs in expanding their services, coordinating with other agencies, and improving the quality of services provided. Sectoral programs want assistance becoming stronger, high-performing organizations. A substantial amount of research has been done about fostering high-performance organizations in public and private organizations. High performance organizations have the following attributes:¹¹⁸

- Quality-driven
- Highly flexible
- Decentralized decision making
- Effective use of resources
- Positive rewards structure
- Independent source of employee voice

One way to encourage the development of high-performance organizations is to establish benchmarks, or performance measures, that are based on outcomes, instead of inputs. Performance measures should effectively capture the goals of sectoral programs, rather than traditional workforce development. Additionally, states (and federal agencies) should facilitate networking between sectoral programs to encourage the exchange of ideas, and build upon past successes.

¹¹⁷ NNSP, “Sector Snapshot”, 29.

¹¹⁸ Donald W. Long, “State Policies for the Diffusion of High Performance Work Organizations” (master’s professional report, The University of Texas at Austin, 1996), 26-27.

Chapter 7: Conclusions

The current U.S. workforce development system is facing many challenges. The system does a poor job of meeting the needs of the individuals and employers it is intended to serve. The deficiencies in the current system stem from a lack of coherence and multiple siloed organizations. Each training or service provider operates in a vacuum, with very little connection to other organizations or understanding of how the system should operate. The system is largely focused on short-term gains, instead of long-term successes. As a result, the limited training offered has little tangible value in the workplace. The credentials obtained are not well-recognized by employers because they were not offered an opportunity to provide input into the system. These challenges lead to a system that does not offer sufficient value to either employers or workers

Sectoral programs present an opportunity to revisit workforce development and create a more sustainable system that benefits all stakeholders. Sectoral programs provide workers with the skills they need to be successful, and employers with a well-trained workforce that can meet the needs of a changing business environment. However, these programs can encounter significant challenges, including lack of regional labor market focus, engaging employers who may have been unimpressed by previous experiences with workforce development, political pressures, and funding challenges. Sectoral programs also serve a population with significant barriers to employment, which can present a challenge in preparing them for jobs that require post-secondary education.

As the U.S. moves to a more knowledge-based economy, the workforce development system needs to shift its focus more explicitly to sectoral development. Since labor markets do not end at the county line or city limits, WIBs should be

reorganized to better represent local labor markets. The system should be more employer-driven, and focused on long-term results. One excellent way to promote long-term gains in employment, skills, and educational attainment would be to connect workforce funding to long-term projects. Without consistent funding, sectoral programs cannot deliver the quality training programs and services required to improve skill levels of workers. Finally, state and federal agencies should identify high-performing programs and the characteristics therein. High performing programs could be replicated in all areas of the country. Incentive structures should reward programs that move towards high-performance, rather than settling for the status quo. Sectoral programs hold tremendous promise to align the workforce development policy with U.S. economic interests.

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