

3. What are the future opportunities?

3.1 The spectrum of possible strategies:

In this section we look at the spectrum of employment and training strategies, interventions, initiatives, and tools available for local workforce systems, and give examples of some that have been used in Baltimore.

Why is this important? A national economy that has witnessed the loss of over two million jobs in the last three years and is experiencing structural changes like a decline in manufacturing and increased outsourcing to abroad, requires an agile response by local workforce systems. Given reduced federal resources, we cannot afford to reinvent the wheel, or attempt every new idea. We need to keep our eye on the horizon for measures being undertaken elsewhere which might merit being tried here, identify ones which work, and then prioritize their development in relation to the larger strategic objectives of our own local Board and local conditions.

We present individual program suggestions in four strategy-groups, bearing in mind that in a complete workforce system these are not mutually exclusive:

- Employer-centered strategies
- Job-seeker strategies
- Service-delivery strategies
- Regional strategies
- Funding strategies

Possible employer-centered strategies:

Incumbent worker training, customized training, and on-the-job training are all strategies in common use nationwide. They respond to employer needs by having curricula and content tailored to the particular job and workplace. In Baltimore, there is the STEP program, and the new Maryland "BusinessWorks". At the state level there is the "Maryland Industrial Training Program" (MITP) and the "Partnership for Workforce Quality" (PWQ). *Job applicant "warranties"*, where the workforce system guarantees applicants meet employer requirements for the position, can also reduce the risk of inappropriate hires and encourage employer confidence in using the public system.

Other services that could be tried include *enterprise-wide training assessments*, where the business need for training is systematically explored and articulated through job analysis, workforce planning, and benchmarking against peers. This could be particularly useful for small and medium-sized establishments typically lacking their own internal HR/OD departments. Working with MOED experts, such companies could be helped to fashion a strategic plan for human capital development, focus their hiring needs, and minimize the time and resources spent on any training unrelated to business objectives.

Many states and metropolitan areas are embarking on "*sector-based*" or "*cluster-based*" economic development strategies. (These will be discussed in more detail in Section 3.4). Cluster-based development involves the stages of: (i) identifying industries for which the local area is likely to have a competitive advantage – the list of "target" or "high-growth opportunity" industries; (ii)

identifying which other industries it makes sense to encourage locally because of their high linkages to those on the target list; (iii) aligning economic development efforts, resources, initiatives, and infrastructure towards cluster industries, so as to maximize their opportunity for growth; and then (iv) leveraging that growth opportunity by building out from the initial cluster (which is usually technology-based, offering rapid growth in relatively few and high-level occupations) into as wide as possible a set of peripheral activities with entry points for lesser-skilled job-seekers.

Strategies for pushing this sequence to completion include identifying the patterns of purchasing by, and the *supply chains* for, the target industries, and encouraging the relocation and local development of those lower tiers. *Industrial consortia* for small and medium-sized establishments can help them participate in such extended cluster development. Companies lacking internal resources individually can collectively develop an infrastructure of skill standards, occupational certifications, and career pathways, as well as pool resources for group-buys of expensive specialist services. In Baltimore, cluster development is gaining momentum through the "Baltimore Healthcare Coalition", and the "Baltimore Bioscience Coalition", and may soon take off in the construction industry.

Possible job-seeker strategies:

Many clients need extensive basic skills training before they can handle specialist customized training. Individual employers lack the incentive to invest much in this type of training because it is not directly related to the specialist occupational needs and tasks in their own workplaces. Particular groups of clients, such as out-of-school youth, high school dropouts, migrant workers, ESL clients, ex-offenders, low literacy individuals, and other hard-to-serve clients, have extensive needs for these services before they can even be considered for occupational skills training and most employment situations. This applies particularly to ex-offenders who need basic re-entry and financial bonding services.

In Baltimore, such services have been delivered through the "intensive tier" of WIA, Welfare-to-Work, TANF "New Beginnings", the Baltimore Ex-Offender Task Force, the Re-Entry Program, the YES Network, PEP/Career Centers, and Project Bridge. Other strategies that could be tried include *home-based e-learning*.

Possible service delivery strategies:

Service delivery is the heart of the workforce system, and a variety of strategies is being tried as LWIBs try to assist a larger number of unemployed clients with services, and do so more cheaply and effectively, on smaller budgets.

Within the one-stop system, the WIA funding streams have typically borne all the infrastructure costs of one-stop centers for all partners – even the mandated ones. One version of future WIA reauthorization requires all partners, and particularly the welfare system, to *share infrastructure costs*. The welfare and workforce systems were overhauled by different legislation at different times, and there remain many challenges and opportunities to link them better, and to leverage resources towards outcomes that both systems are striving for.

New *computer technologies and online software systems* can support traditional in-person counselor interviewing and assessment, or allow *self-assessment* where appropriate. These advances can bring down unit costs and increase the volume of clients served, by releasing staff from routine tasks and allowing them to spend more time on higher professional functions. They also allow

more flexible scheduling and access. Limited-service *satellite operations* and *mobile one-stops* can extend the system's reach, while allowing more expensive specialized services to be consolidated into *mega-one-stops*.

Performance-based contracting can increase competition, raise the quality of the vendor pool, and reduce service costs. *Privatization* of one-stops and services can theoretically lead to greater efficiency, innovation, and economies of staffing and service-delivery. The Northwest Career Center is the Baltimore example of a privatized one-stop. An *occupational forecasting system* can signal what kinds of services and training would be most likely to prepare job-seekers for occupations in future demand, thereby reducing resources spent on services not resulting in employment.

Possible regional strategies:

In times of low unemployment and shortages of particular skill labor, when the need for training is greatest, individual employers have less incentive to provide that training because their employee can walk across the street for an extra 50 cents an hour. The employer's investment then becomes a competitors' asset. *Regional skills alliances*, where employers facing common skill shortages come together to develop the skilled labor pool, can help overcome this "prisoner's dilemma". Such alliances can develop shared training programs, uniform skill standards and occupational certifications, and career pathways, and result in an increase in the overall volume of training provided. This increases the number of skilled workers available, reduces the risk of hiring for employers, increases the portability of skills for employees, and reduces costs and risks for everyone in a better-functioning regional labor market. The "Baltimore Healthcare Coalition" may evolve into this kind of entity.

Individual LWIBs can likewise come together for *regional cooperation*. WIA originally envisaged a local workforce investment area as being the same as a functional labor market area. However, in practice the WIA reforms did not significantly reduce the number of local areas around the country because most states simply grand-fathered nearly all of their previous SDAs into new LWIB areas. As a result, many metropolitan areas still have multiple LWIBs and one-stop systems, even though employers and commuters rarely recognize their administrative boundaries. In these circumstances, it can make sense for neighboring LWIBs to cooperate or form *regional groupings* to deal with common problems and to deliver shared or specialized services.

Possible funding strategies:

Little that is new or different can be done satisfactorily without additional resources. Yet the future funding scenario for local workforce systems is not bright. Federal employment and training funds will not be restored to 2001 levels in 2004, as was previously proposed in the Senate. The National Emergency Grants will expire in 2005. The federal government's overall budget is not expected to return to surplus until the next decade. Maryland's state budget, meanwhile, is trying to close a \$700 million gap for the present biennium.

Under such circumstances, many LWIBs elsewhere are reviewing their options for *charging fees* for services. WIA prevents charging of the job-seeker, but not of the employer. Many one-stops now make some of their physical facilities *available for rent* by employers lacking their own, or by temporary help supply agencies needing a temporary location. Some one-stops are charging employers for *participation in job-fairs*. Others are offering *more specialized services* for an additional fee, or are offering services to otherwise *un-served out-of-area employers*, for a fee. A few are

attempting revenue-raising *joint ventures with temporary staffing agencies*. Others are hiring *professional full-time development specialists*.

Perhaps the most widespread funding strategy being developed is to encourage *the Board itself to be an advocate* with potential state and local funders. Individual board members can often present the case for public funds in ways that government agencies cannot, and can provide persuasive client testimonials to legislators about jobs created, retained, or filled, in that elected representative's district.

In many other states in the past, this kind of employer support has contributed to the establishment of state-funded employer-focused training programs. The most recent nation-wide survey of such programs by the National Governors' Association showed some \$572 million per year spent by states on employer-focused labor training programs in 1998.¹ Maryland then ranked 26th of 47 states with such programs, in terms of state dollars (i.e. non-WIA and non-JTPA funds) per employee (see *Chart 3.1*). At \$3.31 of state funds per employee in the state, Maryland's effort was 37.5% lower than the \$5.29 per employee national average, and below the level of even states like West Virginia, New Mexico, Mississippi, Louisiana, and Alabama. It was also 44% lower than Pennsylvania's \$5.91 per employee, 37% lower than Virginia's \$5.28, and 61% lower than New Jersey's \$8.67 per employee – the three states that are Maryland's closest industrial competitors.

These other states are clearly finding a way to fund such training. Twenty-three states around the country are now doing so with funds collected through employer taxes -- a mechanism that in 2002 raised over \$92 million in New Jersey and \$148 million dollars in California, for example.² New Jersey's funds for workforce training per employee grew by 216% in the four years between 1998 and 2002. By contrast, the combined total budget for Maryland's 'Partnership for Workforce Quality' (PWQ) and 'Maryland Industrial Training Program' (MITP) increased by 54% over the same period (from \$5.05 million to \$6.0 million). There was a temporary spike in this total funding to \$10.7 million in 1999, but this means the 1999-2003 change is actually a decline of 35% in the total budget for these two state training programs.³

What we have learned from this section, and what recommendations does it support?

1. In spite of local public workforce systems being operated under strict federal regulations and guidelines, a variety of possible strategies exist for future action and addressing challenges. The Board can take the initiative in supporting development of these, and even where they involve finding and deploying resources outside of WIA, the Board can still play an important role as facilitator, convener, and partnership-creator.
2. We recommend the following strategies as most promising for future development in Baltimore:
 - (i) Continued development of sector/cluster-based strategies, focused on health care and bioscience.

¹ *A Comprehensive Look at State-Funded, Employer-Focused Job Training Programs*, Employment and Social Services Policy Studies Division, Center for Best Practices, National Governors' Association, Wash DC, 1999.

² *Workforce Training*, U.S. General Accounting Office, February 2004, #GAO-04-282, p3 and App. II.

³ *Annual Report*, Governor's Workforce Investment Board, Maryland, 2002, and internal GWIB memoranda.

- (ii) Regional Skills Alliances operating within, and supporting the needs of, the designated sectors/clusters.
- 3. Maryland lags behind its competitors in terms of state dollars devoted to employer-focused labor training. The Board could take the initiative and advocate for a plan to raise a large alternate source of funds for training programs, to be implemented when economic conditions allow.

