Investing in Workforce Intermediaries

A Project of the Annie E. Casey, and Ford Foundations

Building New Labor Market Institutions:

State Policies that Support Workforce Intermediaries

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States and communities are turning to new labor market institutions known as workforce intermediaries in response to a dual challenge: the need to aid low-skilled workers seeking advancement opportunities and the need to aid employers seeking employees who can help them compete in today's economy.

There are two primary reasons why states are investing in workforce intermediaries as part of their overall human capital and economic development strategies:

- *Rapid economic changes challenge the ability of states to be competitive:* Linking postsecondary education and sophisticated skills training with lower-skilled skilled workers and their employers is both critical and immensely challenging. Workforce intermediaries excel in playing this role.
- *Federal workforce and economic development funding has fallen substantially over the past two decades.* In a time of limited resources and significant operational challenges, workforce intermediaries can efficiently broker and deliver education and training services, package financing resources to serve both employers and workers, and rapidly adapt to changing labor market conditions.

However, workforce intermediaries have grown largely on the local level and independently of major national programs or funding streams, responding to the absence in local labor markets of institutions that can adequately serve low-skilled workers and their employers. The time is right for deeper consideration of why states support workforce intermediaries, how they provide that support through policy and programs, and how other states might begin to move in similar directions.

How States Support Workforce Intermediaries

States use three types of approaches to support workforce intermediaries:

- Direct support;
- Indirect support through program funding; and
- Support through strategic planning.

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Direct Support

A small number of states recognize the benefits that workforce intermediaries bring to the labor market and explicitly support them through state policy. These states combine public and philanthropic resources to directly fund the creation, growth, and capacity expansion of workforce intermediaries. In addition, they fund intermediaries to serve as local or regional strategic planning bodies for specific industries. Direct support acknowledges that core operating support for intermediary functions is critical to effective workforce development efforts. It also acknowledges that these functions are complex to design and challenging to implement, that current capacity is uneven, and that the public and foundations have an important role to play in strengthening the capacity of workforce intermediaries.

Pennsylvania's Incumbent Worker Training Fund, along with related funding, creates and supports the activities of regionally based Industry Partnerships, consortia of employers and unions that function as workforce intermediaries. That is, they: aggregate training needs; assist educational institutions in aligning their curricula to industry needs; work together to identify and address common organizational or human resource challenges; and develop cross-company career ladders. Fund-supported partnerships now operate in 10 industries: manufacturing; food processing; factory-built housing; metals and metal fabricating; plastics; chemicals, rubber and plastics; industrial maintenance; biotechnology; and health care.

Ohio's Career Pathways Project is funding the creation of six workforce intermediary-led partnerships, each based in a community college. Each is mapping out career development pathways for Ohio's unemployed and low-income workforce. The career pathways models are designed to help low-wage workers earn postsecondary credentials and enter higher-skilled occupations that pay higher wages. Each partnership is led by a community or technical college and includes representatives from regional workforce development systems, adult basic education programs, career technical schools, employers, social service providers, and government agencies.

The Bay Area Workforce Funding Collaborative, launched in 2004, is a public/private partnership of the California Employment Development Department and more than a dozen foundations. The BAWFC seeks to strengthen the workforce development infrastructure supporting the San Francisco Bay Area economy.

The partners maximize the effectiveness of their resources through their support of innovative workforce intermediaries. Through the BAWFC, foundation grants leverage state resources, employer commitments, and educational dollars, all of which are invested in training partnerships involving employers, unions, educational institutions, community agencies, and local workforce investment boards. These partnerships provide skill training and support services for disadvantaged and low-income people.

Indirect Support

Several states provide targeted financing for education and training efforts in key industries or occupations through existing or new partnerships that function as workforce intermediaries. However, most of these resources support education and training services, rather than the intermediary infrastructure itself.

BayStateWorks supports partnerships that can improve workers' skills, provide advancement opportunities, and help employers meet human resource needs and improve productivity. Pooled funding supports "Regional Industry Teams," local partnerships that are usually led by local Workforce Investment Boards. Regional Industry Team projects emphasize the development of basic and foundational skills, expand access to education and training, promote long-term employment or career mobility, and provide evidence of sustained improvement or change for workers and employers.

The Massachusetts Extended Care Career Ladder Initiative, launched in 2000, is a publicly funded test of the proposition that the quality of long-term care will improve along with improvements in the quality of jobs and the creation of advancement opportunities for frontline caregivers. ECCLI funds partnerships of health care providers and workforce development organizations, including community-based groups, unions, public workforce development agencies, and community colleges. These partnerships act as workforce intermediaries, piloting new approaches to improving the quality of care received by patients and enhancing advancement opportunities for frontline workers.

Iowa's General Obligation Bond Program supports community colleges as intermediaries. In 1983, Iowa enacted legislation that permitted its community colleges to issue general obligation bonds to raise funds for training workers in targeted industries, thereby creating a framework and funding mechanism to support community colleges in their role as workforce intermediaries. The legislation created the New Jobs Training Program, the nation's first customized job-training program to be funded through bond sales rather than state appropriations. Iowa's community colleges serve as workforce intermediaries by funding, and sometimes providing, training services to employers.

Strategic Regional Planning Initiatives

Several states provide economic regions or key economic sectors with strategic planning resources to identify human capital needs, undertake research on the regional economy and labor market, and design innovative workforce development solutions. In some cases, these investments lead to the creation and operation of regionally or sectorally focused workforce intermediaries.

Washington State's Skills Panels, at the heart of Washington strategy to remain competitive, form a growing network of multi-stakeholder regional coordinating boards designed to act as industry-based workforce intermediaries. Since the first Skill Panel was established in 2001, they have come to represent exemplary practice in state support for workforce intermediaries. The Skill Panels are noteworthy for their capacity to organize multiple stakeholders, their ability to provide labor market services beyond traditional job-matching, and their dual-customer approach, focusing on both meeting the employment needs of industry and developing the skills of workers through training.

Michigan Regional Skills Alliances are locally managed partnerships, led by a convener with industry and workforce expertise. Each MiRSA addresses workforce issues (e.g., worker shortages, skill shortages, and training mismatches) affecting firms operating in a single industry, in a distinct geographic area. MiRSAs act as workforce intermediaries in much the same way as do Washington's Industry Skill Panels, and they frequently coordinate their activities with local Michigan Works! agencies. Proposals for a three-year MiRSA grant must demonstrate, through a work plan and budget, that the relevant partners are included and committed to participation. Proposals must explain the roles that the selected partners will play in resolving the problems identified.

Recommendations for Policymakers

The impressive outcomes from a growing number of workforce intermediaries across the country suggest that these are significant organizations for meeting the needs of low-skilled workers, businesses, and regional economies. For most workforce intermediaries, however, the need to piece together multiple funding streams from direct service contracts and small foundation grants is a major impediment to their efficient growth, scale, and sustainability. States that wish to improve their economic competitiveness by improving the education and skills of their lower-skilled citizens should seriously consider policies that will promote workforce intermediaries.

Support—for direct operational, service delivery, and capacity-building functions—would acknowledge the important role of workforce intermediaries in labor markets, and it would provide an efficient and sufficient source of funding for these functions. However, it is often difficult to convince legislators, usually operating in a "zero sum" budgeting environment, to support organizational capacity. Moreover, as difficult as it is to measure and demonstrate the return on public investments in direct services, the ROI challenge is far greater for investments in organizational capacity.

With this in mind, JFF recommends several principles that can guide state policymakers.

- Designate a source of flexible state funding for creating and supporting workforce intermediaries.
- Judge workforce intermediaries on performance and tie funds directly to that.
- Provide intermediaries with organizational resources for programs that target specific industries and sectors.
- Support strong public system intermediaries and build their capacity, but don't create monopolies.
- Help to build the capacity of intermediaries.
- Allow time and resources to plan new intermediaries and for them to build partnerships.