Opportunity in Tough Times:

Promoting Advancement for Low-Wage Workers In a Difficult Economic Environment

By Jack Mills and Claudia Green

PART OF A SERIES OF REPORTS ON
ADVANCEMENT FOR LOW-WAGE WORKERS

SEPTEMBER 2003

JOBS FOR THE FUTURE
CREATING STRATEGIES
for Educational and Economic Opportunity

Advancement for Low-Wage Workers:
A Series of Reports from Jobs for the Future

Jobs for the Future develops models, strategies, and policies that enable adults to advance toward economic self-sufficiency for themselves and their families. Drawing on innovative workforce development efforts around the country, our publications, tool kits, and other resources respond to the challenges to advancement for low-wage workers. With the series *Advancement for Low-Wage Workers,* JFF seeks to elevate discussion of this critical issue within and outside the workforce field. Elaborating upon the themes in the series introduction, *The Next Challenge,* these occasional papers address public policy and on-the-ground practice.

The Next Challenge: Advancing Low-Skilled, Low-Wage Workers (2004): The series introduction argues for placing not just employment but also advancement at the center of employment and training policy. It defines career advancement as a goal, explores key challenges and opportunities, and highlights strategies to help significantly more low-skill workers move up to better jobs and family-supporting earnings.

Career Ladders: A Guidebook for Workforce Intermediaries (2003): The CD-ROM-based guidebook provides information and extensive resources on planning, developing, operating, and expanding the role of intermediaries in an approach central to many advancement strategies. The guide summarizes lessons learned from innovative work across the country.

Earning While Learning: Maintaining Income While Upgrading Skills (2004): A number of programs and practices encourage skill development by providing income and supports to those pursuing further education and training. This report reviews "what works" in providing workers and job seekers with income even as they improve their ability to advance in the labor market and meet employer needs for a modern workforce.

Employer-Led Organizations and Career Ladders (2003): This issue brief reviews key elements and processes involved in creating career ladders that meet employers' needs for a workforce with the right skills and low-wage, low-skilled workers' needs for advancement opportunities.

Low-Wage Workers in the New Economy (Urban Institute Press, 2001): In this collection of original essays, an impressive line-up of experts describes the extent and contours of the challenge facing our nation's working poor. The authors look at how federal and state governments can help the men and women for whom the American Dream remains out of reach.

Opportunity in Tough Times: Promoting Advancement for Low-Wage Workers (2003): Drawing on extensive interviews with innovative state officials and practitioners, this report describes ways to maintain efforts to advance low-wage workers in the face of exceedingly difficult conditions.

Workforce Intermediaries and Their Roles in Promoting Advancement (2004): This report explores the origins and core elements of workforce intermediaries, their strategies for advancing workers to family-sustaining careers, and the challenge of securing financing not just to sustain intermediary services but to expand such efforts to a scale that makes a real difference to communities.

Getting Ahead: A Survey of Low-Wage Workers on Opportunities for Advancement (2003), *Public Views on Low Wage Workers in the Current Economy* (2001), and *A National Survey of American Attitudes About Low-Wage Workers and Welfare Reform* (2000): JFF periodically commissions surveys of and about low-wage work in America.

Forthcoming reports will look at practices and policies for promoting advancement for low-wage workers and innovative approaches to advancement in the City of Boston. In addition, through Workforce Innovation Networks—WINs—Jobs for the Future addresses the specific challenge of engaging employers in efforts to advance low-wage workers. All JFF advancement resources are available on our Web site: www.jff.org.

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Executive Summary

On a topic critical to our nation, Americans display an unusual consensus: across all demographic groups, they believe that any person with a full-time job should be able to make ends meet. In a survey of American public opinion commissioned by Jobs for the Future in 2000, 94 percent of the randomly sampled respondents agreed that, "As a country, we should make sure that people who work full-time should be able to earn enough to keep their families out of poverty." Eight in ten strongly agreed with that statement (Jobs for the Future 2000).

State officials and workforce development practitioners increasingly shared this goal as the decade began. Taking advantage of a strong economy, low unemployment, and growing state government budgets, they designed policies and programs that expanded opportunities for low-wage workers to achieve self-sufficiency.

Then, the economic and fiscal situation deteriorated—dramatically in many states.

The nation's economic downturn has significantly altered the conditions for advancement efforts—reducing employers' impetus to engage in these programs, states' fiscal ability to pursue them, and foundation funding to support them. Industries as diverse as manufacturing, financial services, and hospitality, which had partnered with program operators to advance low-wage workers, lost large numbers of jobs as business declined. In 2001, the number of unemployed workers rose faster than it had in any of the preceding 20 years. As the economy spun down, state tax revenue plummeted beginning in the third quarter of 2001, and almost every state now faces a significant fiscal crisis.

Workforce development programs are suffering from these combined impacts, yet some state officials, program operators, and others have found ways to maintain efforts to advance low-wage workers in the face of exceedingly difficult conditions. Their successes—and the limitations they have encountered—provide an important body of experience for understanding how advancement initiatives can succeed even as the environment for them deteriorates. *Opportunity in Tough Times* describes and draws lessons from their experience and achievements.

Interviews with state officials and practitioners (including program operators and others, such as local officials, closely involved in such efforts) were a key source of information for this report. Jobs for the Future's interviews explored local and state-level experience with promoting the advancement of low-wage workers. We asked about:

- Practices and policies already in place;
- How the downturn and fiscal crises have affected that;
- How local groups and states are adjusting to better meet the needs of workers and employers; and
- The types of policies that would be most supportive of their efforts.

This report was prepared with funding from the Ford Foundation.

Lessons from State Officials and Practitioners: Adapting Strategies that Support Advancement

The practitioners and public officials who spoke with Jobs for the Future have met tough times with a variety of responses. They have found ways to maintain policies and practices that continued to be effective. They have also revised policies and practices developed in better times, even while developing new ones. Their responses group into four categories:

- **Increased agility in meeting workforce development needs**

  Practitioners and policymakers have developed their capacity to understand changes in industries and occupations and to engage with employers in regard to their needs—and to design and redesign responsive workforce development programs.

- **Linking workforce development to local and regional economic development efforts**

  Practitioners and policymakers have increased the alignment of employment, training, and educational resources with the needs of industry clusters and sectors in ways that create opportunities for low-skill workers and strengthen communities.

- **Making job training and expanded unemployment resources available to low-wage workers who lose their jobs**

  Policymakers and practitioners have combined workforce development, adult education, and postsecondary funding to expand job training opportunities tailored for those who receive unemployment benefits.

- **Upgrading the skills of low-wage incumbent workers**

  Policymakers and practitioners have drawn on a variety of funding sources to upgrade incumbent workers' skills, and they have adapted services to the changing needs of companies and incumbent workers.

Lessons from State Officials and Practitioners: Developing the Infrastructure and Redesigning Funding for Advancement

To support their workforce development strategies, many state officials and practitioners also developed new ways that states and programs can make decisions, direct resources, and deliver services, and they found ways to maintain effective approaches or revised them in response to tough times. These adaptations of the infrastructure of workforce development fall into four categories as well:

- **Improved collaboration within the service delivery system**

  By increasing collaboration among workforce development, economic development, and other agencies, states have more efficiently targeted, and retargeted, operational funds to industries and occupations that demonstrate continued demand during an economic downturn. Collaboration has increased flexibility, maximized the use of resources, and reduced bureaucracy in ways that meet customer needs while cutting costs.

- **Strengthened partnerships with industry**

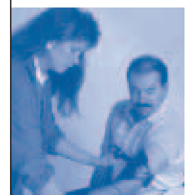
  Explicitly connecting industry partnerships with state and program infrastructure—and utilizing the relationships that result from doing so—makes it more likely that workforce development decisions are relevant to the needs of business and their low-wage workers as economic conditions change.

- **Increased local flexibility**

  Greater flexibility makes it possible to tailor programs to local labor market conditions, support low-wage workers through an advancement continuum, keep employers engaged, and address their changing needs.

- **Support of workforce intermediaries**

  Workforce intermediaries provide an agile organizational capacity to mobilize employers, workers and their representatives, government officials, and providers of workforce development services to improve outcomes for employers and low-income workers in the context of changing labor markets. Intermediaries also provide or broker workforce development services needed by low-income job seekers and the employers who hire them.



Opportunity in Tough Times:
Promoting Advancement for Low-Wage Workers

Introduction

Jobs for the Future prepared *Opportunity in Tough Times* as a resource for two primary groups: public officials, especially at the state level; and workforce development practitioners, especially program operators. This report describes the efforts of their peers to continue providing advancement opportunities to low-wage workers in the context of the current economic downturn and difficult fiscal environment. Their efforts include strategies and policies developed during better economic and fiscal times and found to be durable and effective when those times ended, as well as strategies and policies developed in response to looser labor markets and tightened budgets.

To research responses to the impact of tough times upon efforts to advance low-wage workers, Jobs for the Future conducted a series of interviews with 38 leading state officials and practitioners in the field of workforce development (see page 22). JFF also reviewed documentation provided by the interviewees and incorporated related primary and secondary research.

Among the many practitioners and state officials contacted for this report, none offered simple solutions, and together they painted a picture that is more grim than promising. Nevertheless, we found that the interviewees continue their commitment to advancing low-wage workers. They are adapting programs and policies to tough times, and they are addressing—to a surprising degree—the needs of workers and employers.

We learned a great deal from the experience of those we interviewed. We owe them a deep dept of gratitude, and thank them for their time and ideas. Nevertheless, the report's findings are our own, and the interviewees bear no responsibility for them.

JFF interviewed state officials in California, Florida, Kentucky, Massachusetts, New Jersey, Ohio, Oregon, Pennsylvania, Tennessee, Texas, Washington State, and Wisconsin. We chose these states because of their track records regarding initiatives to provide opportunities for low-wage workers. We interviewed officials who oversee workforce investment boards, community and technical college systems, One-Stop Career Centers, and programs for TANF recipients, as well as programs for unemployed, incumbent, and dislocated workers. They serve under a broad range of state administrations, both mature and newly elected, Republican and Democrat.

JFF also conducted interviews and a focus group with directors of programs that have undertaken efforts to advance low-wage workers. These programs are located in Boston, Denver, Detroit, Los Angeles, Milwaukee, Napa Valley, San Antonio, the San Francisco Bay Area, and Seattle. In addition, we drew upon interviews conducted for other JFF projects.

The authors thank those at JFF who contributed to this report, including Marc Miller, Mary Frances Mitchner, Amy Robins, Jerry Rubin, and Geri Scott. Jobs for the Future also thanks the Ford Foundation for its support of this project and the National Governors Association Center for Best Practices and the National Network of Sector Partners for advice and assistance.

This report is part of JFF's project on low-wage workers in today's economy, which seeks to raise the visibility and urgency of issues of career advancement and economic opportunity and to promote policy solutions that can help less-skilled workers advance out of poverty. As part of this project, *Low Wage Workers in the New Economy*, published by Urban Institute Press in 2001, synthesizes knowledge about strategies to promote advancement out of low-skill, low-wage work.

The Structure of this Report

Part I of *Opportunity in Tough Times* reviews how the economic downturn and state fiscal crises have affected states and workforce development programs, the commitment of state officials and workforce development leaders to helping low-wage workers advance to economic self-sufficiency, and the public's continued support for the principles underlying these efforts.

Through examples provided by practitioners and state officials, Part II shows how local, regional, and state workforce development organizations are using and adapting strategies for helping low-wage workers enter and advance in the labor market.

Part III describes ways in which the strategies described in Part II have been supported by the design of institutions through which decisions are made, resources flow, and services are delivered.

PART I.

Changes in the Economic and Fiscal Landscape

In the economic and fiscal boom of the mid-1990s, and through the beginning of this decade, many businesses faced acute labor and skill shortages. The increase in demand for workers changed the attitude of these employers about workforce development providers, with whom few had previously had contact. To address acute human resource challenges, employers increasingly took advantage of opportunities to collaborate with community colleges, community-based organizations, and a variety of other groups. They sought assistance with recruitment, but they also worked with practitioners on strategies to keep their entry-level and other lower-paid workers and to develop their capacity to move into higher-level positions.

At the same time, many workforce development practitioners and policymakers began to grapple with an emerging challenge for workforce development. Placement-oriented strategies succeeded in getting individuals with limited skills and work experience into the labor force but left them unable to achieve self-sufficiency through work. Meanwhile, welfare reform and the Workforce Investment Act had located work at the center of social policy. In this context, some workforce development practitioners took advantage of tight labor markets and the increased availability of governmental and foundation funding to shift their focus: from the goal of *placing* low-wage workers in jobs, to the goal of *advancing* workers through a series of jobs leading to economic self-sufficiency.

Reflecting this shift, entrepreneurial program operators developed training that qualified low-wage workers for good jobs, and they also established career ladders and provided training to front-line workers. They forged partnerships with employers whose workforce demands were high and built collaborations to assist advancement through education, training, and support service programs.

The same context strengthened interest in advancement strategies among state officials. Some of them began to consolidate and redirect funding streams to permit a broader range of activities that would form a more comprehensive approach to meeting the long-term needs of low-wage workers and employers. These officials called for innovation, and they invested in programs that provided models for advancement and strong results for two sets of customers: employers and job seekers.

Public opinion supported these efforts strongly. In a survey commissioned by Jobs for the Future, 94 percent of respondents agreed that, "As a country, we should make sure that people who work full-time should be able to earn enough to keep their families out of poverty." Eight in ten agreed strongly. And support for this goal was strong across all demographic groups (Jobs for the Future 2000).

Then, the economic and fiscal situation deteriorated—dramatically in many states.

The changes hit efforts to advance low-wage workers hard. In Detroit, for example, Focus: Hope's 31-week Machinist Training Program, designed to serve GED holders (including TANF recipients), previously had struggled to keep participants in training: despite their motivations to continue, automakers were luring them into employment before they graduated from the program. In 2001, students were finishing the program uninterrupted, as automakers contemplating lay-offs were unable to come through on hiring commitments they had made nine months earlier.

In industries and regions across the nation, programs like Focus: Hope experienced similar problems as business partners scaled back on hiring workers or laid them off. Just when state officials and practitioners were gaining steam in promoting innovative strategies and models for addressing the needs of employers and low-income workers, the landscape changed before their eyes, becoming far less hospitable in two related ways:

- *Industries in decline:* Even as more and more state and local initiatives targeted their efforts on industries offering advancement potential, some of those same industries went into crisis. Auto and auto parts manufacturers in the Midwest, cut-and-sew firms in the South, and high-tech businesses in the West and New England all shed workers as they scaled back operations, moved them, or shut them down. High-tech companies, including telecommunications and biotech firms and the dot-coms, fell far short of promised levels of expansion. The aerospace, airline, and hospitality industries responded to not only the declining economy but also the events after 9/11 with massive lay-offs, particularly in the Northwest and Northeast.

- *Jobseekers on the rise:* Layoffs in information technology and telecommunications, for example, put both white-collar and low-wage workers into the job market, but in other industries, such as tourism and retail, low-wage workers bore the brunt of the downturn. In either case, low-wage workers faced much higher levels of competi-

tion in the job market than they had only a few months earlier.

Rapidly Rising Unemployment

Unemployment began to rise sharply in late 2000. According to the Center for Budget and Policy Priorities, during the following year, "The number of unemployed workers increased by 40 percent. . . . This is the largest percentage increase in the number of unemployed workers for any 12-month period in more than 20 years" (Primus and Goldberg 2001). Unemployment continued to increase sharply in 2002. In the 12 states in which Jobs for the Future interviewed state officials, the average unemployment rate rose from 4.1 percent in 2000 to 4.9 percent in 2001 and 6.0 percent in 2002.

State Unemployment Rates (Percentages)

	2000	2001	2002
California	4.9	5.4	6.7
Florida	3.6	4.8	5.5
Kentucky	4.1	5.4	5.6
Massachusetts	2.6	3.7	5.3
New Jersey	3.7	4.2	5.8
Ohio	4.0	4.2	5.7
Oregon	4.9	6.3	7.5
Pennsylvania	4.1	4.7	5.7
Tennessee	3.9	4.4	5.1
Texas	4.2	4.8	6.3
Washington	5.2	6.4	7.3
Wisconsin	3.6	4.5	5.5
Average	**4.1**	**4.9**	**6.0**

**Average annual unemployment, from U.S. Department of Labor, Bureau of Labor Statistics* (http://www.bls.gov/) *and the U.S. Department of Commerce, Bureau of the Census,* Current Population Survey (http://www.bls.census.gov/cps/cpsmain.htm). *Accessed* June 20, 2003

Increasing Demand for Workforce Development Services

Rising unemployment heightened the demand on neighborhood, local, and state agencies to provide career counseling, training, and placement services. "Our Local WIBs found their [FY 2002] funds were over-obligated four or five months into the year," says Nancy Laprade, director of the Kentucky State Workforce Investment Board, echoing a theme sounded across the country. Ledy Garcia-Eckstein, assistant director for employer services for the Mayor's Office of Workforce Development in Denver, reported that One-Stop Career Centers were serving two and three times the number of clients as in the previous year.

Community colleges, the "first line of defense" for worker dislocations in some states, were hard pressed to keep up with the demand for education and credentials that can be essential to reemployment. While recessions tend to inflate college enrollment generally, this time the increases have been primarily at the community college level, notes Barmak Nassirian, a policy analyst with the American Association of Collegiate Registrars and Admissions Officers (*USA Today* 2002). According to Norma Kent, a spokeswoman for the American Association of Community Colleges, many schools have reported double-digit enrollment increases. The Wisconsin Technical College system, for example, serves 8,000 dislocated workers in non-degree programs, a number larger than the enrollment at some of the system's individual campuses. "It takes away from everything else," says Dr. Richard Carpenter, that system's director.

Worsening State Fiscal Conditions

As the job market worsened, so too did states' ability to fund workforce development. The growth of state tax revenue began slowing in the final quarter of 2000 (Rockefeller Institute of Government 2001). In the third quarter of 2001, it began to decline and continued to do so through the end of 2002, reaching a level so low that states are struggling and will continue to do so until revenues increase again (White 2003).

Data from the National Association of State Budget Officers show that state general fund spending—the spending category that typically is subject to year-to-year appropriations and that had risen steadily in past years—declined 1.0 percent after adjusting for population and inflation in FY 2002, and it is projected to decline 2.3 percent in FY 2003 (McNichol 2003). And budget gaps have increased since that projection was made, leading the Center for Budget and Policy Priorities to consider it likely that the decline in real general fund spending will be greater when the books are closed on 2003 and greater still in FY 2004 (McNichol 2003). Between 2001 and 2003, some 38 states cut spending, adjusted for population and inflation. No area of state spending has been spared from these cuts (McNichol 2003).

When interviewed in spring 2003, many state workforce development officials reported that they were in "survival mode": success has come to mean saving a program rather than creating a new one. Some states have scaled back funding for longer-term training, retention, and advancement. With new increases in TANF caseloads, states are redirecting to cash assistance some of the funds they had previously earmarked for employment activities. Some states are using WIA vouchers to serve TANF recipients, shortening the availability of WIA funds for serving the non-TANF population. Similarly, states are cutting the budgets of community colleges, affecting their ability to meet both employer and student demand.

In addition, states have reduced the budgets of many state-financed job training programs. Jobs for the Future investigated 30 state-financed programs in 16 states that have demonstrated commitment to job training. Seventy-three percent of the programs we analyzed (22 of 30) had declines in funding or expect to face them. Sixty percent of programs (18 of 30) had funding declines as of the most recent budget cycle. And the future looks worse: 87 percent of programs that provided Jobs for the Future with projections of future state financing for job training (13 of 15) projected declines (Biswas and Mills 2003).[1]

Continued Public Support for Efforts to Assist Low-Wage Workers.

Even as layoffs increased and state budgets shrank, the public continued to favor efforts to assist low-wage workers. As the downturn deepened, a survey Jobs for the Future conducted in the fall of 2001—after the events of September 11—found strong support for programs that help low-wage workers and their families who might be hurt by an economic slowdown (Jobs for the Future 2001). For instance, majorities of the public wanted to:

- Help low-wage workers succeed over the *long term* through training, career-related education, help with child care, and tax breaks to keep low-wage workers out of poverty; and
- Keep welfare recipients moving towards employment by creating job programs and making it easier to gain skills while still receiving welfare benefits.

Employers also continued to see a need for low-wage worker training, even after unemployment rates went up. Between December 2002 and February 2003, JFF and its two partners in Workforce Innovation Networks—the Center for Workforce Preparation of the U.S. Chamber of Commerce and the Center for Workforce Success at the National Association of Manufacturers—conducted interviews with employer organizations representing 78,000 employers, most of which are small businesses (WINs 2003).[2]

Fifteen of the sixteen employer organizations interviewed reported a current need for incumbent worker training; thirteen of fifteen reported a need for pre-employment training. Across the country, representatives of employer organizations spoke of the importance of training. For example, a representative of American Society of Employers in Detroit, Michigan, said:

> *The biggest employer workforce concern is finding qualified employees, not just regarding their technical skills base but also their soft skills and basic academics, including teamwork, getting up on time, and so on. . . . Employers want people who are qualified with those basic skills and who have some growth potential. There are plenty of bodies, but not enough with skills even for so-called unskilled positions.*

The priorities of a representative of the Wichita Chamber of Commerce included:

> *critical skills . . . the need to have basic training systems in place so when the economy turns, training is ready to go . . . at the lower level the need is for soft skills and workplace skills and at the higher level [it is for] specific skills . . . for immigrants [the need is] cultural and language issues.*

Employers involved with the public workforce system agree, and some support training that leads to well-paid work. According to Debbie Miller, of Goldendale Aluminum in Washington State, "The WIA system [should] continue to provide enough money to retrain laid-off workers, especially for people to continue to have 'living-wage' jobs, not just low-wage work."

In the face of tough times, some governors remained committed to the goal of advancing low-wage workers. Facing the need to cut 10 percent—$2.4 billion—from his state's budget, Washington Governor Gary Locke and his budget team identified "the quality and productivity of the state's workforce" as one of ten priorities for funding (Court 2003). According to Bryan Wilson of Washington's State Workforce Board, workforce development programs overseen by the board were not cut much in the most recent budget. "It was one of the areas that was relatively spared this session," Wilson says.

Similarly, Kentucky's Governor Patton has promoted "Vision 2020": the state is focused on raising its per capita income to equal or exceed the national average by 2020. "There is a recognition that education is a significant part of that," says Dr. Keith Bird, Chancellor of the state's Community and Technical College System. Kentucky has made a strong commitment to expanding and increasing performance of adult education. The commitment has been maintained, despite budget problems, says Bird.

In Oregon, Governor Ted Kulongoski has highlighted workforce and economic development as the major agenda of his administration. He has identified career pathways as a key strategy.

PART II.

Adapting Strategies that Support Advancement

By the time the downturn began, some state officials and practitioners had several years of experience in developing policies and programs to increase advancement opportunities for low-wage workers. When they faced grim times that began in late 2000, some responded to the changes and continued their efforts to advance low-wage workers. They had several motivations for doing so: some states and programs maintained the commitment to the goal of advancing low-wage workers; spiking unemployment rates created the need for states and practitioners to respond; and education/training provided new opportunities for those in industries with major job losses and those who lacked the skills for employment when the economy is not booming. Some state officials and practitioners expressed the more general view that skill development is the key to competitiveness. In addition, several of those we interviewed pointed to the need to increase the return on workforce development investments as financing became more difficult to find. They maintained, revised, or developed new strategies, and they modified workforce development infrastructures to support those strategies. Their experience provides lessons that have met the test of tough times.

In states and communities where practitioners and policymakers have sustained efforts to support low-wage worker advancement to economic self-sufficiency in the face of post-boom economic and fiscal realities, their workforce development strategies group into four categories:

- Increased agility in meeting workforce development needs;
- Linking workforce development to local and regional economic development efforts;
- Making job training and expanded unemployment resources available to low-wage workers who lose their jobs; and
- Upgrading the skills of low-wage incumbent workers.

The situation that programs and states face is daunting, and state officials point out that they are struggling just to avoid dismantling what they have put in place. But those with foresight joined entrepreneurial practitioners in recognizing that the economy of the late 1990s could not last forever, so programs and policies would need to adapt. The strategies discussed in this section (together with changes in workforce development infrastructure discussed in Part III) make it possible for communities and states to promote the advancement of low-wage workers and meet the needs of employers through economic ups and downs and under varying state fiscal scenarios.

Increased Agility in Meeting Workforce Development Needs

In California, Michigan, and Wisconsin, among other states, practitioners and state officials demonstrated that by responding effectively as conditions change, they could support the advancement of low-wage workers and meet employers' need for a skilled workforce. By becoming more agile in responding to the downturn, they have used increasingly scarce resources effectively.

Based on a deep knowledge of employer needs and ways to mesh them with advancement opportunities developed in better times, these practitioners have identified industry or occupational growth pockets, targeted companies that have workforce development needs, and modified workforce development services in order to offer low-skilled workers high-quality, entry-level employment or advancement opportunities. They have adapted to new conditions by developing the expertise and capacity to understand changing industry and occupational needs and to engage with employers in regard to their needs—along with the agility to design and redesign responsive workforce development programs. Successful programs have honed practitioner's skills in gathering current and emerging local labor market information, responding to changing needs of industries and the workforce, and tailoring programs to meet those changing needs.

In California, the Napa Valley Economic Development Corporation, working with the state Training and Employment Center, had developed a career ladder to meet the needs of the information technology industry. It modified that career ladder by merging two or more levels to reflect the structure of small firms in the context of IT's downturn.

Similarly, Detroit's Focus: Hope eliminated network installer training as job openings slowed down, but it kept desktop administrator and network administrator training, and it established a paid internship for graduates of its 20-week information technology training program. The internship allows employers and interns to check one another out prior to a hiring. Internships have made it easier for Focus: Hope to make IT job placements. Focus: Hope also consolidated placement staff and operations from the manufacturing and the IT side, according to Assistant Director Ken Kudek. Previously, the manufacturing and IT placement operations (including staff) were decentralized. Kudek says that Focus: Hope consolidated them "to get the best bang for the buck. . . . Now if one of the placement people is on the phone with an employer and they say they have no manufacturing jobs, they say 'what about IT?'"

As to manufacturing, by mid-2002 Focus: Hope was having difficulty making placements, so it turned to new approaches, such as monitoring suppliers' contract awards to identify employers who might be hiring. The organization also began to bring back graduates who were still searching for jobs and give them a "three-day wire brushing," including training in interviewing, a resume review, and advice regarding employer contacts. In mid-2003, Focus: Hope continued to place graduates in machining jobs, although what used to take ninety days took up to six months.

When San Francisco Works investigated the possibility of developing career ladders in financial services and in legal services, it used its employer relationships, focus groups with employers, and sources of labor market data to conduct an assessment of labor market demand, existing workforce skills, job skill requirements, pay levels, advancement pathways, and human resource challenges, and then to design a responsive program that meets both worker and employer demand. As a result of this approach, which SFWorks had developed while the San Francisco economy was still strong, the organization decided to pursue a legal services career ladder but not one in financial services. The downturn's greater impact on financial services, the prospect of stronger continuing demand for skilled labor in legal services, higher levels of entry-level pay in legal services, and the greater interest of law firms all played important roles in SFWorks' decision.

The Wisconsin Regional Training Partnership, which developed its labor-management model in manufacturing during the 1990s, made major adaptations in response to the downturn while expanding in accord with its mission. Faced with a significant decline in manufacturing in recent years, WRTP continues working with manufacturers and labor to modernize production processes, keep plants open, and train workers, but it has also diversified its services and its focus to include hospitality, health care, transportation, and other industries.

Linking Workforce Development with Local and Regional Economic Development

Many state officials and practitioners Jobs for the Future interviewed, such as those in California, Florida, Massachusetts, Michigan, Ohio, Oregon, Tennessee, Washington, and Wisconsin, have increased the linkage of workforce development with local and state economic development efforts. By doing so, they are opening up opportunities for low-wage workers and others confronting the downturn. Those we interviewed noted that workforce development can support a variety of economic development strategies, such as assisting strong industries to address workforce issues that constrain growth, creating a workforce for emerging industries with significant growth potential, retaining troubled industries, and using portfolio approaches. Some states pursue several of these strategies. Their efforts often are long-term in nature, rather than designed in response to a particular phase of the business cycle. However, states and practitioners have often adapted them in response to changes in the economy.

Assistance to Well-Established Industries

States such as California, Massachusetts, Ohio, Oregon, Tennessee, Washington, and Wisconsin have linked workforce development to economic development to assist well-established industries in which workforce issues constrain growth or productivity. "We're looking for the horse that's already out of the barn," says an official in Oregon, which targets health care and information technology, two industries that provide large numbers of jobs and have employers who are committed to engaging in workforce development.

The health care industry in many states provides an example of targeting an established industry with intense workforce needs. Workforce development programs focus on health care because of its continued demand for workers and its career opportunities for workers with limited skills and work experience. All seven states noted above have major investments in workforce development activities targeting health care in response to labor and skill shortages among nursing and allied health staff, and many organizations have joined them in doing so.

Wisconsin's Technical College System increased the number of students it trained in health care by 24 percent in the past year, from 6,700 to 8,300, and will continue expanding that capacity. "We shifted money from other programs." says Dr. Richard Carpenter, director of that system. "There were 12,000 vacancies, so we still fell short of meeting the need."

Tennessee capitalized on severe shortages in these occupations to develop career ladder programs, Massachusetts sponsored and funded several career ladder initiatives in the health care industry, and California targeted workforce development funding to health care. Community college systems in Denver, Tennessee, and Oregon also have high-level collaborative structures and programs to recruit, train, and promote health care workers.

Assistance to Emerging Industries

Florida, Ohio, and Washington officials and practitioners have focused on emerging industries. Eager to get ahead of the curve in serving workers and industry, they have, as one state official put it, adopted a "windshield versus a rear view mirror approach." Their efforts are typically long-term, rather than responses to a particular phase of the business cycle, but they are informed by questions of economic downturn and recovery. Typically these officials want to promote industries with good jobs. They make long-term investments in efforts to prepare workers for them, and then try to maintain those investments in the context of state fiscal crises. Aligning state and local workforce development with economic development can make it easier to use training strategies to assist emerging industries, while helping low-skill workers enter those industries and advance in them.

Washington is explicitly trying to strengthen emerging industries. It has channeled $34 million in dislocated worker funds toward building the capacity of community and technical colleges to retrain workers for such industries. The state views the community college system as a vehicle for helping retrain workers for the jobs these industries offer.

As a result of Governor Bob Taft's Third Frontier Initiative, Ohio now undertakes its workforce development activities in an economic development framework designed to support emerging industries. This reshapes many aspects of the workforce development system. Ohio's labor market information services now focus more tightly on defined groups of industries. The state's workforce development services are more aware of and responsive to the possibility that companies in these industries are at risk and that their employees may be laid off. Meanwhile, the state has identified training opportunities in information technology and high tech.

Curtis Austin, president of Workforce Florida, works with Enterprise Florida, which provides information on growth industries or those on the edge of economic recovery. That information led Workforce Florida to change its strategy for information technology and manufacturing and also to undertake a major new initiative to retrain tourism industry employees for stronger industries.

Assistance to Industries Facing Difficulties

Longstanding state and local involvement with strategies to assist industries facing difficulties grew much deeper after the economy's decline began. For instance, in Massachusetts, Workforce Investment Act rapid response funds were used to provide business assistance services to companies for averting lay-offs.

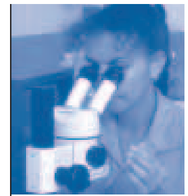
The strategy of Salem, Oregon, demonstrates a promising approach. Efforts there focused on assisting a troubled industry cluster: the frozen food industry and auxiliary businesses. Economic development groups and the local workforce development board worked with an industry group that was established to help these employers survive tough times. Together, they integrated several different workforce development efforts into a more comprehensive strategy that focused on resource utilization, cost cutting, and avoiding layoffs. In collaboration with employers, they provided the workforce, which was primarily composed of people whose first language was not English, with training in both occupational skills and English.

The impact of such business retention strategies can be substantial. According to Tom Croft, director of the Steel Valley Authority in Pennsylvania, "Economists have estimated that each job that is lost can result in lost revenues or increased public expenditures equaling $25,000 per year." Croft points out that rapid response resources under the Workforce Investment Act can support a variety of layoff-prevention strategies, including pre-feasibility studies for avoiding a plant closure, training that provides incumbent workers with skills needed to keep a business open, and linkages with economic development activities (NGA 2002).[3]

Portfolio Approaches

Some state officials and practitioners use a portfolio approach: they assist a mix of industries and expect some to maintain strength no matter what else happens in the economy. These interviewees emphasized that seemingly strong industries can decline quickly and that more diverse economies withstand economic downturns better.

According to Céline Haugen, director of the Napa Valley Economic Development Corporation, economic diversity is central to her region's resiliency, and she designs strategies with the goal of maintaining or



increasing diversification. Practitioners and policymakers should take this approach, says Haugen, by pursuing a range of programs and allocating resources across multiple sectors.

Similarly, Curtis Austin of Workforce Florida pointed out that areas of Florida with more diverse economies have responded better to the economic downturn than areas where tourism is dominant, such as Orlando, which was hit very hard in the aftermath of September 11.

Ledy Garcia-Eckstein, assistant director of the Mayor's Office of Workforce Development in Denver, noted the same thing. She pointed out that high tech, the dot-coms, and telecom fueled the Denver economy; their sharp decline had a severe impact.

Making Job Training and Expanded Unemployment Resources Available to Low-Wage Workers Who Lose Their Jobs

In the boom economy, individuals lacking either high school or postsecondary credentials benefited from the tight labor market. But the low rate of unemployment that made it easier for them to obtain work is long gone—and their jobs have gone with it. Moreover, they now compete in the labor market with semi-skilled and skilled workers who have lost their jobs.

Just as they face greater competition for jobs, those with limited education face more limited access to education and job training. One measure is the double-digit enrollment increases at community colleges as those who are no longer working go back to school. In addition, state fiscal crises have forced reductions in adult and postsecondary education.

In this difficult environment, it is notable that some states and programs, such as those in Florida, Pennsylvania, Tennessee, Texas, and Washington, have increased the availability of education and training for the unemployed and, in particular, for unemployed workers with limited skills. Often, they have directed workforce development funding sources to support job training and education programs. By doing so, they have offered opportunities to those with limited job prospects.

Increased Support for Education and Training

In Seattle, state and local agencies scrambled to assist the immigrant population that was employed as airport screeners prior to 9/11. These dislocated workers gained access to skills training, as well intensive ESOL classes. Massachusetts was successful at bringing National Emergency Grant resources to the state to provide ESOL and skills training to large numbers of dislocated workers from the tourism, manufacturing, and technology firms.

State officials and practitioners also responded to regional and industry-specific downturns with training programs. Texas border communities have experienced massive layoffs in recent years, so the state funds "industrial strength English" for Spanish speakers. A manufacturing project marries English immersion classes and training in soft skills with training in technical skills, preparing workers for six targeted entry-level jobs and then for five targeted advancement jobs.

Even some states that trimmed spending bolstered efforts in adult and postsecondary education, understanding the close ties to economic development and efforts to raise per-capita income. Tennessee, having found that many workers affected by NAFTA-related plant closings lacked basic educational skills or credentials, involved vocational schools and community colleges in providing GED preparation and remedial preparation for retraining.

Connecting Funding for Education and Training with Unemployment Insurance

Florida and Washington State are examples of the use of unemployment insurance to provide income to those who have lost jobs while they develop new skills.

Using U.S. Department of Labor funding, Florida's Operation Paycheck served tourism workers who lost their jobs in the wake of 9/11, including low-wage workers as well as those who had held better jobs. Through July 2003, community colleges, voc-tech schools, and proprietary schools provided accelerated training in high-demand occupations, and it helped give people a boost toward gaining credentials by granting credit for "life skills." The training was designed to last less than 26 weeks—the amount of time unemployment benefits are available in Florida.

Washington State stands out for its commitment to using unemployment insurance to support training. Washington's program extends benefits for a maximum of 52 weeks to a broad category of displaced workers participating in skills training (AFL-CIO 2003).[4] It has found the resources to continue its commitment in the face of a difficult budget environment. While the state recently reduced its regular benefits (for instance, from 30 weeks to 26), the state budget passed in June 2003 provided $40 million to support retraining benefits during the next three years (Access Washington 2003).

Upgrading the Skills of Low-Wage Incumbent Workers

As the economy slowed, employers and workers maintained a high level of interest in training incumbent workers, and low-wage workers continued to want training.[5] In response, state officials and practitioners attempted to maintain funding for training and redesign programs to meet the changing needs of companies and incumbent workers. They have done so in the context of increasingly scarce resources.

State fiscal crises have forced the bulk of state-financed job training programs to cut back. JFF's recent analysis of 30 programs in 16 states with a track record of commitment to job training shows that 60 percent had experienced funding cuts (Biswas and Mills 2003). Notably, at the time of that report, California had established a moratorium on Employment and Training Panel funding awards. Further, among the 15 programs that provided projections, 87 percent expected budget cuts in the future. Federal formula funding for workforce development had also declined during the last several years.

Funding for Incumbent Worker Training

Florida, Kentucky, and Pennsylvania have stuck by their state allocations for customized training. Ohio even recently invested $1 million in integrated systems technology at each of its community colleges to increase capacity for skill training. Wisconsin continues to earmark TANF dollars for incumbent worker training through the Worker Attachment and Advancement Fund, although the allotment will be scaled back in this fiscal year.

Moreover, state officials and practitioners have provided training to incumbent workers by combining federal and state funds, even as both have declined. For instance, of 16 states surveyed recently by the General Accounting Office, 13 used WIA state set-aside funds, 11 used TANF funds, ten used state general revenue funds, and six used funds related to unemployment insurance (GAO 2003).[6] Further, some states targeted funding to the needs of low-wage workers: California's Employment Training Panel earmarked at least $15 million each year for areas of high unemployment before the moratorium was declared, and Florida's workforce training grants gave priority to urban enterprise zones and distressed rural areas.

According to the GAO, nearly all states reported funding basic skills training, including training in basic math skills and ESOL for employed workers with low levels of education. For instance, Texas funded ESOL training in workplace literacy primarily for Vietnamese- and Spanish-speaking workers participating in health care training.

Is support for incumbent worker training worthwhile in the context of tough fiscal times? Absolutely, says one Massachusetts workforce development official, particularly if you want to keep employers at the table. "The downturn is an opportunity to retool," she says.

Redesigned Programs

States also revised the design of programs. New Jersey's workforce development system developed the capacity to gear programs specifically to the training needs of small businesses and their workers. It uses the community college system to deliver human resource training to business owners and soft and technical skill training to low-skilled employees.

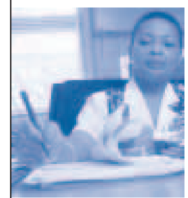
In 2001, EnterpriseOhio, a network of Ohio's two-year colleges, established Skills Max. This program is designed to improve the quality of assessment and training services, expand access to high-quality services, and reduce costs. According to EnterpriseOhio, Skills Max was needed because:

> *maintaining the fit between worker skills and specific job requirements has never been easy. Yet, in today's fast-changing environment, it's more difficult—and more important—than ever before. . . . [S]kills and workforce assessment services often are fragmented. Methods for selecting, assigning, training, promoting, retaining, and replacing workers can be very expensive. The 95 percent of Ohio companies that are small businesses have had a particularly difficult time absorbing the costs of hiring, training and replacing workers (Enterprise Ohio Network n.d.).*

These issues became even more significant as the economic downturn continued.

PART III.

Developing the Infrastructure and Redesigning Funding for Advancement



In response to tough times, innovative officials and practitioners have developed ways to support the strategies described in Part II by institutionalizing the responsiveness and flexibility needed to take effective action in a difficult and changing labor market. Moreover, those approaches use resources more efficiently in a time when a key motivation for state officials and practitioners is achieving a better return on public investments. These approaches include:

- Improved collaboration within the service delivery system;
- Strengthened partnerships with industry;
- Increased local flexibility; and
- Support of workforce intermediaries.

These changes affect the institutions through which decisions are made, resources flow, and services are delivered. They are changes in the *infrastructure* of workforce development: "We have changed the structure of government and our approach to service delivery," says an official from a state that has created a cross-agency group comprised of secretary-level representatives of adult and vocational education, colleges, economic development, and the agency representing TANF and workforce development to foster workforce development in an economic development framework.

While infrastructure changes may allow better use of scarce resources, it is not a panacea. Even in states with strong and continuing commitment to workforce development, budget cuts are the rule: "Even the best infrastructure in the world can't work without resources," as another state-level official notes.

Improved Collaboration Within the Service Delivery System

Local workforce development organizations and state agencies have collaborated in California, Florida, Kentucky, Massachusetts, New Jersey, Ohio, and Pennsylvania, finding new ways to meet changing demand for services and to survive when funding is increasingly hard to obtain. These collaborations are often a response, at least in part, to governors and other policymakers who *want* more comprehensive, responsive workforce development systems and *need* greater efficiency.

Better approaches to collaboration support the strategies identified in Part II by improving the use of funding, aligning workforce development with economic development goals, and improving service delivery. By doing so, these approaches make it easier to provide services that meet the needs of businesses and individuals confronting the downturn. At the same time, they reduce excess costs and the duplication of services, make it easier to draw on multiple funding streams, and increase the quality of services.

New intergovernmental structures have increased flexibility and improved the use of funding.

Intergovernmental structures that bring about collaboration around a common agenda increase flexibility and improve the use of resources. For example, Kentucky's Workforce Alliance gives state officials the means to respond to the downturn. The Workforce Alliance is an adult education initiative that includes state education and community college officials, their economic and workforce development counterparts, and the Kentucky Workforce Investment Board. Even when Kentucky trimmed budgets in the last year, it remained committed to adult education as a lynchpin for raising the standard of living. The alliance doubled its service numbers from 11,000 to 22,000 working adults. "The collaboration and cross-fertilization that result from working with these other agencies has been the key," says Kentucky Community and Technical College System Chancellor Dr. Keith Bird. "We sit down regularly. . . . We have different funding sources, and we look at which pot is best suited to a particular use or project. We're not merging the funds, but we have the ability to use each most efficiently toward the goal."

Using resources in this way has also helped to eliminate red tape and bring down administrative costs. "We have bent the bureaucracies to be more flexible and created some efficiencies," says Bird.

In Ohio, collaboration spurred by the desire to better serve businesses has provided the means to make workforce development more efficient, according to Bruce Madson, deputy director of the Department of Jobs and Family Services' Office of Workforce Development. Governor Taft established a workforce cluster that

includes cabinet-level representatives of education, the Board of Regents, economic development, and jobs and family services. The purpose is to implement the broad goals of the state strategic plan by determining deliverables, eliminating duplication, and coordinating the efforts of each agency.

California has recently created a cabinet-level Labor and Workforce Agency to improve access, accountability, and efficiency of the state's workforce training programs. With the same goals in mind, New Jersey has consolidated apprenticeship programs, adult literacy, lifelong learning programs, and basic skills programs under a newly created Department of Labor and Workforce Development.

Collaboration has aligned workforce development with economic development priorities and business needs.

By increasing collaboration among workforce development, economic development, and other agencies, states can more efficiently target, *and retarget,* operational funds to industries and occupations that demonstrate continued demand during an economic downturn. Florida's workforce development system has made important strides toward putting into operation a collaborative relationship with Enterprise Florida. This economic development corporation guides the workforce system's focus on traditional industries, growth industries, and those on the edge of economic recovery. Workforce development agencies focus heavily on information technology, for example, because that is a state priority. As the IT job market has softened, Enterprise Florida has guided agencies both to continue pursuing information technology training and to broaden their placement focus to other industries.

Pennsylvania had changed how it oversees and distributes funds, seeking to ensure that dollars support economic development goals. Pennsylvania now channels all state and some federal workforce development resources through its Department of Community and Economic Development. This change enables the state to tie training efforts more effectively to key industrial sectors, business recruitment, and economic dislocation.

Collaboration at the state and local level has improved service delivery.

Ohio is working to consolidate its One-Stops and employment services, enabling the state to serve a broader spectrum of employers and job seekers while reducing infrastructure-related costs. To do so, the state has developed a certification process for One-Stop Career Centers, which must meet certain benchmarks. It will locate Employment Security staff at One-Stops that achieve certification. The certification process and collaboration among other One-Stop partners and the Employment Security staff will improve the quality of services. Meanwhile, Ohio will save money by co-locating One-Stop and Employment Security staff.

In response to the rapidly growing number of individuals seeking services from its WorkSource (One-Stop) system, Washington State made it easier for community-based organizations to co-locate in WorkSource centers. Seattle's Workforce Investment Board also earmarked WIA resources to help community-based organizations put staff in the WorkSource Centers. The culturally and ethnically diverse employees of the community-based organizations have helped to staff the centers and assist clients, who are from a wide variety of backgrounds.

Through collaboration, New Jersey's One-Stops developed a new package of services to strengthen fragile local business sectors and promote advancement for their low-wage workers. The One-Stops now house Business Service Centers focused on the workforce needs of small businesses and their employees. Drawing on a consortium of community colleges, the centers physically connect workforce and economic development, providing technical assistance on shared workforce and entrepreneurship issues, such as "growing" small businesses. They screen and test job applicants and offer seminars on human resource topics (e.g., how to retain employees, how to promote career advancement for workers, how to create career ladders, how to manage difficult employees).

In Massachusetts, three workforce investment boards collaborated to bring local partners together to define better customer service strategies at One-Stop Career Centers and to develop staff capacity building approaches for improving service delivery.

With encouragement from San Francisco's Workforce Investment Board, the San Francisco Information Technology Consortium is deepening collaboration among providers of training and other services. One goal is to reduce costs by eliminating service delivery duplications. Another is to better meet employers' and participants' needs by linking the various training offerings of consortium members. The consortium brings together six non-profit employment and training agencies, along with several public agencies involved in workforce development.[7] The network integrates previously isolated programs to ease participants' access to career-ladder training and support services, leading to employment at sustainable wages. The consortium provides three tiers of increasingly skilled high-quality training and job placement to individuals with limited skills and experience, including current and former TANF recipients. In the context of cuts in City College of San Francisco's funding for continuing education, the community college has continued to partner with other San Francisco Information Technology Consortium members to help low-wage workers gain information technology skills. Agencies such as Goodwill and Jewish Vocational Services provide support services to increase participants' success in the courses.

Strengthened Partnerships with Industry

State officials and practitioners increasingly provided roles for representatives of industries and workers at the forefront of workforce development initiatives during the strong economy of the late-1990s, and they continued this approach after the downturn began. By doing so, they strengthened state and program infrastructure, making it more likely that workforce development decisions are relevant to the needs of business and their low-wage workers as economic conditions change. Massachusetts, New Jersey, Oregon, Washington, and Wisconsin provide examples of states that are staying on top of labor market trends, adjusting the industries and occupations with which they work, and customizing services—in minor and major ways.

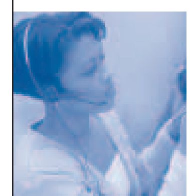
As described in Part II, many of those JFF interviewed have targeted resources to industries and occupations with the highest demand for workers and skill development, and they have focused more narrowly on particular industries or occupational clusters, including health care, information technology and manufacturing in order to do so. Stronger partnerships between industry and government support this strategy.

Local Partnerships with Industry

The relationships of some community colleges with business and labor serve them well as the labor market changes. Richard Carpenter, director of Wisconsin's technical college system, points to his colleges' ability to adapt quickly, thanks to ongoing employer advisory committees and specialists who regularly meet with employers. According to Carpenter:

> *In other places there's a time-lag between equipment and curriculum and what employers need. The community colleges are always catching up. Here it's more of a partnership. Long before [employers] make a switch in technology or equipment, they talk to us. We're training people before [the companies] make the change. We stress that we're not in a client-service role but that we want to be a partner. . . . That means we're very much able to respond to their needs. If you have a partnership, you don't have to knock on doors to say, "I want to assess your needs." You have the infrastructure to know what employers need.*

The work of the Seattle Workforce Development Council (the area WIB) with a group of hospitals provides a recent example of the power of local partnerships in meeting the needs of employers while advancing low-wage workers. Several years ago, the council established industry panels in four industries as a primary means for identifying employer needs and developing employer relationships. The industry-panel approach led to a decision to target health care and to a deep understanding of hospitals' needs in the current economic environment. A career ladder program, developed last year, extended the Health Care Panel's work into service delivery. Hospital representatives play a central role in decision-making about services. It has been so successful that many more health care facilities want to participate.



State-Level Partnerships with Industry

In 2002 Washington State invested $1.5 million of Governor's WIA discretionary funds for the state's community and technical college board to work with unions, state workforce development agencies, and the Association of Washington Businesses. The result is up-to-date information on a regional basis for industry clusters regarding occupational demand, skills gaps, and workforce training strategies. Analyzing the information has provided a framework to guide decision making around the use of WIA, TANF, higher education, and other workforce development dollars. The state also involves business and industry panels in the granting of state funds to community colleges; again, this helps ensure that the resulting programs are relevant to current labor market needs.

Similarly, Oregon's Workforce Skill Development Project brings together business, labor, and training organizations to strategize about the skill needs of employers and workers. New Jersey's Business Advisory Councils play a related role and also help conduct outreach to businesses across the state.

The Massachusetts state legislature funded a Nursing Home Quality Initiative that included in its first year, 2000, $5 million for the Extended Care Career Ladder Initiative, and it continued funding for the following three years. Commonwealth Corporation, the administrator of the program, brought together 25 industry and other representatives to shape the program.

Increased Local Flexibility

Practitioners say they require the flexibility to tailor programs to local labor market conditions, support low-wage workers through an advancement continuum, keep employers engaged, and address their changing needs. State officials agree. They point out, for instance, that the flexibility to remain closely connected to employers as the labor market changes is crucial. As Mishy Lesser, Vice President for Program and Resource Development at Massachusetts' quasi-public Commonwealth Corporation says:

> *Program designers and operators need to be willing to adjust their expectations over the course of multi-year workforce partnerships. Even if early on employers commit to bringing on new hires, they may change their mind when the economy shifts. And if you want to keep employers engaged in building sector-based interventions, you have to meet them where they are and reconsider some of the original outcome measures. Perhaps the employers are no longer willing to hire, but they may be willing to train and promote from within, develop industry skill standards and industry-relevant curriculum. They may also be interested in building ties to community colleges and One-Stop Career Centers to help them reshape how they conduct training and recruitment/hiring. And that's a worthwhile investment.*

Broadened eligibility requirements have increased flexibility.

Local and state agencies in California, Colorado, and Tennessee have used broader eligibility requirements to increase flexibility. Los Angeles recently tied eligibility for training to the higher of two figures: the city's living-wage standard or 200 percent of poverty—and for dislocated workers, the eligibility limit is pre-layoff wage levels up to $60,000. As a result, more of the workforce is eligible for training and other services, benefiting them and employers who want trained employees. Denver has continued to allow the use of TANF dollars to provide training and support services to individuals earning up to 225 percent of poverty, enabling programs to reach the working poor. Tennessee, where officials are eager to capitalize on the opportunities for retraining presented by layoffs, permits enrollment of some dislocated worker clients in more than one program. As one funding stream runs out and a new one becomes available, co-enrollment can ensure that low-wage workers have sustained access to services they need for reemployment.

Combined funding streams have increased flexibility.

Some states, local Workforce Investment Boards, community colleges, and a wide range of other organizations have combined multiple funding streams in order to gain flexibility in responding to the education, training, support services, and employer services required by employers and low-wage workers. The goal of combining funding streams has a long history, but flexibility is particularly important in the face of declining funding.

In Massachusetts, the Building Essential Skills through Training (BEST) Initiative has channeled investments into health care, biotechnology, and other industries that offer the promise of career mobility for low-wage workers. In the BEST initiative, state officials merged funding from the Workforce Investment Act, Adult Basic Education, the Workforce Training Fund (a state source for incumbent worker training), and, originally, TANF in order to fund industry-driven regional programs.

Having flexibility in using resources also enables programs to continue service in the context of budget shortfalls. Says Eric Parker of the Wisconsin Regional Training Partnership:

> *There's just a general lack of money. It's not in the cards to get more federal resources for these sorts of programs, so you have to ask, how do you make more effective use of the resources you have? It's tough when there are federal mandates saying how resources have to be used. . . . You need to have greater flexibility.*

Quicker and simpler decision making has increased flexibility.

To respond to employers in a changing economy, programs need more rapid funding decisions, an objective that has guided local and state efforts in California and Massachusetts.

Making it possible for funding to flow rapidly is the goal of a $300,000 per year, customized job training fund that the Private Industry Council of San Francisco recently established. These funds, targeted to advancing low-wage workers, make it possible for training programs to respond to emerging employer needs much more quickly. They also address the shortage of job training funds by requiring a 50 percent employer match.

In Massachusetts, the Division of Employment and

Training developed and continues to operate the Workforce Training Fund Express to complement its overall incumbent worker training fund. Compared with the larger Workforce Training Fund, the Fund Express reduces paperwork, uses a less cumbersome review process, and has a quicker turnaround time for grants up to $15,000. This facilitates access for small businesses, which represent a fragile but important part of any local economy, thereby helping sustain their low-wage employees during a downturn, while increasing their skills.

Support of Workforce Intermediaries

Local organizations that provide workforce development services and play an intermediary role among labor market stakeholders have shown that they can play an important part in meeting the workforce development challenges that employers and workers face during the downturn. These workforce intermediaries are recognized by employers and workers as trusted, valued partners, which positions such organizations well to meet the needs of both these customers as economic and budgetary conditions change.

Workforce intermediaries point to their capacity to move quickly—and to change direction with industry needs. “You rarely know the design of your next initiative ahead of time. It’s like a puzzle that you put together as you find the pieces,” explains Rebekah Lashman of the Boston Private Industry Council. “And you can only find the pieces by being in a lot of places over time, talking to people, and listening to their needs” (Kazis 2003). Workforce intermediaries are distinguished by speed, responsiveness, and flexibility. These key traits provide them with agility in responding to economic change.

For example, the Wisconsin Regional Training Partnership is a labor-management partnership involving 100 employers and unions that actively engage in planning activities and the design of training to meet collective needs. WRTP coordinates training from a variety of providers. As the economy changed and placements and retention in certain industries have become difficult, WRTP diversified and adapted by focusing on different kinds of services, different kinds of financing for job training, and different industries. As manufacturing crashed in the Milwaukee area, WRTP focused on modernization. It tried to keep plants open and provided training for the current workforce to support modernization efforts. According to Eric Parker, WRTP’s executive director, “It’s hard to support this work, but it’s really critical and it pays off later in placements, because working on things like that with employers gives you the credibility to have them commit to hiring participants in your workforce development program.”

When manufacturing job placements disappeared, WRTP found that it was able to increase placements in construction and health care. The organization reduced staff time dedicated to manufacturing work and reallocated it to other sectors.

Not only does this flexibility benefit employers and workers, its results benefit WRTP. “The downturn is a real opportunity because of the awareness that we continue to have great performance,” Parker points out. “Our piece of the pie will continue to grow even if the funding is reduced.”

Workforce intermediaries have faced challenges due to the scarcity of funding, as well as changes in the labor market. These challenges become even greater with increases in the difficulty of funding the activities that make workforce intermediaries agile and effective. According to a 2002 survey by the National Network of Sector Partners (NNSP) of 243 workforce intermediaries, funding for intermediary activities came primarily from WIA Governors’ Discretionary 15 percent funds, Dislocated Worker funds, and WIA Individual Training Accounts. TANF and state department of labor and education funds were secondary public sources of financing. While diverse, these sources generally pay for the delivery of training and other services to workers.

Many activities—such as partnership building, market development, strategic planning, packaging of funding, changing public policies, and influencing human resources practices—were hard to support before the tough times began, and it has only become harder since then. As Dan Berry of the Greater Cleveland Growth Association notes:

> *The public resource streams are tied to outcome measures for individual clients—wage gains, placement rates, and advancement. While those are very important, the Individual Training Accounts and performance indicators don’t allow for a lot of flexibility in creating capacity, because you generally can’t recapture the development costs in the training (Kazis 2003).*

According to the NSSP, 67 percent of those surveyed found it difficult to secure sufficient funding to coordinate key stakeholders, and 51 percent found it difficult to secure sufficient funding to undertake labor market research and analysis.

These organizing and planning services are a crucial way in which workforce intermediaries add value, and tough economic times increase the importance of this function. John Fitzpatrick, executive director of the Capital Area Training Foundation in Austin, Texas:

> *We act as a consolidator for employers. We simplify their task by linking them with others who have a similar need. What individual employers have neither the time, capacity, nor desire to do alone—find upgrade training for a small number of employees, for example—they might be very willing to participate in if a third-party lowers the transaction costs (Kazis 2003).*

Some states have funded workforce intermediaries. Through various programs, the California Employment Development Department (EDD) explicitly has supported efforts by workforce intermediaries, including employer organizations, unions, and labor-management partnerships, to develop career ladders for low-wage workers. Funding from the department's Career Ladders for the 21st Century project supports initiatives in hospitality, health care, banking, and child care. These initiatives include projects sponsored by the Hotel Employees Restaurant Employees Union locals in Los Angeles, San Diego, San Francisco, and San Jose; the California Association of Health Facilities (an industry association of more than 1,500 nursing homes); and a partnership of Service Employees International Union Local 250 in Northern California with large acute care employers, such as Kaiser Permanente.

EDD Director Michael Bernick says that, with limited resources, the state deliberately invests in organizations that have the industry clout to make career ladders work. Comparing the impact of government-funded training accounts to this strategy, Bernick says:

> *Mobility for low-wage workers lies instead in skills-upgrading projects that are industry-based and influence the structure of jobs, not merely the skills of workers. Such projects are developed primarily by industry associations and labor unions. They institutionalize training so that entry-level workers are seen as important parts of a profession—not as an unstable, transitory workforce. Not only are internal job ladders strengthened, but more important, new, intermediate job categories—with increased responsibility and pay—are created.*

Bernick points out that WIA discretionary funds allocated to the state have also been used by the community college system to support intermediaries' research and development activities.

In Massachusetts, the BEST initiative required applicants to form "regional industry teams" that included business partners, workforce investment boards, workers or organized labor, and education and training providers. BEST also strongly recommended the inclusion of industry groups, elected public officials, One-Stop Career Centers, and community-based organizations. Funding supports efforts to bring about career advancement and the integration of education, training, and support services. The BEST initiative has helped give rise to intermediary-led sectoral and career ladder programs in health care, financial services, manufacturing, and biotechnology.

In Wisconsin, Parker points to Governor Jim Doyle's interest in supporting WRTP in replicating its approach in other regions of Wisconsin, even in the face of a looming budget deficit. WRTP has begun working in the paper industry, with 10 plants. Parker expects that further replication work will probably start with a multi-sector focus.

Yet due to fiscal conditions, the future of the California and Massachusetts programs, and their support for intermediaries, is uncertain. California has placed at least a temporary moratorium on new awards for career ladders and incumbent worker training. Massachusetts is unlikely to fund a 2003 BEST round, although a smaller amount of state funding has been committed to an initiative focused on meeting the workforce development needs of Boston employers and creating advancement opportunities for low-income individuals. Primarily funded by foundations and the city, the Boston initiative will support the efforts of employer-led intermediaries to advance low-wage workers.

Conclusion

The economic and fiscal conditions that brought about the lessons described here are likely to continue. The economy is idling, and predictions are widespread that recovery (when it occurs) will be a jobless one. In addition, states will face fiscal crises for the foreseeable future: a May 2003 survey of 771 state legislators, commissioned by the Pew Center for the States, found that they "overwhelmingly expect at least two more years of dire budget problems" (Gibbons 2003).

Just as current conditions are likely to continue, the relevance of these lessons for state officials and practitioners will persist. The Pew survey found that "two-thirds of state legislators say their state has lost ground over the past two years in the areas of jobs and the economy" and that "state legislators put education (39 percent) and the economy and jobs (34 percent) at the top of their list when asked to name the top priority for their state's attention over the next two years, other than maintaining a balanced budget" (Princeton Survey Research Associates 2003).

Efforts to advance low-wage workers to self-sufficiency are relatively new. They gained significant momentum in the boom economy of the late 1990s, but experience with their effectiveness in more difficult times is limited. This report provides examples of strategy and infrastructure changes that state officials and practitioners have found effective as they have faced very difficult economic and fiscal conditions.

They have increased agility, linked workforce and economic development, developed skills of unemployed individuals, and upgraded the skills of those who are working. They have also improved collaboration within the service delivery system, strengthened industry partnerships, increased flexibility, and created or supported workforce intermediaries.

By doing so, they have demonstrated that advancement efforts can continue in the context of difficult labor market conditions. In addition, they have shown ways to strengthen the capacity of workforce development to respond effectively to changing economic and fiscal conditions in general. The changes in strategy and infrastructure they have carried out provide lessons for other policymakers and practitioners.

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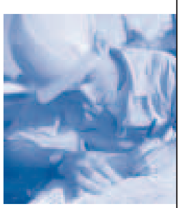

Interviews

To research responses to the impact of tough times upon efforts to advance low-wage workers, Jobs for the Future conducted a series of interviews with 38 leading state officials and practitioners in the field of workforce development.

Curtis Austin, Workforce Florida

Michael Bernick, Employment Development Department, California

Keith Bird, Kentucky Community Technical College System

Jane Burgess, Workforce Florida

Richard Carpenter, Wisconsin Technical College System

Andra Cornelius, Workforce Florida

Susan Crane, PortJobs, Seattle

Fred Dedrick, Regional Workforce Partnership, Pennsylvania

Lucia Fishburne, Workforce Florida

Alex Francois, Bay Area Construction Sector Intervention, California

Ledy Garcia-Eckstein, Denver Mayor’s Office of Workforce Development

Roberta Gassman, Wisconsin Department of Workforce Development

Celine Haugen, Napa Valley Economic Development Corporation, California

Clay Howell, Project Quest, Texas

Don Ingram, Tennessee Department of Labor and Workforce Development

Benetta Johnson, Alameda Corridor Jobs Coalition, California

Charla Anne King, Texas Workforce Commission

Jack King, Massachusetts Department of Employment and Training

Gavin Koon, Contract Services Administration Trust Fund, California

Albert G. Kroll, New Jersey Department of Labor

Ken Kudek, Focus Hope, Michigan

April Lackey, Oregon Career Network

Nancy Laprade, Kentucky Workforce Investment Board

Mishy Lesser, Commonwealth Corporation, Massachusetts

Luis Macias, Texas Workforce Commission

Bruce R. Madson, Ohio Department of Job and Family Services

Debbie Miller, Goldendale Aluminum, Washington

Paul Niedzwiecki, Commonwealth Corporation, Massachusetts

Eleni Papadakis, Commonwealth Corporation, Massachusetts

Eric Parker, Wisconsin Regional Training Partnership

Mary Pena, Project Quest, Texas

Tom Pendergast, Alameda Corridor Jobs Coalition, California

Elaine Perryman, Tennesee Department of Labor and Workforce Development

Ed Phippen, Workforce Development Council of King County, Washington

Henry Plotkin, New Jersey State Employment and Training Commission

Mike Porter, Washington State Board for Community and Technical Colleges

Cam Preus-Braly, Oregon Department of Community Colleges and Workforce Development

JenniLee Robins, Workforce Florida

Larry Temple, Texas Workforce Commission

Bryan Wilson, Washington Workforce Training and Education Coordinating Board

Linda Wong, Los Angeles Manufacturing Network Initiative, Community Development Technologies Center, California

Notes

[1] Interviews were conducted with state officials in California, Connecticut, Florida, Illinois, Indiana, Kentucky, Massachusetts, Minnesota, North Carolina, New Jersey, New Mexico, Ohio, Pennsylvania, Texas, Washington, and Wisconsin.

[2] Most of the organizations have 1,000 to 5,000 employer members, with four representing 5,000 to 20,000 employers.

[3] Croft cites a Center for Community Change estimate that the average cost of community-based job retention programs is $200-4,000 per job, an amount that is in the range of other workforce development services.

[4] Although other states are not as supportive as Washington, Massachusetts and Oregon provide additional support for those they approve for training, and 17 other states will approve training for individuals receiving unemployment insurance on a case-by-case basis. By providing 26 to 39 weeks of unemployment benefits, states offer an individual an opportunity to improve or acquire basic skills, occupational skills, and credentials.

[5] In spring 2003, Lake, Snell, Perry & Associates surveyed 1,002 low-wage workers for Jobs for the Future and found that 70 percent of workers with family incomes under 200 percent of poverty want education or training in order to advance their careers (Jobs for the Future 2003). These results are corroborated by reports from the field. In Oregon, a state with one of the highest unemployment rates, Portland Community College representatives told JFF that area employers continue to request training as many of their employees lack the skills necessary to be successful in the workplace. According to John Sweeney, President AFL-CIO, the Culinary and Hospitality Academy, created by the Hotel Employees and Restaurant Employees union and the Las Vegas hotel industry, has reported a 33 percent increase in workers taking skills improvement courses since September 11, because many of the academy's latest enrollees have either been laid off or had their hours reduced so they have more time for training.

[6] States using Workforce Investment Act state set-aside funds: California, Florida, Oregon, Pennsylvania, Tennessee and Texas; states using TANF funds: Florida, Oregon, Pennsylvania, Tennessee, and Texas; states using state general revenue funds: Pennsylvania and Texas; states using funds related to unemployment insurance: California, Tennessee, and Texas.

[7] The non-profits are Arriba Juntos, Bay Area Video Coalition, Glide Tech, Jewish Vocational Service, OpNet, and Goodwill Industries of San Francisco, San Mateo, and Marin. The public agencies are City College of San Francisco, the San Francisco Department of Human Services, the San Francisco Housing Authority, and the Private Industry Council of San Francisco, Inc.

Jobs for the Future seeks to accelerate the educational and economic advancement of youths and adults struggling in today's economy. Jobs for the Future partners with leaders in education, business, government, and communities around the nation in order 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.

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Claudia Green is a consultant on workforce development and community economic development issues. Her main area of expertise is in applied workforce development research, in which she has directed and staffed numerous projects on career ladders, labor markets, and skills gaps. Since establishing her own consulting business in 2001, she has worked with a range of community-based, local, statewide, and national organizations, including Jobs for the Future, the City of Boston's Office for Jobs and Community Services, the Metropolitan Area Planning Council, the Vietnamese American Initiative for Development, the Massachusetts Community Action Program Directors' Association, the MetroNorth and Southern Essex Regional Employment Boards and Dimock Community Health Center. She has just co-authored a "how-to" guide for practitioners, employers, and others on developing Career Ladder programs. She has a Masters in City Planning from the Massachusetts Institute of Technology.