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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Executive Summary

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.

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.

Building New Labor Market Institutions: State Policies that Support Workforce Intermediaries

Workforce Intermediaries: Responding to a Changing Economy

Increasingly over the past two decades, communities have turned to new labor market institutions known as workforce intermediaries in response to a dual mission: to aid low-skilled workers seeking advancement opportunities and to aid employers seeking employees who can help them compete in today's economy. In 2004, Robert P. Giloth, director of the Annie E. Casey Foundation's Family Economic Success unit, presented strong evidence that workforce intermediaries are growing in number and effectiveness (Giloth 2004). At that time, field research conducted by the National Network of Sector Partners and Jobs for the Future identified more than 200 of these new labor market institutions operating across the United States.

Workforce intermediaries have continued to grow and mature since the Giloth study, not only in number but in their scale, ambition, and outcomes. Most important, philanthropy and government have joined together in several cities and regional labor markets to support the creation and expansion of intermediaries. SkillWorks, a Boston-based initiative, has secured $15 million in private and public funding over five years to support intermediaries in key industries. Similar initiatives are operating in San Francisco, Baltimore, and New York City, as well as statewide in Pennsylvania, forming the core of a national project, sponsored by the Annie E. Casey and Ford foundations, to encourage regional investments in workforce intermediaries.

Pennsylvania, like several other states, supports workforce intermediaries as a key part of its regional workforce and economic development strategies, and leaders in many states are exploring how they might craft policies and programs that can build the capacity of workforce intermediaries. In a handbook detailing a wide range of innovative state policies, Jobs for the Future briefly explored early state efforts in this area, and since that time several additional states have begun to invest in workforce intermediaries (Biswas, Mills, and Prince 2005). 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.

Workforce Intermediaries: The State of the Field

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. As economist Paul Osterman (2005) has noted, the historical standard has often been to train people and hope for the best. Our nation's public workforce development systems have not kept pace with changes in the economy and labor markets. In addition, workforce development, long associated with welfare, also has too often ignored the labor needs of employers, and such efforts have been woefully under-funded, particularly in contrast with what our international competitors invest. In 2000, the United States ranked 21st among OECD countries in government expenditures on job training, investing 0.04 percent of GDP in training, vs. 0.84 percent in Denmark and 0.34 percent in Germany (O'Leary et al. 2004).

A number of community colleges, the default workforce development providers in many communities, provide high-quality education and training for lower-skilled workers, but these programs, too, tend to be under-resourced. Moreover, they must serve multiple missions, not just improving the labor market, and many community colleges have yet to adapt their teaching norms to meet the needs of low-skilled working adults.

Nor can employers boast of a stellar record in providing skills training, particularly for lower-skilled and lower-paid workers. Employer-based and employer-financed training far exceeds public funding for workforce development, but these private resources go disproportionately to higher-skilled, higher-paid workers. Employers rarely have the knowledge, time, or patience required to knit together the various educational, training, and support services they would need to train and promote their lowest-skilled employees. And most employer efforts to upgrade the skills of entry-level workers are poorly connected to the credential-granting institutions that hold the key to better jobs and a workforce appropriate to today's economy.

Lower-skilled, lower-paid workers seeking assistance, whether from the public system or their employers, too often find themselves lost in a confusing maze of resources and services that are hard to find, harder to piece together, and working at cross purposes. For example, a Certified Nursing Assistant in a nursing home who wishes to advance into a nursing career typically faces myriad challenges: basic skills that are insufficient to enroll in college-level courses; college classes offered at inconvenient times and places; and employer tuition-reimbursement programs that require up-front payments. Meanwhile, nursing homes struggle with high CNA turnover and scramble to fill vacant nursing positions through expensive private agencies.

Making sense out of this confusion is the mission of the workforce intermediary. Workforce intermediaries are labor market organizers, in many ways doing for low-skilled workers and their employers what community development corporations have been doing for housing and commercial development in poor communities for 50 years. They plan, convene, broker, and organize the various critical components of labor market services. They create opportunities for workers—including low-skilled workers—to advance their education and skills and succeed in family-supporting jobs and careers. And they help employers find, retain, and advance the skilled employees they need to compete.

Workforce intermediaries operate in a range of organizational settings, including community-based organizations, labor-management partnerships, public workforce boards, and community colleges. Regardless of the setting, though, they undertake some or all of five functions:

- Providing or brokering labor market services that include—and go beyond—job matching to encompass a range of advancement services, such as occupational training and career coaching;
- Organizing funding streams so that services for individuals and employers span a continuous "pipeline";
- Aggregating employer demand so that employers in a particular sector, industry, or occupational cluster can collectively define and secure the services they need to secure, retain, and advance a highly skilled workforce;
- Performing ongoing research on labor markets and employer needs in order to inform service delivery; and
- Advocating for public policies that support worker advancement, such as funding priorities based on demonstrated outcomes, improvements in higher education's workforce development services, and the blending of important funding streams and service silos.

Several workforce intermediaries are evolving into mature organizations with substantial outcomes. The *Wisconsin Regional Training Partnership*, a labor-management partnership, provides placement, education and training, and other advancement services to Milwaukee-area workers and employers in manufacturing, construction, and health care. WRTP has placed more than 2,500 residents into family-sustaining jobs, and its Center of Excellence has placed over 350 residents into skilled positions in the construction trades. *The District 1199c Training and Upgrading Fund*, perhaps the nation's largest workforce intermediary, is a union-run organization that provides education and training to nearly 5,000 health care workers in Philadelphia each year, financed by a contractual employer contribution. *Capital Idea,* founded by faith-based community organizers in Austin, Texas, partners with Austin Community College and health care and semiconductor employers to help individuals gain post-secondary credentials and secure high-paying jobs. It has provided educational, training, and support services to about 400 Austin residents each year, for the last four years. *SkillWorks*, a consortium of nine Boston-area and national private and public funders, supports six workforce intermediaries in four key industries and has provided job placement and advancement services to more than 1,500 Boston-area residents in the first two years of its operation.

Why States Invest in Workforce Intermediaries

As states have recognized the critical role of workforce intermediaries for strengthening regional economies, they have promoted them as part of the overall expansion of innovative service delivery systems and funding streams to support education and training for their lowest-skilled residents (Biswas, Mills, and Prince 2005).Workforce intermediaries now manage many state investments in education and training, including the direct funding that more than 20 states now provide for low-skilled worker education and training, drawing on such sources as unemployment insurance diversion, bond issues, and legislative appropriations. Similarly, intermediaries now operate several major state initiatives that target key industry sectors for strategic education and training investments, and intermediaries are central players in states that provide support for community colleges to target low-skilled workers and key industries.

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.
- Federal workforce and economic development funding has fallen substantially over the past two decades.

Rapid economic changes challenge the ability of states to be competitive.

States continue to shed the family-supporting, blue-collar jobs that were open to individuals without a postsecondary education. About one in five manufacturing jobs disappeared between 1998 and 2004. Moreover, in the current economic recovery, job growth is seriously bifurcated, with the greatest growth taking place among low-skilled, low-paying service jobs and high-paying jobs requiring postsecondary education, with few opportunities to cross the barriers between these two poles.

Yet in most states, postsecondary education and technical skills training, particularly for those residents with the lowest education and skill levels, lags far behind the demands of job growth.[1] Forty-six percent of adults over the age of 25 have less than a high school diploma or GED.[2] According to the U.S. Chamber of Commerce, only one in five American workers has the skills to meet the requirements of 21st century jobs, and three out of four workers require retraining just to keep their current positions (Donahue 2004). Former Federal Reserve Board Chairman Alan Greenspan echoed these comments when he noted that the earnings gap between highly educated workers and those with less education and fewer skills is a result of "our skill mix not keeping up with the technology that our capital stock requires" (Weisman and Henderson 2004).

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.

Between 1985 and 2005, the federal government decreased its inflation-adjusted investments in worker training by 30 percent. As federal funding for education and training has declined and simultaneously devolved to the state level, states have sought more efficient and effective ways of delivering these services to their residents and employers.

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.

How States Support Workforce Intermediaries

JFF has identified three types of approaches, some more explicit and others that are indirect, that states are using to support workforce intermediaries:

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

Direct support: In this approach, states acknowledge in public policy the benefits that workforce intermediaries bring to the structure and function of the labor market. These states not only fund existing organizations to sustain and expand their intermediary services, they also designate resources to encourage the creation, growth, and expansion of workforce intermediaries and their capacity. In addition, states fund intermediaries to serve as local or regional strategic planning bodies for specific industries.

For the state policymaker, the advantage to this approach is that it acknowledges the important functions that workforce intermediaries play in labor markets and provides an efficient and sufficient source of support for these functions, rather than forcing intermediaries to squeeze operational dollars out of multiple, direct-service contracts. The challenges to this approach are several-fold. First and foremost, it is often difficult to convince policymakers and legislators to fund basic organizational capacity rather than the provision of direct services. And, it is far more difficult to directly measure and track the return on public investment in organizational capacity than in direct services.

Indirect support through program funding: 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.

For the state policymaker, the advantage of this approach is that operational funding for the intermediary is generally a limited percentage of direct service funding, and thus is easier to gain support for it. The disadvantage is that this approach often forces workforce intermediaries to piece together operational support from many direct service contracts, requiring substantial staff time for administration and fundraising. Further, operational support that is directly tied to direct service contracts rarely covers many of the value-added activities of workforce intermediaries, such as in-depth labor market and employer research, partnership building, and creating new service delivery approaches.

Support through strategic planning: 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.

For the state policymaker, the primary advantage of this approach is that workforce intermediaries that grow out of regional planning efforts will have the time and resources necessary to build key partnerships that are so critical to intermediary support. And they will start delivering services in the context of larger regional economic plans and consensus among key stakeholders. One disadvantage of a regional planning approach is that these efforts sometimes get bogged down in process activities, politics, and regional rivalries, thus precluding meaningful action, including the creation of workforce intermediaries.

Direct Support for Workforce Intermediaries

A small number of states recognizes 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. Direct support 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

Pennsylvania's Incumbent Worker Training Fund, and 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.

Responding to an Economic Need

Manufacturing plays a vital role in Pennsylvania, accounting for 12 percent of employment and more than 20 percent of wages paid. The sector contributes more than $68 million annually to the Gross State Product (Commonwealth of Pennsylvania 2005).

However, between 1969 and 1989, Pennsylvania lost 542,000 manufacturing jobs, more than twice the number lost in the United States as a whole. The state has continued to lose manufacturing jobs faster than the national average, with more than 170,000 lost between 2000 and 2004. Job loss and wage stagnation affect virtually every major manufacturing region in the state (Commonwealth of Pennsylvania 2005). Pennsylvania manufacturers need to improve productivity, innovate faster, and expand market share if they are to reverse the setbacks. The Keystone Research Center analyzed the state economy and concluded that Pennsylvania's only options were continued decline or significant, immediate investment in the workforce (Benner, Herzenberg, and Prince 2003).

In 2004, his first year in office, Pennsylvania Governor Edward Rendell took a variety of workforce-related steps to improve the state's economy, using the Keystone report as a blueprint for reshaping the state's investment in workforce development. First, he appointed as the new state WIB director a person experienced in raising and investing capital in social ventures, and he appointed an assistant secretary to the Department of Labor and Industry experienced in leading campaigns. Each promised to carry out systemic reforms while using more entrepreneurial approaches. Gov. Rendell underscored his commitment to improving the workforce by allocating about $20 million.

Governance and Funding

Pennsylvania has developed a "Manufacturing Strategy" to help manufacturers identify new business models and use innovation and value-added production to improve international competitiveness. Central to the Manufacturing Strategy is the creation of Industry Partnerships. These workforce intermediaries aggregate demand for training and focus it on developing the skills and education required by employers. The state support for Industry Partnerships is expected to lead to innovations in training and service delivery that help manufacturers increase productivity and expand market share and employment, leading in turn to higher wages (Commonwealth of Pennsylvania 2005).

Pennsylvania finances workforce intermediaries primarily through a $20 million state appropriation to support its Industry Partnerships. Over $5 million supports the creation of Industry Partnerships, and the balance funds incumbent worker training in the partnerships. The state appropriation is supplemented by $30 million from the Pennsylvania Higher Education Foundation to support an Industry Partnership in health care, for the purpose of training new nurses. In addition, efforts are underway to recruit local foundations to increase their support for the Industry Partnerships.

Pennsylvania's level of support for intermediaries is rare, and its approach underscores the importance both of leadership and of basing decisions on sound research when advocating for investing state funds in skills training. The initial $20 million investment came in a budget that cut many social services, but Gov. Rendell made his case based on anticipated returns in the form of increased employment and tax revenue. He emphasized that investment in the Industry Partnerships was necessary and could not be done cheaply.

In 2005, the Department of Labor and Industry issued guidelines for proposals to the Incumbent Worker Training Fund, and these are groundbreaking in a number of ways. First, they acknowledge the critical link between productivity and skill development, citing workforce skills as "a key component of an innovation-focused strategy," the implementation of which "depends on workers who can translate . . . ideas into practice" (Commonwealth of Pennsylvania 2005).

Second, the proposals stipulate that funds only go to partnerships of employers from an industry cluster and including, where possible, representatives from organized labor. Proposals must also demonstrate an understanding of career advancement pathways, both within and between firms in the targeted industry.

Third, various types of organizations are eligible to lead Industry Partnerships, including regional workforce investment boards, labor-management partnerships, nonprofit organizations, industrial development authorities and corporations, Industrial Resource Centers, and Ben Franklin Technology Partners.[3] Intermediary capacity varies from region to region, as well as among types of intermediaries within regions. The range of organizations reflects a certain ambivalence on the part of the state with regard to the type of intermediary that leads the Industry Partnership and communicates to applicants that it is primarily concerned with the quality of leadership.

Perhaps the most innovative guideline makes grant recipients accountable for improving a worker's ability to advance. Applicants for funding must address how Industry Partnerships will align training and education with potential career ladders and advancement opportunities. Preference goes to proposals to provide training leading to portable, industry-recognized credentials, as well as to proposals offering education and training that provide credits or credentials linked to higher education institutions and those demonstrating beneficial effects on wages and career advancement opportunities.

In addition to the $20 million in funding for Industry Partnerships, the Department of Labor and Industry has sponsored capacity-building "sector academies." The academies provide the emerging intermediaries with instruction on how best to meet industry needs.

In 2006, the department received a three-year, $15 million grant from the U.S. Department of Labor's WIRED initiative. These funds will be devoted to aligning economic development and workforce development in the northeast part of the state, where the initiative will be implemented by Ben Franklin Partnerships and other intermediaries in nine counties.

Results

To date, the Department of Labor and Industry has funded the creation or expansion of 78 Industry Partnerships, primarily in manufacturing and health care. In addition, the department and its partners have leveraged the state's support for intermediaries to bring in a number of regional foundations, as well as the U.S. Department of Labor, to support their efforts.

Career Pathways Project: Ohio and the KnowledgeWorks Foundation

Ohio's Career Pathways Project is funding the creation of six workforce intermediary-led partnerships. 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.

Responding to an Economic Need

Nearly 25 percent of Ohio's working families do not earn enough to meet their basic needs. Ohio's ranking of 40th among states in the number of citizens with Associate's degrees mirrors its ranking in the amount of aid provided to low-income students.[4] Compounding this problem is a disconnect among the state's community colleges, technical schools, and community-based organizations, which has stymied any potential for a system-wide approach to postsecondary workforce education. Because of this disconnect, low-income adults receive little information as to how they could navigate the public system to earn postsecondary degrees or certificates.

Ohio policymakers, including staff at KnowledgeWorks Foundation and Ohio's Department of Jobs and Family Services, Department of Education, and Board of Regents, considered this situation unsustainable, with regard to both the livelihood of families and the health of the state economy. They recognized that system-wide improvements in workforce development services for individuals would ultimately benefit the entire state.

Governance and Funding

The Career Pathways Project began as part of the Ford Foundation's Bridges to Opportunity Initiative, which is designed to strengthen state policy and practice to help employers, community colleges, and adult career centers better serve the educational needs of adults who earn low wages.[5] Through a stakeholder group created to support the initiative, valuable coalitions formed that were instrumental in creating career pathways to address systemic issues that have inhibited the advancement of Ohio's low-wage workforce, such as repairing the disconnect between the key public sector actors in the state's workforce development system.

In 2005, the KnowledgeWorks Foundation built upon its experience with the Ford Foundation in the Bridges Initiative. It funded three new partnerships—two led by community colleges and one led by a technical college—to create the Career Pathways Initiative.

Later in 2005, KnowledgeWorks learned of the availability of WIA discretionary funds and ultimately received a commitment of $300,000 a year for three years from the Governor's Workforce Policy Board to support another three Career Pathways partnerships, including two managed by local workforce development agencies and one managed by a four-year institution. Each intermediary receives $75,000 for personnel and operational costs and $25,000 to pay for technical assistance and capacity building. The technical assistance, also provided by KnowledgeWorks, includes two core-team trainings per year, site-coordinator training, and coaching for the coordinators and team members. KnowledgeWorks has worked with the Governor's Workforce Policy Board to develop reporting protocols for the three additional sites.

Results

Four postsecondary institutions and two local workforce agencies have established Career Pathways projects. While it is too early to identify quantifiable outcomes, the project sponsors anticipate that the Career Pathways intermediaries will greatly improve the potential for career advancement and postsecondary degree attainment of low-income workers.

Bay Area Workforce Funding Collaborative and Employment and Training Panel

Launched in 2004, California's Bay Area Workforce Funding Collaborative is a public/private partnership of the California Employment Development Department and more than a dozen foundations.[6] The BAWFC, which is part of the national Investing in Workforce Intermediaries Project, 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.

In addition to funding training and support services, the collaborative:

- Aligns and increases private and public resources for education and skill training;
- Meets employers' skill needs by providing sound and current labor market information;
- Targets economic sectors and occupations characterized by growth, ease of entry, mobility, and family-sustaining wages; and
- Provides peer learning opportunities to inform programs, interventions, and ongoing corrections in program designs and operations.

Responding to an Economic Need

California ranks near the bottom in state comparisons of the ratios of home health aides (46th) and nursing aides per capita (47th), as well as in the ratios of nurse anesthetists and Registered Nurses to patients. These shortages led the BAWFC to focus for the present on the health care and life sciences sectors. Through grantmaking to help bridge the gap between employer needs and workforce capabilities, the BAWFC promotes advancement opportunities for low-skilled workers, while fostering further economic growth in these two key industry sectors.

Governance and Funding

The San Francisco Foundation manages the day-to-day operations of the BAWFC collaborative and advances its work. The foundation pays the salaries of a BAWFC coordinator and a half-time program assistant.

A steering committee provides overall leadership and oversight for the collaborative and is responsible for establishing goals and strategies. The BAWFC Funding Panel, made up of representatives from contributing funders, selects projects for investment. To inform the direction and content of its work, the BAWFC also relies on an advisory group, comprised of representatives from foundations, the health care and biotech industries, the academic research community, and workforce organizations.

The BAWFC has invested over $4 million in workforce programs to train and advance low-income and low-skilled workers in the target industries. Foundation contributions for the first round of funding totaled $2.1 million, and the collaborative also received $1.4 million from the California Employment Development Department. Employer contributions, including paid release time and stipends for internships, totaled more than $1.2 million.[7] Community colleges and other public entities contributed $1.1 million in grants and in-kind services.

Results

The BAWFC made 12 grants in its first funding round in 2004 and 2005. These targeted workforce training partnerships and strategic planning and research that would encourage regional collaboration and systems building among workforce boards, community-based organizations, education and training providers, and employers dedicated to advancing low-skilled and low-income workers. BAWFC supported:

- The establishment of a regional health care training institute under the collaborative umbrella of workforce boards, community colleges, and hospital employers;
- The expansion and replication of effective bridge training models to prepare low-skilled and limited English proficient individuals for certificate-level training at community colleges;
- The coordination of health careers information and referrals among three One-Stop centers;

- The development of new training curricula for high-demand occupations in health care and life sciences;
- The implementation of a communications campaign to attract more diverse populations into careers in health care; and
- The establishment of a learning community among Workforce Investment Board and One-Stop staff, BAWFC grantees, and other Bay Area workforce development stakeholders.

Through these activities, the BAWFC has funded the training of over 700 workers for career ladder jobs in health care and biotech. In addition, since 2004, the BAWFC has funded the creation of over 500 new spaces in prerequisite classes for health care training programs; nearly 300 clients have received support services funded by the initiative; and over 100 job developers and health care paraprofessionals have received information on the benefits of health careers.

In all, twenty-four employers, five workforce boards, three One-Stop centers, eleven community colleges, four community-based organizations, and a union training center have entered into workforce partnerships. Nine new classes or training programs have been developed, and grantees have benefited from four peer-learning meetings.

In 2006, the collaborative entered into discussions with the Employment Development Department to explore how the state might support a statewide expansion of the BAWFC model. As of January 2006, $2.1 million in committed and pending foundation grants had been raised for the second round of grantmaking.

Indirect Support for Workforce Intermediaries Through Program Funding

A few states target key industries or occupations in their financing for education and training. In several cases, this financing goes through existing or new workforce intermediaries, but it largely funds education and training, rather than planning for creating new intermediaries, operating costs for intermediaries, or capacity building.

BayStateWorks/Building Essential Skills through Training

BayStateWorks pools "the talent, resources, and expertise of its education and training agencies" to support partnerships that can improve workers' skills, provide advancement opportunities, and help employers meet human resource needs and improve productivity.[8] Pooled funding supports intermediaries that serve workers and employers in high-demand occupations in priority industries.

BayStateWorks funding supports both training and the formation of workforce intermediaries, known as "Regional Industry Teams," local partnerships that are usually led by local Workforce Investment Boards. In addition, BayStateWorks provides limited resources for a staff person to lead each local partnership and manage program design and implementation.

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. First-round funding went to four Regional Industry Teams: in the health care/health care research sector and in financial services, manufacturing, and biotechnology.

Responding to an Economic Need

In 2000, 1.1 million Massachusetts adults were considered "at risk" in the workforce due to deficiencies in basic math, reading, writing, language, and analytic skills (Comings, Sum, and Uvin 2000). These deficiencies were ominous for employers addressing current workforce needs and planning for the future.

Governance and Funding

The Regional Industry Teams are funded through a competitive process. Each is composed of representatives from local Workforce Investment Boards, employers, education and training providers, and workers from involved firms (selected by unions at organized workplaces).

In 2001, state agencies pooled $3.5 million for the first round of funding, which created career ladders, targeted training programs that were in high-demand occupations in priority industries, and made eligibility for career ladder training flexible. Grantees had to involve employers directly in program design. Massachusetts agencies have continued to pool their resources since 2001, creating an annual fund of about $3.5 million.

This funding comes from four state agencies—the Division of Career Services, the Division of Unemployment Assistance, the Department of

Education, and the Department of Workforce Development—as well as the Department of Transitional Assistance, which has funded program evaluation. Specifically, these agencies contribute through the Workforce Training Fund; this state incumbent worker program, which is supported by employer payments totaling 0.075 percent of their Unemployment Insurance taxable wage base, provides about $2 million per year. In addition, the Governor's Discretionary Workforce Investment Act Fund provides about $500,000 per year, and $1 million per year comes from the state's WIA Title 1 program.

Regional Industry Teams can bill up to 10 percent for administrative fees to support their operations.[9] In addition, BayStateWorks projects may apply for operational support, as well as for funding to hire team project managers.

All four state agencies are involved in BayStateWorks decision making. Commonwealth Corporation, a quasi-public state workforce development agency, helps to build the partnerships and operate the program.

Results

As a result of BayStateWorks, both region-wide program integration and a focus on advancing workers with limited skills are increasingly standard operating procedures for participating agencies and the training programs they support. As of mid-2004, over 2,800 individuals had received services through the first-round programs, employers had invested more than $3.5 million in the programs, and two Regional Industry Teams had secured employer contributions toward their long-term sustainability.

In 2004, state economic development legislation included $6 million for a second round of funding, significantly expanding support for skill development delivered by partnerships. Eleven Workforce Investment Boards received BayStateWorks grants. They head employer-driven partnerships that design and deliver projects reflecting the needs of the participating employers to increase workers' skills and education—and hence their capacity to contribute to the economic vitality of their communities.

Additional legislative support for sectoral projects has come through the Community Based Organizations and Older Worker Initiative. Seven projects have received worker training and education grants, totaling $1.25 million, to help the unemployed and underemployed find or improve employment, earn enough to support a family, or start on a career path toward economic self-sufficiency.

In 2006, the Economic Stimulus Act extended the Workforce Training Fund until 2010. It also provides $24.5 million in new state investment in workforce development and funds the Workforce Competitiveness Trust Fund at $11 million to support workforce intermediaries like the Regional Industry Teams described above.

The Extended Care Career Ladder Initiative

The Massachusetts Extended Care Career Ladder Initiative, launched in 2000 in conjunction with a broader Nursing Home Quality Initiative, 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. The partnerships aggregate demand for training among participating providers, pool their training resources, and broker training services that meet the needs identified by the intermediaries. In addition, ECCLI funds technical assistance to the partnerships, provided primarily by the Paraprofessional Healthcare Institute, on such topics as cultural change strategies, program assessment, and career ladder curricula.

ECCLI funding supports a coordinator for each partnership, as well as the cost of the training required for workers to advance up the career ladders. ECCLI funds not only basic skills training but also non-credit technical training, "soft skills" training, supervisory training, and pre-college reading, math, and science instruction.

Responding to an Economic Need

High turnover and vacancies among frontline, entry-level workers were threatening the quality of care for long-term care patients. In addition, long-term care facilities were plagued by the high costs associated with recruiting and training new staff. This was not an isolated problem but a statewide concern requiring significant statewide action.

Governance and Funding

ECCLI is managed by Commonwealth Corporation, a quasi-public state agency with responsibility for the oversight and delivery of many of the state's education and training programs. Commonwealth Corporation issues the requests for proposals for each grant round, grades proposals, and awards grants. It then assigns a project coordinator to each site.

Commonwealth Corporation regularly consults with representatives from several agencies and stakeholders on the management of the initiative. This workgroup includes WorkSource Partners (a for-profit training and technical assistance firm), the Massachusetts Workforce Investment Board Association, and the Massachusetts Extended Care Federation (a trade association).

Since 2000, the Massachusetts legislature has supported the expansion of the ECCLI partnerships and their career ladder training programs through the allocation of over $15 million of state funds, with over $8 million allocated for the 2004-06 biennium.

Results

Eighty-one facilities participate in ECCLI, including seventy-two nursing homes, six home health aide facilities/organizations, and three other organizations. Most of these sites have established formal career ladders to train and reward Certified Nursing Assistants for specialized caregiving skills. Some facilities go further and help CNAs to become LPNs. Nearly all facilities report that CNA retention has improved as a result of career ladders, as has the quality of the care they provide. Some facilities have also improved their ability to recruit CNAs as word of the program spreads.

Massachusetts investment in the ECCLI intermediaries has produced significant benefits to participating facilities, the paraprofessionals who work for them, and the patients in their care. For example:[10]

- Over 4,000 entry-level workers have taken part in at least one ECCLI training.
- 425 entry-level workers have taken part in a career ladder training and received a wage increase, averaging $.52 per hour.
- Over 1,100 entry-level workers have taken part in basic or soft skills classes.
- Nearly 500 managers have received training in supervision and mentoring.

Iowa General Obligation Bond Program: Supporting 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.

Designed to be highly responsive to employers' skill needs, the New Jobs Training Program provides flexible funding to firms that seek to create new positions or expand their workforces. The assistance ranges from highly specialized education programs to basic skills training for new positions. Between 1983 and 2005, Iowa community colleges have issued $500 million in bonds, generating over 130,000 new jobs, with an average salary of $39,850. Iowa's community colleges take administrative fees from the proceeds of the annual bond sales to finance their intermediary functions. On average, this fee equals approximately 15 percent.[11]

Iowa's community colleges serve as workforce intermediaries by funding, and sometimes providing, training services to employers. The community colleges also aggregate demand for training services in their regions, collaborate with employers to develop training programs, provide labor market information to employers, and monitor training. The bonds sold by community colleges are repaid over a maximum of 10 years through a diversion of 1.5 percent of the gross payroll tax assessed to each newly trained worker. Three percent of the gross payroll tax is diverted to repay the bonds if the jobs for which the new workers are trained pay higher wages than the county or regional average.

Because bonds are repaid with tax revenues, the training funds available to a business are determined by the business' tax-generating capability. Taxable bond financing is unlimited. However, there is a $100 million statewide cap on outstanding *tax-exempt* debt at any time. The community colleges also have the authority to levy stand-by property taxes throughout their taxing area as a method for securing against default, although they have rarely taken this step.

Supporting Workforce Intermediaries Through Strategic Regional Planning Initiatives

Several states provide economic regions or key economic sectors with planning and coordination resources to identify their human capital needs and design innovative workforce development responses. These state investments tend to target growing industries that provide jobs paying more than the minimum wage. The investments also improve the workforce development infrastructure by bridging the traditional divide between regional economic development and workforce development partners in order to focus them on collaboration to improve competitiveness and productivity. In several cases, these regional planning efforts have generated new workforce intermediaries that plan, broker, and deliver regional workforce development services. With recent investments by the U.S. Department of Labor, through its WIRED initiative, such regional efforts are likely to grow substantially.

Washington State Skills Panels

At the heart of Washington strategy to remain competitive is a growing network of Skill Panels, 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. Moreover, Skill Panels have accomplished all this through the integration and alignment of services and financing from a variety of stakeholders.

Responding to an Economic Need

An economic development imperative led Washington policymakers to reconsider the structure of the state's workforce development system. Rapid technological change in production methods throughout the 1990s brought with it the requirement that workers, at every occupational level, upgrade their skills. Industry after industry was affected and, by 2000, a clear trend had emerged: Washington was losing many of its best-paying jobs as firms moved out of the state (or the country). Washington needed a strategy that would not only increase its investment in training its workforce but also fundamentally change the way that the public workforce development system operated.

These conditions, which prompted Governor Gary Locke to propose the creation of Skill Panels in 2000, were familiar to state policymakers. A biennial survey of Washington employers, completed in 2002, provided further evidence of a skill shortage in key industries, particularly in those with entry-level occupations that pay well above the national average. Among employers attempting to hire, 48 percent of construction firms, 47 percent of high-tech firms, and 60 percent of manufacturing firms reported difficulty in finding qualified applicants (Workforce Training and Education Coordinating Board 2002). To address the difficulty in finding skilled workers, 67 percent of those employers said they had hired a less qualified applicant for some positions; 48 percent had left some positions vacant. As a result, 63 percent reported reductions in production output. Across all major industry groups, 25 percent of employers reported outsourcing jobs after not finding qualified applicants.

At the same time, Washington's ranking deteriorated from 33rd of 47 states in 1988-89 to 45th in 1998-99 in a longitudinal study of state-financed, customized training programs (Duscha and Graves 1999).

Many in Washington identified the shortage of skilled workers as the highest barrier to business expansion. Employer focus groups, industry association newsletters, and several surveys confirmed what policymakers were hearing from their constituents: there was a disconnect between what industries needed and what the public system provided.

To address this skill shortage, Washington drew upon key stakeholders in its workforce development system to establish industry Skill Panels. Skill Panels can bring to bear the expertise and funding from each of the key workforce stakeholders in a region, focusing them on improving career opportunities for workers and responding to employer needs for an efficient, productive workforce. They also can advocate for additional funding for industry-specific training, which is frequently provided by community colleges or other Skill Panel members.

As workforce intermediaries, Skill Panels focus largely on strategic planning, partnership building, and resource development for training. The mission of these public-private partnerships is to change they way the workforce development system supports demand-driven training for a specific sector or industry. In part, they are think tanks in which key labor market players collaborate to support a vital industry. They promote systemic change to workforce development by giving employers and workers influence over local and state workforce development decisions, including how industry priorities are met, what training is offered, and how the delivery of training occurs. Moreover, by focusing expertise on a specific industry considered, Skill Panels attract employer investments in training to a degree not seen before in Washington.

Governance and Funding

Staff support and coordination for Skill Panels is provided by a community college, a local workforce board, a local Chamber of Commerce, or some other workforce intermediary. The Washington State Workforce Training and Education Coordinating Board (the state's Workforce Board) provides each Skill Panel with a small investment that often leverages other support from local, regional, federal, and private-sector sources. For example, the state's 2003 investment of $1.2 million in 12 health care Skill Panels leveraged nearly $36 million in other funds, including a state incentive award of $3 million from the U.S. Department of Labor.

As part of its integrated approach to linking economic and workforce development, the Workforce Board coordinates Skill Panel funding with programs supported by the state's Community Trade and Economic Development Agency, the Employment Security Department, and the State Board of Community and Technical Colleges. While each agency maintains it own separate funding stream, the state encourages them to coordinate their efforts locally, through the Skill Panels, to minimize duplication in planning, specialized training, and program development. Requests for Proposals issued by the four state agencies stipulate that applicants must demonstrate connections among local and regional workforce partners and connections among Skill Panels and the state's Centers of Excellence. Housed at community or technical colleges, the centers are designed to be an industry's expert resource for the latest skill standards, curricula, research, and training.

Representatives of the four agencies participate in one another's review teams for project proposals. This has reduced duplication within most regions of the state, as well as with other state or national initiatives centered around an industry cluster.

Although strategies and tools vary by region and industry, a typical Skill Panel includes 15 to 20 business representatives from a particular industry, including members from small- to mid-sized companies and corporations as large as Boeing and Microsoft. Panel representatives are decision makers within their companies (e.g., chief executive officers, chief financial officers, human resource directors, plant managers, supervisors).

In 2004, the Workforce Board expanded the role of Skill Panels by strengthening ties to the Job Skills Program, a successful and longstanding incumbent worker training program of the State Board of Community and Technical Colleges. Skill Panels participate in the selection of Job Skills training grants to licensed educational institutions. These institutions partner with employers, who develop customized training for new hires or incumbent workers. Employers must pay at least half of training costs, either in cash or in kind. During the 2003-05 biennium, the Job Skills Program served about 2,500 workers in 22 projects.

Results

Washington has established 49 Skill Panels in 20 industry clusters.[12] These panels are not permanent; rather, they exist as long as there is an identified need for them. There are currently panels in 13 clusters: health care, construction, information technology, manufacturing, marine and industrial safety training, game software development, energy, electronics, transportation, construction, homeland security, manufacturing, and marine manufacturing and technology.

One of the more significant early outcomes of the Skill Panels is that community colleges are responding to employer needs with higher-quality and more flexible workforce education and training (e.g., modular courseware, weekend and evening classes, distance learning programs). "Prior to industry skill panels, it was difficult for training providers to know what was needed to meet skill needs of industry," according to Ellen O'Brien Saunders, former executive director of the Workforce Board. "In fact, the strategy has enabled community colleges and workforce development councils to change their relationship with businesses and key sectors of its economy in positive ways."[13]

Washington's 49 Skill Panels also have demonstrated their effectiveness in generating additional funding for training. Moreover, they have accomplished a great deal with regard to pulling together multiple public and private partners. Since 2001, industry participation has included 299 businesses, 14 business/trade associations, 12 workforce development councils, 24 labor organizations, 47 community and technical colleges and skill centers, 18 school districts, 8 public universities, 10 private universities, 8 private career schools, and 5 economic development councils and ports.

An example of how Skill Panels function as workforce intermediaries is the Skill Panel for game software development. Based at Lake Washington Technical College, it builds on the college's training capacity and draws on its partners' expertise. It finances training programs through a wide range of funding sources, both public and private, made available by the mix of partners.

The panel emerged as a response to steady growth in Washington's game software development industry. The Seattle-King County Workforce Development Council worked with the college, other local colleges and educators, game developers, and several software firms to create a Skill Panel that could address the demanding and specific requirements of this new field.

The Skill Panel has developed internship programs and skill standards for electronic game content production. It partnered with Mesmer Animation Labs to develop and distribute an on-line textbook for game artists. And it has hosted a Game Software Development Conference, developed career ladders and other wage progression strategies, and identified performance measurements linked to industry-approved skill standards.

Since 2001, Washington's Skill Panels have:

- Contributed to curriculum development for customized training benefiting at least 4,000 workers in the health care, information technology, construction, manufacturing and agriculture/food processing clusters;
- Initiated labor-management committees to create the nation's first four health care apprenticeships;
- Developed a construction industry career ladder;
- Created new upgrade training options, such as LPN to RN, using distance learning programs;
- Created a free on-line internship system (Internmatch) in IT;
- Supported 6 apprenticeship demonstration projects in health care and construction that have served over 800 trainees;
- Created Vocational ESL curricula for construction and health care workers; and
- Leveraged an additional $40 million in state and federal funding to support job training and workforce intermediaries.

Michigan Regional Skills Alliances

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.

Responding to an Economic Need

State support for MiRSAs is motivated by Michigan's long-term goals to advance its status as a corporate headquarters location, a research and development center, and an advanced manufacturing center for key global industries. A primary strategy for Governor Jennifer Granholm has been to enhance the productivity and competitiveness of Michigan's businesses in support of these goals. With a strong endorsement from the governor, the state Department of Labor and Economic Growth has focused on creating jobs and strengthening firms in manufacturing, health care, life sciences, and homeland security.

In her 2004 State of the State address, Gov. Granholm outlined a vision that included increasing training opportunities in order to meet business' skill needs. A few months later, she announced that the state and the Charles Stewart Mott Foundation would support the creation of 13 MiRSAs as a central component of this strategy (Michigan Department of Labor and Economic Growth 2004).

MiRSAs support the larger, dual goal of providing employers with a highly skilled workforce and workers with careers offering good wages and increased opportunity to advance. The MiRSA initiative helps communities develop industry-based partnerships that promote the economic health of businesses and workers. It is designed to support employers who invest in their workers' skill development, recognizing that such firms are more likely to be competitive. As industries prosper, state planners and policymakers expect, those industries will attract suppliers to their regions as well, thereby also increasing employment in high-growth industries.

MiRSAs focus their training services on lower-wage workers or potential workers in targeted industries, and they strive to improve opportunities for worker advancement.

Governance and Funding

As start-up funding for 13 MiRSAs in 2004, Michigan provided Workforce Investment Act Statewide Activity funds, and the Charles Stewart Mott Foundation provided a grant. Each MiRSA has received a development grant and ongoing technical assistance from the Department of Labor and Economic Growth. Local contributions for the MiRSAs are projected to equal $9 million over three years.

Since 2004, the number of state-supported MiRSAs has risen to 25. Total funding available for the 2007 round of grants is $900,000. Proposals for funding must demonstrate that MiRSAs have long-term plans for financial sustainability, including plans for cash or in-kind contributions, fundraising, or the adoption of other financing mechanisms (e.g., fees for service).

Most MiRSAs are administered and facilitated by one or more local Michigan Works! agencies. The agencies act in part as organizers and partners with the necessary expertise to engage all appropriate public and private stakeholders in collaborative problem solving. This facilitation ensures that the public workforce investment system, with all of its partners and resources, collaborates to meet MiRSA initiative objectives. The Michigan Works! agencies also bring the voice of the business community to the initiative, as well as connect it to the state's job seekers. Other partners can include K-12 education, community colleges, other education sectors (postsecondary, private), economic development groups, unions, trade associations, faith based organizations, community-based organizations, advocacy or interest groups, chambers of commerce, and local and state governments.

The Mott Foundation plays several roles, in addition to providing MiRSA's with start-up funding. The foundation has also funded Public Policy Associates and the Center for a Skilled Workforce to develop the plan for the MiRSAs and provide the Department of Labor and Economic Growth with technical assistance as the plan is implemented. Mott is also funding an evaluation, being conducted by the Upjohn Institute.

Results

While it is still too early to point to specific outcomes, state policymakers believe that by systematically focusing attention and resources on industries facing skills shortages, Michigan Regional Skills Alliances will make public investments in training more efficient at the same time as they increase employer engagement. Ultimately, the state expects MiRSAs to bring about systemic changes in the industry and workforce that benefit employers and workers and that improve regional economic conditions.

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.

Such 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 rather than direct services. Moreover, as difficult as it is to measure and demonstrate the return on public investments in direct services, the challenge is far greater for investments in organizational capacity.

With this in mind, we recommend several principles that can guide state policymakers.

Designate a source of flexible state funding for creating and supporting workforce intermediaries.

Workforce intermediaries require operating funds to carry out their key labor market organizing functions, but, too often, they must patch together small allowable administrative fees with intermittent grants to support their staff and operations. States can put a higher value on the important organizational and brokering role of intermediaries by providing operating funding specifically for those purposes. This report offers several possible sources of funding for these operating funds, including direct appropriations, targeting WIA discretionary funds, and blending public funding with foundation funding.

Judge workforce intermediaries on performance and tie funds directly to that.

Regardless of the source of funding, direct operating support for workforce intermediaries should depend upon clearly demonstrated success on a highly specified set of outcomes for workers and employers. These measures should include individual outcomes (e.g., placement, retention, educational and job advancement) *and* process outcomes (e.g., the number of employers participating and paying for intermediary services, the kinds of innovative service delivery models created).

Provide intermediaries with organizational resources for programs that target specific industries and sectors.

While several states target funding to specific sector-based or occupational training efforts, often these funds strictly limit the amounts that can be used to cover partnership development or intermediary activities. Particularly if direct operating support for workforce intermediaries is not feasible, states should consider including reasonable intermediary operating funds in targeted funding aimed at building industry partnerships or intermediaries.

Support strong public system intermediaries and build their capacity, but don't create monopolies.

Many Workforce Investment Boards operate like intermediaries and play effective roles in organizing key industry partnerships and projects in their labor markets. However, other WIBs operate primarily or exclusively as administrators of the Workforce Investment Act, rather than as entrepreneurial intermediaries. Through their WIA-funded industry partnership investments, states should encourage all Workforce Investment Boards to take on intermediary roles, and they should provide resources to help build their capacity.

This support should be made on a performance basis only, and not in an exclusive manner. In regions where WIBs do not serve effectively as workforce intermediaries, or where other organizations do or could play that role, states should consider funding and supporting other organizations based on their performance.

Help to build the capacity of intermediaries.

While operating funds are important for workforce intermediaries to achieve scale, they are by no means the only way to build intermediary effectiveness. States would be well advised to fund and provide capacity-building resources for existing and new workforce intermediaries. Among the more than 200 workforce intermediaries nationally, capacity is uneven, and it tends to be concentrated in a few states and major cities. In states and communities with limited workforce intermediary capacity, new organizations, such as employer associations, labor unions, community-based organizations, or community colleges, may be able to step into this role.

States can take a variety of approaches to providing capacity-building services. These include creating training academies, bringing together local experts to provide technical assistance, bringing in experts from outside the state, and providing small grants for intermediaries to hire expert advisors.

Allow time and resources to plan new intermediaries and for them to build partnerships.

Creating industry partnerships and workforce intermediaries requires building working relationships, gaining skills, and creating often complex working partnerships. Too often, public agencies fund direct services but do not allow intermediaries the time and resources to organize themselves, do the necessary analyses to create quality programs, and build working partnerships. States should include planning and partnership building in all their industry and occupational funding programs to insure that they build toward an effective, sustainable infrastructure of workforce intermediaries in key regional labor markets.

Endnotes

[1] In the "2005 Skills Gap Report—A Survey of the American Manufacturing Workforce," the National Association of Manufacturers reports that over 80 percent of employers in the manufacturing sector faced skills and education shortages in the previous year.

[2] See U.S. Census, American Community Survey, Data Tables: Data Profiles 2003. Accessed October 5, 2006 at www.census.gov/acs/www/Products/Profiles/Single/2003/ACS/index.htm.

[3] Pennsylvania's Manufacturing Extension Partnerships, designed to identify and visit smaller manufacturers, assess needed products and services and the means for delivery, manage projects to completion, and measure the results. Ben Franklin Technology Partners is a state-supported and statewide network of economic development and technology-based industry partnerships that deliver resources for technology-driven enterprises in sectors such as information technology, life sciences, communications, advanced manufacturing, advanced materials and environmental technology. The BFTPs invest risk capital in emerging technology-based enterprises and established businesses, provide technical and business expertise to spur enterprise growth and accelerate commercialization activities, and draw upon public, private and academic sources to provide assistance to technology employers.

[4] See Knowledgeworks Foundation, www.kwfdn.org/fast_facts. Accessed August 1, 2006.

[5] See Knowledgeworks Foundation, www.kwfdn.org/press_room/fast_facts/overview. Accessed August 1, 2006.

[6] Foundations participating in the first grant cycle are: The San Francisco Foundation, Walter and Elise Haas Fund, Evelyn and Water Haas, Jr. Fund, William and Flora Hewlett Foundation, Richard and Rhoda Goldman Fund, Annie E. Casey Foundation, Walter S. Johnson Foundation, Gordon and Betty Moore Foundation, California Wellness Foundation, Levi Strauss Foundation, Koret Foundation, The William Randolph Hearst Foundation, and The California Endowment. The Women's Foundation and the California HealthCare Foundation recently joined the collaborative.

[7] The BAWFC requires participating employers to make tangible contributions to their workforce partnership. This commitment can be in the form of support for curriculum development, hiring commitments, internships, etc.

[8] See www.commcorp.org/best. BayState Works was originally called Building Essential Skills through Training (BEST).

[9] The cap was originally 6 percent.

[10] See www.commcorp.org/eccli/outcomes.html.

[11] See the Iowa Department of Economic Development's *Introduction to Workforce Training: Annual Report on Iowa's Workforce Training Programs.* Accessed May 19, 2006, at http://publications.iowa.gov/archive/00003199/01/fy05workforce.pdf

[12] The strategy builds on the work of Michael Porter of Harvard Business School, who promotes economic development approaches based on identifying industry clusters in a particular region. Industry clusters are "geographically proximate groups of interconnected companies and associated institutions in a particular field, linked by commonalities and complementarities" (Porter 2002).

[13] As interviewed by Seattle KUOW radio in 2004.

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CREATING STRATEGIES
for Educational and Economic Opportunity

Jobs for the Future seeks to accelerate the educational and economic advancement of youth and adults struggling in today's economy. JFF partners with leaders in education, business, government, and communities around the nation to: strengthen opportunities for youth to succeed in postsecondary learning and high-skill careers; increase opportunities for low-income individuals to move into family-supporting careers; and meet the growing economic demand for knowledgeable and skilled workers.

Investing in Workforce Intermediaries is a collaborative effort of the Annie E. Casey and Ford Foundations. The funders, working with Jobs for the Future, have launched Investing in Workforce Intermediaries to seed a national support infrastructure for workforce intermediaries. The funders have invested in five cities and one state: Austin, Baltimore, Boston, New York City, Pennsylvania, and San Francisco.

Workforce intermediaries have three ambitious objectives:

- Increase access to good jobs through education and training;
- Improve the quality of entry-level jobs through career ladder programs that include support services and other forms of assistance; and
- Help employers and communities create good jobs by strengthening business competitiveness and linking workers' skill improvements to economic development.

For more information, or to download additional copies of this report, go to: www.jff.org.