



Employer Use of the Publicly Funded Workforce Development System: Perceptions of What's Working and What's Not, and Recommendations for Improvement

Summary of Findings and Recommendations

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What those of you in the business community need to do . . . is to recognize that those of us who are engaged in workforce training from a public policy perspective are automatically assumed to be biased, with an agenda. Only the business community can make the case for what is happening in this country and what needs to happen in this country today.

—Hon. Steve Gunderson, former member of Congress (R-WI)

When the Workforce Investment Act was enacted in 1998 with significant bipartisan support, the new legislation redefined the relationship of employers to the public workforce system. WIA recognized that labor market success for job seekers required that responsiveness to employer needs be a high priority of the public system. This was a significant shift from the days of JTPA and CETA. While JTPA first mandated an employer majority on state and local workforce boards, WIA has taken this principle much further. Local boards are now required to create five-year plans in which the needs of employers, workers, and job seekers are identified. The one-stop career centers are required to provide a range of employer services.

The U.S. Department of Labor Employment and Training Administration sponsored this research as part of its extensive efforts to substantially increase employer engagement with the workforce development system.

Recent ETA efforts to build on the employer focus of the workforce system include creating the Business Relations Group, launching the sectorally focused High-Growth Job Training Initiative, and creating the Partnership for Jobs to link workforce systems to large multi-state businesses.

With WIA and several other key workforce-related reauthorizations in the works (e.g., TANF, Higher Education), it is important to ask how employers are receiving these changes.

- What do employers and the organizations that represent and work with them think about the changes in the public workforce system?
- What do they like about the new system? What changes would they recommend for WIA reauthorization?

To answer these questions, the ETA funded the partners in Workforce Innovation Networks—Jobs for the Future, the Center for Workforce Preparation of the U.S. Chamber of Commerce, and the Center for Workforce Success of the National Association of Manufacturers—to collect a wealth of information from employers, employer associations, and other stakeholders in the public system.¹ The WINs research team conducted 107 individual interviews and five focus groups. The partner organizations also fielded three opinion surveys of employer and of low-wage workers, asking about their views on and experience with the public system.

Our research methods focused on those employers and their representatives who tend to be more engaged with the workforce system and who are therefore more likely to offer meaningful suggestions for improvement. We gathered opinions and suggestions not just from employers but also from organizations that work regularly with employers to help them secure workers, training, and other needed services. Further, to reality-test

¹ WINs addresses the workforce development needs of businesses and communities. Launched in 1997, it works with local employer organizations across the country that are on the cutting-edge of workforce development, testing the proposition that they can play a unique intermediary role in achieving a dual goal: improving the economic prospects of disadvantaged job-seekers and workers; and meeting the needs of their member firms for employees at the entry-level and above.

employer perceptions and views, we solicited opinions from other stakeholders (including low-wage workers, public system officials and staff members, and representatives of community colleges and local training organizations).

The report presents findings in two areas:

- Employer views on the strengths of the system; and
- Employer recommendations for improvements in the system that can increase responsiveness to employer needs.

The study includes policy recommendations that address employer concerns, balancing them with the concerns of the other customers of the public workforce system: job seekers and workers. These recommendations fall into three categories:

- Increase employer awareness of the publicly funded workforce development system;
- Provide a broader array of one-stop services in ways that meet employer needs; and
- Link the employer role in system governance to business interests and needs.

The specific recommendations are summarized at right.

In general, the employers we interviewed and surveyed feel it is too early in the evolution of the new system to make dramatic changes: they tend to favor an incremental improvement approach. In addition, those who have the most experience and involvement with the public system are encouraged by and supportive of the general direction of WIA changes and the direction that ETA is taking through its many efforts to increase employer responsiveness.

However, current efforts do pose several challenges to the system's capacity, its flexibility, and its responsiveness to employers. As one Illinois CEO put it, "The WIA system here is not yet fully working well, but it's young and is moving in the right directions. . . . We're the new boy on the block and we have to let people know we're here and what we've got."

The recommendations that follow reflect how many employers, particularly small and mid-sized employers of lower-skilled workers, view the public system, its potential, and ways it could be strengthened to more flexibly and effectively meet their changing needs. We hope that this perspective will inform departmental and congressional action on reauthorization of WIA.

Recommendations

WINs research on employer behaviors, perceptions, and interest in relation to the publicly funded system yields the following recommendations, which are elaborated upon below:

Support the provision of one-stop services that meet employer needs through:

- More effective screening of potential employees
- Increased resources for pre-employment training
- Increased resources for incumbent worker training
- Separation of the funding stream for WIA training from that for infrastructure
- Local flexibility in the sequencing of WIA services to individuals
- Leveraging employer organizations to help organize employer-responsive initiatives, such as retention and advancement initiatives and career ladder programs

Increase employer awareness of the public workforce development system through:

- Advertising and promotional resources for one-stop services
- Creating and funding an "account rep" approach by one stops
- Using employer-led intermediaries (e.g., employer organizations) to identify and match employer needs with one-stop services

Connect the employer role in system governance to business interests and needs by:

- Focusing employer WIB members on strategic planning and resource allocation decisions rather than on administration and operations
- Linking workforce development and economic development by engaging employers in the planning and coordinating of workforce efforts with business attraction and expansion

Create incentives to serve employers well through performance measures that:

- Measure employer engagement and satisfaction with the public system
- Avoid performance measures that favor less costly services over training or other services employers need

These recommendations can be achieved through legislative changes, administrative changes, changes in Workforce Investment Board and one-stop operations, and the provision of technical assistance to WIBs and one stops.

What employers like most about the system

The community doesn't recognize what it's got here or how to use it. If you get someone in here they see that it is really pretty good. . . . People who do come here get help; employers who actually use the system are increasingly pleased.

—CEO of an Illinois manufacturing company

WINs research indicates that employers appear to have very positive feelings toward three aspects of the publicly funded system that WIA promotes, particularly during the past few years of weak economic performance:

Increased employer authority on workforce boards:

Employers interviewed were generally enthusiastic about the increased authority and responsibility mandated for employers in governance of the public workforce system. They identified several advantages, including: a greater emphasis on regional economic development needs as the driver for decision making (as opposed to decisions driven by service providers and divorced from economic conditions); a more business-like approach to planning and resource allocation; and better coordination among the various stakeholders, including employers. One Washington state employer noted enthusiastically that this year's WIB retreat was devoted to "looking at the economic development/workforce development system and what resources are in our three-county [service area], how we can build partnerships, and how to capitalize on [the potential to align economic and workforce development]."

Availability of customized training: Employers are interested in services that address their particular needs, including training for new employees or upgrade skill training for existing workers. The more directly relevant the training is to an employer's particular industry and business processes, the more attractive it is. A number of employers expressed appreciation for the efforts of their local WIB to facilitate and fund training programs for which the employer helped design the curriculum and the one-stop center recruited workers. A Michigan Visiting Nurses Association official complemented the WIB for "forcing a symbiosis" among "our training people, the employers, and the referral people at [the local one stop.]"

Assistance with layoffs/access to rapid response services:

In the past few years, managing layoffs has been as important to many employers as hiring new workers. In

this environment, the experience and ability of state and local workforce systems to move quickly to help with outplacement and access to benefits and services have been a welcome expertise for many employers. In some communities, the speed and flexibility of the local system have made it possible to link recently laid-off workers with job opportunities in the same or other industries that are in a hiring mode. According to one employer, "When US Airways announced a big layoff, the local one stop hired a private contractor to recruit and place these displaced people, using a lot of impressive, cutting edge tools and approaches."

Improvements employers recommend

From our research, employer concerns about the current state of the public workforce system fall into four distinct categories:

- **Services:** Relevance and breadth of services provided to employers
- **Marketing:** Effectiveness and reach of employer marketing and customer service
- **Governance and guidance of the public system:** Effectiveness of involvement of employers and their organizations in guiding the publicly funded workforce development system
- **Performance standards:** Measures that encourage service to employers

Services: Employers want more flexible, efficient, and varied services oriented to them as customers.

The system is mainly front-end services. . . . What we need is a more systematic linking of education, workforce development, and economic development—with all of them working together.

—President of a Michigan graphics firm

In the WINs research, employers and representatives of their associations identified several service areas in which WIA could provide more, and more effective, help to employers involved with the public system. These are:

- Screening of applicants
- Resources for pre-employment, entry-level, and incumbent worker training

Screening of applicants: Employers use the publicly funded system most frequently for job-posting services

provided at one-stop career centers. Employers appreciate this service, particularly for finding entry-level employees. However, employers are frequently frustrated by the quality of the applicants they get. They must interview far too many unqualified applicants before they find employees that can do the job needed. As one HR director told us, reflecting the view of many interviewees, “I get a *lot* of responses for entry-level job postings, but few are really qualified, despite my stating our requirements very clearly in the posting. . . . My assistant and I have to waste time reading and interviewing unqualified people. This system needs to do some screening.”

Frustration with the quality of referrals has tended to alienate employers from the system. One employer association executive emphasized that “there are plenty of bodies but not enough with skills for even so-called unskilled positions.”

Some employers blamed the openness of the computerized job-posting service in which anyone accessing the postings can apply, often without any screening; others pointed to poor communication between system staff and employers. Whatever the reason, employers feel the need for more aggressive and effective screening, so that their own work in the recruitment process is streamlined. Some are withdrawing from the system because of this concern.

Training resources. Employers have a strong interest in pre-employment, entry, and incumbent worker training, and many employers express a desire to have easier access to greater resources for training. In the view of many, the referral system that is central to the one-stop system must be augmented with more resources for training and more flexible use of WIA and other training dollars so that local-level training needs can be better met. The training director of a large electronics firm stated, “There are too many restrictions and limitations on incumbent worker training programs. For instance, we need to cross-train people at roughly the same levels, but the state will support only skills advancement in the same skills area. This doesn’t help us or our people.” Several employers interviewed tied their desire for greater flexibility in the way WIA dollars are spent locally to their interest in creating career ladders and industry cluster programs.

Incumbent worker training—at the entry level and for advancement—is also a strong need. A Pennsylvania regional one-stop coordinator added, “The general finding among employers we call on is that companies need

training for incumbent workers—and we don’t have enough money to meet the need.” Employers feel that more flexible, case-by-case assessment of services needed by applicants and workers would be a positive change, as would ways to protect training funding from being crowded out by other expenditures of the public system, including the strengthening of the one-stop infrastructure. In addition, employers tend to favor relaxation of guidelines and one-stop practices that have made a sequential provision of core, intensive, and training services the basic pattern at our nation’s one stops.

In general, employers favor greater flexibility for one stops in their ability to use federal funds to serve different populations as needs and conditions change. As a manufacturing CEO put it, “My main concern is that we badly need to loosen up the funding streams. There are too many artificial restrictions and money should be able to be moved from one funding stream that is underused to serve other people with different needs.”

Marketing: Employers want more aggressive and effective marketing and customer service.

You can’t find the system in the phone book. How can employers find it? We need a paid PR campaign.

—Illinois county WIB chair

Employers (and other stakeholders in the public system) frequently note the need for more aggressive marketing of the public system to employers. Surveys typically find that awareness of the one-stop system is low and use even lower: the U.S. Chamber of Commerce found that only 35 percent of employers with fewer than 50 employees were aware of the local one stop. Fewer than 20 percent of the 3,700 employers surveyed nationally had used the one-stop system in the previous 12 months.

WIA has not yet substantially increased the extent of employer awareness or involvement. However, it has put greater demands on the system for creative and effective marketing and customer service. In some service activities, the publicly funded system competes directly with private sector or non-profit providers of services, many of whom are quite entrepreneurial and marketing-savvy. Employers expect that the public system will compete for their attention, just as any other supplier of goods and services. WIA’s emphasis on employers as customers makes marketing and responsiveness all the more impor-



tant to the system's success.

A number of employers interviewed noted the limited experience of the public system with marketing and with a business-like approach to customer service. One challenge may be the cultural gap between a business approach that expects service and responsiveness and a government agency that has historically focused on serving low-skilled job seekers and regulatory compliance. A large employer noted the local one stop's shortcomings in the area of marketing: "[W]hen the one stop does provide business seminars, they focus on the regulations only, further discouraging the employers."

Another problem may be the way services are organized within the one stop (as a function of financial constraints, organizational culture, or both). Many employers we interviewed feel that the one stop could improve its business services if it organized its marketing and customer service effort the way most businesses do: "I want someone coming to me," explained one employer, "like an account rep with solutions versus my having to go after them. They need to be proactive, not reactive."

Another employer echoed this view: "I have salespeople—account reps—coming in here every month or so asking how their last order was, what do I need next, what problems do I have, and so on. I want the same kind of service—a personal relationship—from my human resources supplier (which I pay for with my taxes, too)!"

Some employers and employer association officials believe that account reps organized by industry and knowledgeable about the industries they cover could be a helpful innovation and should be adopted more widely. We encountered several examples of this practice by enterprising WIBs and one stops, and these were well received by employers.

A number of employers suggested that their own associations and organizations could be very useful in marketing strategies and campaigns. These groups know how to reach employers and speak in business language, and they tend to have worked to gain the trust and ear of their members. A senior executive at a large Michigan concern argued, "[The public system] should use employer organizations as intermediaries to work especially with small and medium-sized employers who see the employer organization as 'theirs.' The employer organizations should help make the system's services better and validate them for employers to use."

Governance: Employers want their role in governing the public system to have a positive impact on business interests and economic development.

Employers see the potential . . . for an efficient public workforce development system but [still] do not feel fully involved and are intimidated by the plethora of programs and acronyms.

—Pittsburgh employer

WIA has given employers the dominant role in governing the public system through the mandate of a business majority and a business chair for state and local WIBs. As noted above, WINs found general enthusiasm among employers for this change. At the same time, we found some concern that a greater role in governance may not yield what employers really seek: greater influence over the strategic use of public-sector resources at the local level to address the interests and needs of employers and the regional economy. As one employer explained, "What we need is a more systematic linking of workforce development, economic development, and education—with all of them working together." However, for WIBs to play a more active role in that linkage of economic and workforce planning requires a shift in WIB focus.

Some employers we interviewed noted that employer representatives still have less influence than public-agency and service-provider representatives on the WIBs. According to one observer, for the public members, "this is their turf that they are there to protect," while many private-sector representatives are "volunteers doing community service, HR consultants, retirees, rather than people with life or death business problems to solve." As a result, an employer majority alone is no guarantee that the WIB will identify employer needs well and make decisions that meet those needs. This can be particularly challenging if the WIB is used primarily for operational decisions rather than the strategic planning that could attract a larger number of busy business leaders to take an active role. Moreover, as some interviewees noted, WIB directors, appointed by local elected officials, feel they must be responsive to several masters—and the people that appointed them can often take precedence.

Employers would like to see their engagement in the governance of the local system translate into better information on local labor market needs and better decisions about resource allocation. They would also like to see the

transformation of the WIB itself into the regional “table” around which employers, providers, and others can sit and engage in short and long-term planning that can help promote a stronger local economy and address clear and pressing workforce needs. According to one WIB director, if a WIB wants to become more of a driver of strategic planning, it has little choice but to move administrative decisions to staff or to subcommittees comprised of mandatory partners. As he put it, “If I brought that stuff to my full board, I’d lose my employer members.”

Here, too, employers saw an important role for their own organizations in making it easier and more efficient for employers to participate in guiding and advising the workforce system. One employer noted, “What makes involvement difficult for small employers is the terminology and the language [used at these meetings]. They’re always trying to figure out what is going on and it is time-consuming.” The executive of an employer organization put it this way: “The advantage we have is that we have our finger on the pulse of our members and know business trends and futures. We know where labor markets are going.

Performance Standards: Employers want accountability measures that reward quality service to business.

Too often, the workforce development system is looking through the rear window, and the primary customer of the system is the federal government. We need to change this so that the primary customers are the employers—and accountability measures make the system look forward.

—Community college system official, Washington state

What gets counted is what gets done. The Employment and Training Administration has made a significant contribution to improving WIA and other federal workforce programs by trying to develop a small number of common performance measures across programs. This is clearly an improvement over the 17 measures initially specified under WIA. Employers are supportive of the effort to simplify and focus on only a few core measures.

However, many of the employers we spoke with—at least among those who have some familiarity with the public system—are concerned that the shift to new measures will leave employers out of the picture—weakening incentives to serve employers well. The customer-service measure initially mandated under WIA is slated for elim-

ination under the Office of Management and Budget’s proposed rules. While many we spoke with agreed that the measure was unwieldy and imprecise, they would like to see some other way to measure employer satisfaction and engagement.

The Administration has suggested that employment and earnings gain measures should be sufficient to promote good practices vis à vis employer engagement. But we heard a number of different opinions. A WIB chair in Texas proposed performance measures that might encourage employer engagement, such as “retention, employer use of and engagement with the system, and loyalty” to the one-stop measured by repeat business.

Other employers and stakeholders were concerned that the proposed earnings and efficiency measures might have unintended consequences. The earnings measure might encourage local one stops to serve unemployed rather than incumbent workers, for whom earnings gains would be proportionally smaller (a conclusion drawn independently by the GAO in its analysis of proposed performance measures). The efficiency measure might lead local WIBs and one stops to favor placement and referral over more expensive training or short-term training for longer programs that might significantly raise earnings.

Bottom line: employers and their advocates would like to see some performance measures—determined at the local level if not in the common federal measures that reward effective and responsive service to employers.





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