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## Introduction: A Case for Workforce Intermediaries

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*Government needs to offer greater public support  
to non-profit organizations and other intermediaries  
to create training and job-ladder strategies.*

—DAVID T. ELLWOOD, September 2002

THE LABOR AND SKILL SHORTAGES OF THE 1990S FORESHADOWED the coming workforce crisis of the decades ahead. Recent news accounts of global labor recruiting for trained nurses for our hospitals are reminders of labor shortage desperation, even in these harder times. The near future will bring more retirements of skilled workers, fewer new workers, and minimal growth in new skills. The workforce will become more diverse. Companies and regions are likely to suffer because a skilled workforce is indispensable to local growth. Tight labor markets are good for low-skilled, low-income workers, but opportunities will be lost without adequate training and education systems in place.

What is needed is a concerted and sustained public and private effort to address both the needs of business for job ready, skilled workers who can help companies grow and the needs of workers and jobseekers to navigate the pathway to careers and family-supporting earnings and benefits. There are good examples of how this can be done for different types of businesses, different levels of skilled workers, and in different regions. But there are far too few examples to meet the long-term needs and aspirations of business and workers.

Public workforce development systems have embraced and advocated for many of these new ideas and practices as well, going back to the path breaking *America's Choice* report in 1990. But top down, federal reform of workforce development systems has not fully solved a basic problem for employers and workers/jobseekers. The Regional Workforce Partnership of Philadelphia, for example, recently released a revealing map of the

approximately \$1.3 billion of state and federal resources spent on workforce development in Pennsylvania in 2001 through 49 different programs and 22 Workforce Investment Boards (WIBs), but with few common and explicit outcome measures. Estimates of the number of federal workforce related programs are in the range of 163 largely disconnected programs and \$20 billion (Regional Workforce Partnership, 2002; Grubb, 1996). This picture of fragmented workforce programs shows how much disconnection remains in a time in which workforce development is grappling with long-term “worker, skill, and wage gaps” (Aspen Institute, 2002).

This book presents an approach for advancing these promising workforce development ideas and practices that complements the reform of public workforce development systems. It involves a new breed of workforce organization that we have named workforce intermediaries (WIs), but that go under other names as well, such as employer intermediaries, sectoral initiatives, and community college bridge programs. They are a part of a larger family of labor market intermediaries (LMIs) that have become more prominent in today’s labor market. LMIs include staffing and temporary service firms as well as proprietary schools and labor market exchanges like the employment services of monster.com. Workforce intermediaries also are part of a larger group of workforce development organizations, usually nonprofit, that provides an array of workforce services.

The 1990s economic boom in conjunction with policy changes and accumulated learning produced new and promising ways to think about workforce development for low-skilled workers in the United States. Although today’s economy has put a damper on some of this innovation, and workforce development in general remains underfunded, the coming labor shortages of the twenty-first century underscore the importance of understanding these approaches. Employers still need reliable sources of productive employees, and workers/jobseekers still need investment in their lifelong learning and career advancement for family-supporting employment.

What seemed path breaking in the early 1990s is now common sense, although a substantial gap in achievement remains. Workforce development focuses on long-term job retention and career advancement, not just job training or job placement. Workforce development is pursued in the context of family self-sufficiency, a realistic understanding of what it takes a family to prosper. This understanding leads to knitting together the public, private, and family resources required as families move along the path of career advancement. Workforce development strategies are dual customer—serving employers and workers/jobseekers—and focus on regions and economic sectors/clusters. The most effective workforce strategies tar-

get higher wage jobs, mix job readiness and contextualized skill training, provide post employment services and supports, and provide upgrade training in the context of identified career pathways. Cookie cutter approaches don't work for employers or jobseekers. And new partnerships have grown up—what we call workforce intermediaries—to implement these effective practices, in conjunction with other public and private institutions, in an entrepreneurial, dynamic, results oriented fashion.

Workforce intermediaries are homegrown, local partnerships that bring together employers and workers, private and public funding streams, and relevant partners to fashion and implement pathways to career advancement and family-supporting employment for low-skilled workers. Their explicit focus on career advancement for low-skilled workers is what distinguishes them from other labor market intermediaries (see chapter 11). They come in all shapes and sizes, as the late Bennett Harrison, of MIT and New School University, showed us in his research on workforce networks, but have together demonstrated their ability to navigate public and private systems to attain important and distinctive results for employers and workers (Harrison and Weiss, 1998). The 1990s witnessed a growth in their number from a handful to at least 250; many more if we count the efforts of our 1,000 community colleges (see chapter 4).

WIs have frequently emerged and grown in spite of public workforce systems. Not surprisingly, some public system advocates see them as duplicative competitors that consume limited resources and contribute to system fragmentation. Yet it is the uneven performance of the public workforce system and institutions, despite a number of exceptional WIBs, that has given impetus to their formation. Indeed, WIs' promising results in serving low-skilled workers and engaging employers have demonstrated the career advancement potential of workforce development, while generating many of the workforce innovations that now define the cutting edge of the workforce development field.

This book was assembled as a starting point and common framework to spur discussions at the 102nd American Assembly, a four-day nonpartisan dialogue about the future of workforce intermediaries. Given the lack of sustained public and private attention to WIs, it was essential to provide background readings for the Assembly that would capture the current state of knowledge about them. This book has commissioned an array of new research and analysis with a focus on WIs. Research includes surveys, ethnographies, focus groups, key informants, and case studies as well as economic and demographic analysis. While the research documents the role and activities of WIs, it does so always in the context of WIs furthering the career advancement prospects of low-skilled workers/jobseekers.

This volume includes chapters that discuss the career advancement challenge for low-income, low-skilled workers, the definition, functions, evaluation evidence, and population of WIs, the economic and policy rationales for WIs, employer and worker perspectives on workforce needs and career advancement, how to build the capacity of WIs, and promising financing mechanisms for career advancement and WIs. There is also much to be learned from the community development field and the proliferation of Community Development Corporations (CDCs) as producers of affordable housing in the past several decades. In many respects, WIs are at the same stage as CDCs were in the early 1980s (see chapter 14).

This chapter provides an overview of the volume. It defines WIs and provides four brief examples of WIs in action. It summarizes the economic, demographic, and policy rationales for WIs. The chapter then presents five counterarguments about the efficacy of WIs and workforce development in general, such as skepticism about the contribution of job training for poverty alleviation. Several examples of policy and financing tools for supporting WIs are then presented as a way of suggesting the infrastructure needed to support WIs. Finally, the chapter concludes by summarizing the major themes of the volume chapters.

The goal of this book is to make a plausible case for the viability of WIs as an important complement and implementing mechanism for public workforce development systems. Moreover, the book goes beyond just making a plausible case to suggesting practical ways to strengthen the capacity and effectiveness of WIs through more adequate financing, capacity building investments, and other public and private policies. In the end, there is a strong case that WIs serve both employers and workers/jobseekers in new ways, and that they represent a promising mechanism for helping working families achieve family-supporting incomes through career advancement.

## **WHAT ARE WORKFORCE INTERMEDIARIES?**

An eclectic group of organizations has emerged during the past 20 years, more rapidly in the 1990s, that has achieved remarkable results for both employers and jobseekers/workers. Named workforce intermediaries, these local organizations are deeply connected or “embedded” in low-income communities and in networks of employers, workforce providers, and community organizations (Fitzgerald, 2000; New Deal Task Force, 1999).

Making connections is an important part of what WIs do, but it is only one part. They implement strategies that help employers grow, articulate

labor demand, and define occupational specifications, while building networks of service providers and measuring progress. In some cases WIs serve as a “buffer” or interpreter between employers and workers, frequently overcoming distrust, misperceptions, and even hostility (see chapter 9). They are fundamentally brokers, integrators, and learners who entrepreneurially enact workforce development rather than simply “meeting the market” or conforming to a publicly mandated set of roles and responsibilities. Finally, WIs are quite diverse. They have grown out of community organizations, employer associations, labor unions, and community colleges. Whatever their origin, however, they are partnerships comprising employers, community organizations, community colleges, and human service providers (see chapter 3).

One challenge in discussing WIs is that they represent such a broad range of institutions and approaches. For the purposes of this book, WIs are understood to embody five attributes in the context of implementing workforce strategies:

- WIs take a dual *customer approach* by addressing the needs of employers and low-income and less-skilled workers and jobseekers. WIs measure their effectiveness by outcomes that relate to both customers.
- WIs go *beyond job matching*. Connecting jobseekers and employers is usually at the heart of WIs, but successful WIs offer a host of interventions. Most seek to change the supply side of the labor market by providing training or by working to improve the way jobseekers and employers are served by a variety of partners. A demand side strategy of WIs is to work with employers to improve their human resource systems, career ladders, job quality, and overall competitiveness.
- WIs act as *integrators* of funding streams, public and private sector services and programs, and information sources to better serve the needs of jobseekers, workers, and employers. In performing this role, successful WIs act as a “center of gravity” in developing relationships, enforcing accountability, and leveraging resources.
- WIs are generators of *ideas and innovations* about what workers, firms, and communities need in order to prosper. Lifelong learning, worker advancement, regional competitiveness, environmental sustainability—these and many other ideas guide their work.
- WIs are not *single purpose or function* organizations, such as community based organizations that operate a stand-alone training program or trade associations of training providers that advocate for policy changes. Many training providers are the reflections of fragmented public funding systems and priorities.

This definition of workforce intermediary embodies distinctive strategy elements as well as organizational characteristics. The intermediary approach is dual customer, brokering partners, and integrating resources for the purposes of meeting employer and worker needs. The intermediary organization has to be entrepreneurial, results oriented, and an adaptive learner. Both components are essential for what we are calling workforce intermediaries.

But is it fair to ask whether the Workforce Investment Boards of the Workforce Investment Act (WIA) system (1998 workforce legislation that places emphasis on involving the private sector and responding to the demands of employers) share these attributes as well? At one level they do: these are the common sense ideas of effective workforce development.

There are important role and function differences, however. WIBs address governance and system integration and accountability at the policy and strategy levels. WIs are neither substitutes nor competitors of WIBs for this role. Rather, WIs are on-the-ground partnerships that pursue results for specific groups of employers and workers/jobseekers. The focus of WIs on career advancement and business development stands in contrast to the “Work First” and universal access approach of WIA. Moreover, WIs have demonstrated the ability to aggregate employer and jobseeker/worker interests, flexibly redesign training approaches as circumstances change, and produce important workforce innovations on behalf of achieving practical results.

Four contemporary WIs illustrate the partnerships, strategies, and projects that they have undertaken to promote career advancement for low-skilled workers/jobseekers.

### *Wisconsin Regional Training Partnership (WRTP)*

WRTP is a union-employer partnership of 125 firms and 100,000 workers in southeastern Wisconsin (Parker, 2000; Fleischer, 2001). It was formed to organize firms by sectors and to engage in cooperative labor market planning and modernization. WRTP works in manufacturing, hospitality, construction, healthcare, finance, and technology.

Starting with upgrade training of incumbent workers, WRTP has trained 6,000 workers, and employers have invested \$25 million in training production workers. WRTP has extended its training efforts to entry-level workers from inner city Milwaukee placing 1,400 jobseekers by 2002 in entry-level jobs paying more than \$10 per hour during the past three years. WRTP has worked with the Milwaukee Area Technical College, the Private Industry Council, and an array of community based organizations and

social service agencies to make this happen. WRTP has developed union based mentoring programs in plants as well as diversity training in order to overcome workplace barriers and increase retention.

### *Project QUEST*

COPS/Metro, a church based community organizing network in San Antonio, incorporated Project QUEST in 1992, a WI that trains local residents for family-supporting jobs (Campbell, 1994). It was the grassroots power and relationships of COPS/Metro that successfully negotiated jobs from employers, resources from local and state governments, and new ways of teaching and supporting students from the local community college.

Since 1992, Project QUEST has placed over 1,400 people in jobs with an average wage of \$10 per hour, 90 percent of the jobs including health benefits. These jobs are in the fields of healthcare, finance, and manufacturing (Project Quest, 2000). An evaluation of QUEST found that participants gained an average of \$7,000 in annual income because of their training and support (Lautsch and Osterman, 1998). More recent tracking of QUEST participants shows an average increase of \$4.03 per hour compared to jobs before training (Aspen Institute, 2001).

### *Seattle Jobs Initiative (SJI)*

SJI is a public sector led WI started by the city of Seattle's Office of Economic Development, which grew up under the leadership of former Mayor Norman Rice (AECF, 2000; Fleischer, 2001; Smith and Davis, 2003). It combines short-term training and placement programs, sector based partnerships, human service integration, a network of culturally diverse community based organizations, and an ambitious policy agenda. Since operational startup in 1997, SJI has placed 3,000 jobseekers and has leveraged an additional \$25 million in workforce investments. SJI developed a strategic plan with an inner city community college, Seattle Vocational Institute, to expand its capacity and worked with community based organizations to develop case management standards for job retention and advancement.

What makes SJI remarkable, in addition to its scale, is its ability to experiment, adapt, and grow innovations within the public sector environment. Moreover, this ability has survived three mayors and the downsizing of Boeing and its suppliers, and now the overall economic slump. SJI has embraced change during its short life, reinventing its employer relationships, relationship to City Hall, and portfolio of projects. As of January 1, 2003, SJI became an independent nonprofit so that it can take on new roles

and build stronger relationships with employers, community organizations, and other workforce players.

### *Cleveland Jobs and Workforce Initiative*

The Cleveland Jobs and Workforce Initiative is a project of the Cleveland Growth Association, one of the largest regional Chambers of Commerce with nearly 17,000 members. Started by the former associate director of the George Gund Foundation in Cleveland, the role of the initiative is to make catalytic investments in changing the workforce systems to become more focused, particularly from the employer's point of view (Berry, 1998). Its purpose as an intermediary is change, not operating programs, and identifying the public, private, and civic supports needed to sustain these changes.

Accomplishments include setting up a successful Center for Employment Training (CET) program, promoting sectoral initiatives in health-care and telecommunications, successful advocacy for new employer based tax credits for training, and organizing a workforce consortium for manufacturing in Cleveland. These efforts have resulted in more than 1,000 people receiving skills training and jobs with starting wages of \$8 to \$9.50, 300 obtaining basic skills training, and 150 people placed in jobs after job readiness training. Twenty-five million dollars in tax credits leveraged an additional \$25 million and supported skill upgrade training for 3,000 workers in 145 companies (Greater Cleveland Growth Association, 2002). (See chapter 8.)

## **THE ARGUMENTS FOR WORKFORCE INTERMEDIARIES**

The economic and policy landscape in which workforce development is occurring presents daunting challenges. Labor market, organization, and systems change barriers make accessing these jobs and career advancement difficult for both employers and workers/jobseekers.

The overarching workforce development challenge is to build a system of opportunities and pathways for low-skilled workers to reach family self-sufficiency. This is not a small problem. Family self-sufficiency, in real terms, may be defined as \$25,000 to \$30,000 for a mother and two school-age children (Pearce and Brooks, 1999). Minimum wage jobs, however, only produce \$10,000 to \$12,000 in annual income. On the one hand, "making work pay" strategies, combining tax incentives, childcare, and other subsidies, may fill the gap in the short run. On the other hand, career

advancement strategies that move people from minimum wage to \$15 per hour may require upwards of 1,000 hours of training (Carnevale and Reich, 2000; Jenkins, 1999). This scenario presents a double dilemma: how can families afford the time and cost of this training; and how can training systems deliver this skill upgrading and technical training in an effective manner (see chapter 10).

### *The Labor Market Problem*

Characteristics of firms and jobseekers make the matching process for good jobs difficult beyond the expected uncertainties of market processes. On the firm side, many established companies have closed their human resource departments, outsourced entry-level jobs to contingent workers, flattened job ladders in the search of lowering costs and higher productivity, and de-skilled jobs at the same time they adopt new technologies. Cutbacks and aging workforces have left them unprepared to incorporate new workers, many of whom come from more diverse backgrounds than their current workforce. Smaller firms, particularly those undergoing growth, share similar problems, but with fewer resources and frequently without a history of hiring entry-level workers (Osterman, 1999). (See chapter 6.)

Many low-skilled jobseekers do not have the basic skills, job readiness skills, or informal network connections required to navigate today's labor market. While many workers move up over time, many do not and remain at the margins of self-sufficiency. Indeed, many inner city residents do not have the necessary skills, role models for advancing in the labor market, nor faith in training institutions and in the payoff of investing in their own human capital (Wilson, 1998). The pressures of supporting a family, the current policy environment of reducing social welfare supports, and the inflexibility of many training institutions reinforce the unwillingness of many working poor families to seek higher paying skilled employment.

Both firms and jobseekers are further inhibited by their sheer spatial separation—firms in the suburbs and jobseekers in inner city neighborhoods. Low levels of car ownership, driver's license revocations and penalties, inflexible and time intensive public transportation, and the necessities of childcare and family support make the matching of good jobs and low-skilled jobseekers more difficult, even for the many job openings in central cities.

This labor market problem will grow worse in the next several decades as baby boomers retire and a smaller, more diverse workforce takes their place. How will the United States remain globally competitive in this context (Aspen Institute, 2002)? (See chapter 7.)

### *The Organization Problem*

Workforce intermediaries do three important things. They have an entrepreneurial focus on outcomes like long-term job retention, wage progression, and career mobility; they network and partner across the supply, demand, educational, financing/funding, and spatial dimensions of regional labor markets; and they have the ability to learn and adapt as market conditions and opportunities change. Most employment training projects, including much of the public workforce development system, are not adept at one or several of these capacities.

### *Outcomes*

Most employment and training programs do not commit to results. They focus on program inputs like “classroom time” rather than outcomes, change workforce goals when encountering difficulties rather than modify strategies, fail to set ambitious goals related to job retention and advancement, and exclude meaningful outcomes for employers (Giloth and Phillips, 2000). The public workforce system has compounded these problems by its narrow use of performance based contracts.

Without a long-term focus on ambitious outcomes, workforce development contributes little to family self-sufficiency because the pathway to good jobs and careers is often long and not necessarily linear. With commitment to ambitious employment outcomes, it is then possible to push other labor market players to focus their energies and resources on producing common results.

WIs are also focused on business results that involve reducing the costs of recruitment and turnover as well as enhancing productivity. Frequently, WIs become involved with firms around issues of modernization and business development. More broadly, many WIs focus on sectors or clusters of the economy; their interventions often lead to better industry practices and investments related to workforce development.

### *Networks*

Many employment and training efforts have relied on the “we do it all” approach to program design as well as upon the formal service delivery paradigm. What this has meant is that many employment programs, because of limited skills and resources, are disconnected from important labor market players and informal networks that connect people and employers.

The alternative approach requires working in the worlds of interorganizational collaboration, co-investment, and of community based networks

(Harrison and Weiss, 1998). Neither of these worlds is easy to navigate, although a growing literature on the experiences and best practices of such partnerships is emerging (Kanter, 1995). Partners are brought together with the right mixture of incentives and leadership.

### *Learning*

Effective workforce providers rapidly adapt to changes in the labor market, measure outcomes and collect relevant data, adopt innovations and undertake redesign, and promote learning as an organizational priority. Two problems result when workforce learning does not occur. First, stagnant programs cease to work as the economic and policy environments change. This can even happen to the replication of best practice workforce projects, which transplant all the key ingredients except for a learning culture (Kato, 1999). Second, long-term retention and advancement outcomes have created knowledge gaps about what works (Strawn and Martinson, 2000). Redesign based upon learning is a must if we are to learn how to reach these outcomes.

### *The Systems Problem*

Workforce development can be a system, systems, or nonsystem depending on the conversation. The public workforce development system, as constituted over the last 50 years, has increasingly tried to remedy the problems of fragmentation, funding silos, lack of employer voice, and poor performance. Devolution of governance, consolidation of programs, and performance contracting are the tools that have been used. Progress has been made, but it has been slow, and the rhetoric exceeds the achievement.

### *First Chance/Second Chance*

A first complication is that the system works very well for some individuals and communities. K-12 schools perform. Young people graduate. Financing is available for post secondary education. Employers invest in skilled workers. And lifelong learning is becoming a way of life. This is often called the first chance system.

The second chance system serves those the first chance system has failed or failed to reach. Approximately 15-50 million people require these additional workforce services. It includes GED, ESL, adult and vocational education, job training, and many programs targeted to special populations. A wide array of underfunded and underperforming organizations makes up

the second chance system. Although there are many exceptions, the second chance system is second rate.

A major challenge is how to connect these two systems to each other and to the labor market. This will require that second chance programs improve their quality and their partnerships, and that the first chance system commits to making second chance systems a preparation stage for their programs. One Stop Centers are designed, in part, to bring these services and public benefits together.

### *Business/Workers/Jobseekers*

Business remains largely disengaged from workforce development for low-skilled workers. Public systems regularly recruit business leaders for governance roles, but rarely are employers engaged in ongoing program design and improvement. For their part, businesses are heterogeneous, unorganized, skeptical about programs and training, too busy to get involved, and primarily focused on business growth. And there remain employers who either discriminate against or who hesitate before hiring inner city minority workers (see chapter 9).

Workers/jobseekers are equally heterogeneous, with diverse skills, aspirations, barriers, family circumstances, support networks, and economic assets. Navigating a more complex labor market is confusing and frequently poses conflicts between family and work that seem irreconcilable. Workers/jobseekers are also skeptical about public programs, and have dropped out, not even taking advantage of public benefits for which they are qualified because of time constraints and poor treatment (Howard, Miller, and Molina, 2002). Many of these jobseekers are isolated from networks that could connect them to the mainstream economy and lack knowledge about business culture (see chapters 10 and 11).

Both business and low-skilled workers/jobseekers are isolated from each other, perpetuating this disconnection and lack of trust.

### *Institutional Fragmentation*

Can an effective workforce system be built from separate and competing parts and geographic divisions? Under the Job Training Partnership Act (the former federal employment and training act prior to the Workforce Investment Act of 1998), metropolitan areas contained as many as six to eight Service Delivery Areas (SDAs), each of which—in today's parlance—contained a Workforce Investment Board. In many instances, cooperative planning among SDAs was not a top priority, even though local economies and labor

markets function on a regional basis (Hughes, 1996). Other elements of the workforce system include community colleges, adult basic education, K–12 schools, English as a second language, vocational rehabilitation, welfare-to-work programs, proprietary training schools, and many others. The Workforce Investment Act of 1998 provides an opening for metro areas that want to pursue coordinated workforce planning and implementation.

### *Civic Capacity*

Changing workforce systems to function more effectively on behalf of business and low-skilled, low-income workers/jobseekers will not be easy. At the national level, a new public commitment is needed between employers, the federal government, and community representatives to invest in creating a skilled workforce. At the local level, investment in human capital development for low-income jobseekers has not galvanized the interest of economic stakeholders, political coalitions, or public administrators. The local development imperative of the past several decades has been to re-establish viable economic engines for central cities and regions, whether they be downtown development, tourism, transportation infrastructure, or “smokestack” chasing. At the same time, workforce programs ironically served the function, similar to school systems, of creating an “employment regime” of jobs for professionals and patronage workers (Stone, 1998).

What is needed is a durable coalition of civic actors to advocate for workforce development. Such civic capacity requires extraordinary leadership, leaders inside and outside of public systems, and networks and relationships based upon common beliefs and strategies for action.

Some workforce policy makers believe that WIBs can be the vehicle to bring together all aspects of the public workforce system. This “ideal” while praiseworthy in many respects is unrealistic for at least four reasons. First, the WIA and WIBs neither embody sufficient authority or resources to bring all the key actors to the table—community colleges, adult education, welfare-to-work, and vocational education (O’Shea and King, 2001). Indeed, the WIA may serve less than 5 percent of the eligible employer and jobseeker population in need of its services (Lafer, 2002). A recent business survey indicated that 95 percent of the 1,800 surveyed businesses did not use One Stop Centers for employee recruitment, training, or retention services (Center for Workforce Preparation, 2001). More recent surveys show more name recognition of One Stop Centers. Second, compared to the incentives governing participation in downtown development, workforce development offers meager incentives to business and other workforce actors to come to the table and to stay at the table. The payoffs of workforce development are

long term and uneven. Third, the scale and diversity of local labor markets call into question the limits of centralized planning in WIBs to understand the nuances and scope of specific business and sector niches and to have the savvy to put together partnerships to address specific opportunities. As Dan Berry argues in chapter 8, there is a need for multiple “mediating” institutions in local labor markets. Fourth, WIBs face the reinventing government problem of whether they should steer or row; many public organizations fail when they try to both set policy directions and deliver services. WIBs and their predecessor PICs are mostly thumbs, not innovators. In part, this is one reason why entrepreneurial charter schools, community development corporations, and WIs have formed to break through the bureaucracy and paralysis typical of public systems to serve specific customer groups (Grogan and Proscio, 2001).

One starting point for building and expanding civic capacity, in addition to public workforce planning, is with WIs, who bring together key actors, draw upon important networks, and focus on important outcomes. They have demonstrated civic capacity in the ways they have built partnerships, brought together new and underutilized workforce resources, and obtained results.

## COUNTERARGUMENTS AND RESPONSES

The proposition that WIs are a plausible mechanism for serving employers and for enhancing career advancement opportunities for low-skilled workers is not universally embraced. Indeed, strong counterarguments have been made, or can be made, that call this proposition into question. In several cases, skepticism concerns workforce development more generally, not just WIs. This section summarizes these counterarguments, articulating their strongest version, and then offers responses. Five counterarguments are most compelling:

- WIA, WIBs, and One Stop Centers already integrate services and funding streams, engage employers, and map pathways to self-sufficiency. Insufficient public and private resources cannot support duplicative efforts.
- Work First and work supports are more effective contributors to poverty alleviation than job training. Evaluation studies show that job training produces modest effects, at best.
- WIs serve the more job ready rather than the hardest to employ.

- WIs do not provide real and substantial economic benefits for employers. If they did, employers would pay for a larger portion of WI activities and training.
- Too few family-supporting jobs exist within reach of low-skilled workers/jobseekers. More training is not the answer.

### *The “We Already Do It” Argument*

The WIA is a federal attempt to integrate disconnected workforce programs, support local decision making, and make workforce systems more accountable and customer driven. Workforce Investment Boards are supposed to represent employers and other key workforce players. The state option for unified plans provided an opportunity to bring together workforce, welfare, and other programs. And One Stop Centers are a mechanism to provide universal access to a variety of workforce services.

It is simplistic to say that the rigors of implementation have interfered with WIA’s good intentions. Progress, however, has been slow in meeting WIA integration objectives. But available evidence suggests important progress has been made. Upcoming WIA reauthorization offers another opportunity to strengthen and fine-tune this approach.

A stronger response argues that WIBs and WIs represent two different but complementary and synergistic forms of integration (see chapter 3). WIBs set policy directions, identify economic opportunities and strategies, and build a system of access to services. A recent survey of WIBs across the country suggests that their primary focus is on policy issues and strategic planning, not on operational details (National Leadership Institute for Workforce Excellence, 2002).

WIs, in contrast, are several steps closer to implementation. They build on-the-ground partnerships, design and implement specific pathways and supports to careers, integrate a wide variety of resources on behalf of employers and workers, build partnerships with other providers, and focus on achieving ambitious outcomes. In many cases, WIs bring new resources to the table, in the forms of public, private, and philanthropic investments.

It would be incorrect to lump WIs with all other workforce development organizations. WIs are different; they are specific partnerships that engage business and obtain new and promising results. WIBs may play this role as well, but more often they will set the policy and strategic conditions for WIs as well as play the important role of investor. Workforce investors build the capacity of WIs and other parts of the workforce system to be high performing.

There is an important case to be made that WIBs and WIs can strengthen each other's performance. WIs require a pipeline of workers/jobseekers for particular training opportunities. One Stop Centers are a source of such workers as well as other relevant support services. WIBs require implementing organizations to put together the partnerships needed on the ground to serve multiple customers and bring together different funding sources.

### *Job Training Doesn't Work*

The resounding summary conclusion of the Job Training Partnership Act (JTPA) evaluations of the early 1990s was that job training did not work (Orr, Bloom, and Bell, 1995). It was costly and did not deliver substantial and long lasting positive income effects for low-income workers/jobseekers.

An alternative approach gained credibility in the same period, and became embodied in the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996 and the WIA of 1998. "Work First" places people into jobs sooner than later, and it reinforces work attachment with income supports, Earned Income Tax Credits (EITC), and childcare, transportation, and other subsidies. An assumption of Work First is that people learn about work from working, and that labor force attachment eventually leads to economic mobility as low-income workers find ways to move up. Some evaluation evidence exists that Work First and work supports have lowered poverty and child poverty (Riedl and Rector, 2002).

A left of center version of this argument claims that job training places the onus of bad labor market outcomes on the deficiencies of people rather than on the paucity of good job opportunities that can support families and communities. Moreover, the implementation of job training programs distracts real community attention from the fundamental problem of good jobs (Lafer, 2002).

Several responses can be made to these criticisms. First, hidden in the JTPA evaluations of the early 1990s was the example of the Center for Employment Training, which achieved substantial income impacts through short-term, employer driven training, job placement in better jobs, and integration with other supports. This is the WI model. A number of nonexperimental evaluations of other WIs in the 1990s have confirmed these impacts (Smith, Wittner, Spence, and Van Klunen, 2002). (See chapters 2 and 5.)

Second, research shows, in spite of vigorous debates about extent of the "skills gap," that increased education produces substantial returns, particu-

larly post secondary training. With heightened skill requirements and multiple career changes, lifelong learning and the acquisition of new skills are a prerequisite for moving up. The question is how to make this work for low-skilled workers who have been relegated to second chance systems and low-skilled jobs (Aspen Institute, 2002). (See chapter 7.)

Third, recent evaluations show that Work First and skills training can be compatible, not opposites. Some of the most effective welfare-to-work programs combine job readiness, work experience, employer driven skills training, and work supports (see chapter 2). Finally, emerging evidence shows that Work First, without skills upgrading, job targeting, and other supports, may not lead to sustained economic mobility.

### *WIs Don't Serve the Hardest to Employ*

A common criticism of WIs is that they primarily serve a more job ready population. Not surprisingly, those with more basic skills, job experiences, and support networks do better, stay in jobs longer, and move up when possible. Those with multiple barriers are left behind.

In some sense, the more a workforce project is dual customer and focused on higher wage jobs the more discriminating it has to be in selecting participants. For many years, for example, Project QUEST required participants to have high school diplomas.

In many cases, WIs do not serve those jobseekers who face multiple barriers to work and life. They require supply side interventions, like Project Match, or transitional work opportunities with support services attached that stay with them for years after that work assignment has been completed to help stabilize family life and employment.

But this is only a part of the picture. WIs are quite diverse, serving very different employers and workers/jobseekers. A number of WIs build on temporary work or support work models, for example. And evidence exists that many WIs serve a harder-to-employ population than many typical workforce development programs (Fleischer, 2001). At the same time, many WIs build and support a pipeline of preparation and readiness training so that eventually a harder-to-employ population can take advantage of WI training and jobs. Ultimately, the most effective welfare-to-work programs target higher paying jobs, mix readiness and skills training, and provide ongoing post employment supports.

There is a larger debate about whether the focus of the workforce development system should be universal or targeted. WIs, as we have defined them, focus on low-skilled, low-income workers/jobseekers. Some critics argue that a division of services stigmatizes these workers; and business and

unions are reluctant to treat some workers different than others. On the other hand, many low-income workers/jobseekers are voting with their feet and not taking advantage of available workforce services because they are not customized, consume limited family time, and are out of the way (Howard, Miller, and Molina, 2002).

The disconnection between the hardest to employ and the mainstream economy is so substantial that job training alone is not enough. This disconnection has been characterized as the “two worlds” problem. One world is made up of business culture and expectations that hard work is rewarded. The other world is made up of people who have been marginalized by the mainstream over generations and face the labor market with cynicism, loss of hope, and few positive expectations. Bridging these two worlds is an enormous challenge (Stone and Worgs, 2003).

### *If It Works, Why Don't Employers Pay?*

If WIs really produced tangible benefits for business, such as increasing productivity and reducing turnover, they would pay for training. Since employer investment in entry-level workers is relatively low, it is fair to assume that these benefits are negligible or nonexistent.

United States employers underinvest in entry-level workers compared to employers in other advanced economies. Although their investments may have modestly increased during the tight labor markets of the 1990s, entry-level training by employers remains small; employers, however, do invest in their other, more skilled employees at much higher levels.

Several qualifications on the issue of business investment in training are worth noting at the outset. Lean management approaches combined with heightened occupational skill requirements, even for some entry-level jobs, have made it more difficult for many businesses to obtain employees. This situation is exacerbated because available workers are less prepared in terms of basic skills, job readiness, and work experience. Employers have been more willing to pay for training in specific job skills rather than general skills, which they expect schools, families, and communities to produce. Employers have also expressed a lack of confidence that the public workforce development system can understand their needs and provide the training and referrals that really can serve them. Finally, the fragmentation of businesses in specific regions, even businesses in the same general sector, still gives power to the “free rider” dilemma, in which employers fear that the benefits from their investments in training will be reaped by competitor firms down the street who lure away training employees with marginal wage enhancements.

Businesses do, in fact, invest in the efforts of WIs (see chapter 8). Their investments comprise release time for employees, workplace learning centers, involvement in curriculum development and training, and oversight of training and brokering efforts. Apprenticeship programs and other joint employer/union collaborations remain some of the best examples of how employers invest on an ongoing basis in job training. Recent experiments in Lifelong Learning Accounts and tuition reimbursements are further evidence of employer willingness to invest jointly in job training for low-skilled workers when the payoffs are clear.

But the most powerful response to this argument is about the future, not the past. Retirement of skilled workers and the shrinking of the available labor force create new opportunity to build partnerships with business around training, skill upgrading, and economic development. The question is whether an appropriate mix of effective training programs, employer investments, and public incentives can be put together. Enough current examples exist to make us believe that this can be done on a broader scale.

### *There Aren't Enough Good Jobs*

A number of workforce development critics argue that job training is a diversion from the real problem—the lack of available family-supporting jobs (Lafer, 2002). One form of this analysis, based on jobs gap studies, concludes that in many states there are 25 or more workers seeking every family-supporting job that requires less than one year of training. Another approach has estimated that there is an absolute need for 5 million to 9 million new jobs in the United States (Bartik, 2002). Gordon Lafer in *Job Training Charade* estimates that 19 million jobs are needed. Still another perspective calls attention to the growth of contingent jobs, seasonal work, and outsourced temp work as opposed to family-supporting jobs.

These are important debates about economic development and the creation of high-wage, high-skilled jobs. Contrary perspectives exist. These debates, however, do not take away from the fact that shortages exist in skilled occupations, such as healthcare, manufacturing, construction, and information technology. While some of these shortages have diminished in today's economic environment, others have remained and grown, such as in healthcare occupations.

WIs focus on skill and labor shortages that exist in the present that provide opportunities for specific career pathways and business partnerships. There are examples of WIs turning temp jobs into permanent high-wage jobs. WIs that work in the low-wage sector have to develop strategies to improve job quality if they are to make a difference.

This does not take away from larger regional and national economic development challenges for creating high-wage jobs; but employment opportunities exist with which to build many more WIs.

At the same time, this counterargument gives credence to the need for creating many more publicly supported, transitional jobs targeted to job-seekers with significant barriers or with little job experience. This is particularly relevant for the re-entry of ex-offenders and for welfare recipients facing multiple barriers. Transitional jobs represent a steppingstone into the private labor market.

## LESSONS AND PROSPECTS

WIs are impressive in different ways and collectively demonstrate how labor market, organization, and systems problems on behalf of low-skilled workers may be overcome to achieve improvements in career advancement and business prosperity. What is their realistic potential as a vehicle to increase career advancement? Can we easily expand their number? How large should a WI become? Who will pay for this expansion—local, state, or federal resources? Who will be the leaders and conveners of these new partnerships? Can WIs and the formal public workforce development system reach agreement on roles, alignment, partnerships, and financing?

What stands out in the stories of existing WIs is the breadth and strength of partners, social entrepreneurs, scale of operations, geography, and ongoing program improvements. They have complicated webs of partners and resources. At the same time, they have reached a level of organizational capacity in which they can broker strong partnerships, negotiate for and integrate a wide array of resources, and advocate in the public policy arena. They persist and grow as they fine-tune and adapt their programs.

The recent growth of WIs has been a chaotic and entrepreneurial process encouraged by our recent tight labor markets and major workforce/welfare policy changes. WIs have grown out of special initiatives, demonstrations, or partnerships that provided flexible dollars and resources for start up. This core of resources has leveraged other, more categorical, dollars and partnerships for program operations. Yet WIs are perceived in many arenas as competitors or duplicators of the public workforce development system.

These resources continue to shape the field of WIs, but they are not enough. Great need exists to build regional and national infrastructures to support the development and expansion of WIs, including venture funding for growth, benchmarking, human resource development, ongoing learning, and public policy. This infrastructure must be aligned with the goals and strategies of public workforce development systems.