RESPONDING IN A TURBULENT ECONOMY:

CREATIVE ROLES FOR WORKFORCE INVESTMENT BOARDS

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EXECUTIVE SUMMARY

Few would argue with the proposition that the United States faces major economic challenges today as a result of numerous external forces. Terrorism, globalization, technological innovations, demographics, immigration – all conspire to introduce tremendous uncertainty confronting the world as we know it. In the context of these economic changes, the Ford Foundation funded a project to assess and understand ways in which Federal government investments in workforce development can respond to the needs of workers and communities in turbulent economic times.

Workforce Investment Boards (WIBs) authorized by the Workforce Investment Act (WIA) of 1998 are responsible for helping communities and regions respond to the changing economy by overseeing the federal government's investments in promoting effective labor market functioning, including support for job training, career development and employment-related services. Compared to previous job training legislation, this statute encourages WIBs to assume a role as the policy-setting body that determines priorities and allocates resources at the local, regional, and state levels. WIA seeks to create a demand-driven system focused on using resources to help communities and regions meet the skill needs of employers and job seekers. WIBs now are charged with providing services to a greater range of customers and ensuring that strategies meet employer needs. In a churning economy, WIA's mandate for broad community leadership and somewhat flexible resources can help to ameliorate the impact of these forces on workers, companies and communities.

In formulating the legislation, policy makers and practitioners alike recognized that WIA resources constitute only a very small portion of the total public and private investment in skill development. With that in mind, the statute allows WIBs considerable flexibility in linking the fulfillment of its core responsibilities to other organizations engaged in these and related activities. In part, this collaboration is necessitated by the need to draw from multiple partners and resources in devising solutions to the complex, multi-faceted challenges faced by employers and job seekers in this economic climate.

The project sought to identify and share effective strategies for addressing the demands on the workforce investment system during this time of economic churning, to explore ways in which the publicly-funded workforce system could act proactively, and to share information about effective practices and the policies that support them. To accomplish this, the project explored several related questions. What demographic and economic trends are likely for the future, and how are they affecting us now? How is the nation's workforce investment system responding to this economy and the uncertainty affecting individuals, employers and local labor markets? Are there specific examples of Workforce Investment Boards and their partners developing effective strategies to address these particular challenges resulting from the churning in the economy?

The report is organized around individual case examples that illustrate the strategies employed by several state and local workforce areas and partners. The case examples illustrate some important structural arrangements and innovative strategies. For instance, organizational structures include the workforce agencies serving as the umbrella agency for regional economic development (North Central Indiana), as an important resource in a regional planning organization (Western Massachusetts), and as a fully integrated workforce and economic development organization (Stanislaus County, California). Examples of innovative strategies include WIBs partnering with business incubators to support new and emerging businesses (Jacksonville); states partnering with manufacturing extension centers to help companies with process improvements that reduce costs and improve efficiencies (California, Oklahoma, Rhode Island); the state and local WIB using WIA funding to address intense global pressures from the food processing industry and foreign competitors (Puerto Rico); and states using work sharing as a temporary strategy to avert layoffs and minimize impact on communities and workers (Massachusetts).

These are some of the many ways that the case examples and related project work document how public investments in workforce development can address the emerging needs of employers and job seekers to provide a smoother ride through the challenges. To help ameliorate the effects of this economy in transition, WIBs are encouraged to provide leadership by:

- Anticipating labor market and economic trends
- Coordinating workforce investment activities with economic development and education strategies
- Bringing relevant parties together to address workforce and competitive challenges in a sustainable and collaborative way
- Promoting the participation of employers in the public workforce investment system
- Ensuring the effective provision of connecting, brokering, and coaching activities, through intermediaries to help employers meet hiring needs and competitiveness concerns
- Developing linkages with economic development activities including available state and local business retention and recruitment activities
- Devising and overseeing strategies for incumbent worker training
- Developing layoff aversion strategies
- Exchanging information about potential dislocations
- Exploring early interventions and pre-feasibility studies for alternative ownership/financing
- Delivering effective rapid response to ease transition of laid-off workers to new industries and occupations

Many WIBs play broader roles that are relatively new to the workforce system in practice. These WIBs embrace the broad vision in the authorizing statute and apply it in new and different venues that seek to make an impact on the economic agenda of the community or region. These WIBs are exploring new governance structures, identifying creative strategies, reaching across jurisdictional boundaries, and launching targeted initiatives to advance the ability of workers, companies, and communities to adjust in a rapidly-changing environment. Some new roles include the WIB as a leader in organizing regional initiatives, as a partner supporting technology transfer activities, as a catalyst assessing alternate strategies for distressed employers trying to survive, and as a problem-solver helping local businesses.

In this way, WIBs deliver valued resources and services on both the "upside" and the "downside" of economic churning. While the workforce system has tended to focus historically more on reacting to the downside consequences, the emerging trend for WIBs to play a role on the upside as well is an important development that complements the traditional expertise of the system. WIBs that are active on both fronts will be well-positioned to make an impact on a broader agenda.

Successful WIBs that accept this bigger agenda seem to have several characteristics in common. They:

- take a broader perspective beyond simply managing a single federal categorical program that provides workforce development services to job-seekers.
- deliver services and achieve results that make a difference to employers by "going the extra mile" beyond traditional workforce services to win the confidence of business customers.
- interpret and apply the WIA statute and regulations with confidence, and use their authority to promote innovative program strategies and entrepreneurial behavior.
- use WIA funding to penetrate new markets, to communicate with new and existing business customers, to work successfully beyond the established WIA performance metrics, and to seek opportunities and new relationships.

Many of the successful state and local workforce boards also take a systematic approach to understanding the needs of local businesses and deciding how to act on that information. Often they follow a logical progression from research (labor market information and studies), to strategy development, to putting in place effective management systems (implementation, incentives, evaluation) in order to define needs, allocate resources effectively, and realize returns on these investments. An important component of this process is to make sophisticated use of local labor market information to understand the rapid changes in a regional economy and to develop responsive strategies that address the implications of these changes on individual segments of job seekers and employers.

Communities that figure out how to meld the unique mix of resources and expertise that they have into mature service provider networks at the local and regional levels will have a comparative advantage over other communities. Moreover, community leaders and organizations working together to address the effects of an economy in transition will have a meaningful impact on their employers, workers, and other community institutions.

I. INTRODUCTION

The US economy has faced extraordinary uncertainty over the last few years in particular. The nation experienced slowing economic growth in much of 2000-2001, and then suffered through the terrorist attacks of September 11th and the war in Afghanistan. Both had far-reaching economic impacts. The U.S. economy experienced increasing layoffs, recession, and then continued slow growth well beyond the airline, aerospace, hospitality and tourism, financial services and insurance industries directly affected by September 11. Since then, the unemployment rate increased fairly consistently throughout 2002-2003. Yet the economy showed signs of rapid increases in productivity and modest job creation as 2003 ended. At the time of this publication, unemployment has fallen from a high of 6.4 percent to 5.7 percent, and a recovery appears underway, but its "jobless" nature has elected officials, policymakers, economists, and workforce development professionals scrambling for solutions. Moreover, the economy has lost over 2.3 million private sector jobs in the last three years, with many of these jobs going offshore.

Many argue that these changes in the economy and unemployment foreshadow deeper, underlying trends with important, long-term implications, such as globalization and technological innovation—key drivers of structural shifts. Other trends include changing demographics, increased skill requirements for good jobs, changing preferences regarding work practices and lifestyle, possible changes in immigration policy, increased concern with security, and global patterns of trade and investment. The growth of the traditional U.S. workforce, which has increased by more than 50 percent over the last two decades, will slow dramatically over the next several decades. Changing demographics are expected to exacerbate the difficulty in meeting these challenges. Recent data suggest that, if current trends continue, the U.S. will experience a net deficit in workers with at least some post-secondary education of about 12 million workers by 2020 (Carnevale and Fry, 2001).

In the context of these economic changes, the Ford Foundation funded the National Center on Education and the Economy (NCEE) to assess and understand ways in which public investments in workforce development can respond to the needs of workers and communities in turbulent economic times. Soon thereafter, NCEE engaged the Hudson Institute as an ongoing partner in this effort.

Workforce Investment Boards (WIBs) authorized by the Workforce Investment Act (WIA) of 1998 are responsible for helping communities and regions respond to the changing economy by overseeing the federal government's investments in promoting effective labor market functioning, including support for job training, career development and employment-related services. Compared to previous job training legislation, this statute encourages WIBs to assume a role as the policy-setting body that determines priorities and allocates resources at the local, regional, and state levels. WIA seeks to create a demand-driven system focused on using resources to help communities and regions meet the skill needs of employers and job seekers. WIBs now are charged with providing services to a greater range of customers and ensuring that strategies meet employer needs. In a churning economy, WIA's mandate for broad community leadership and somewhat flexible resources can help to ameliorate the impact of these forces on workers, companies and communities.

In formulating the legislation, policy makers and practitioners alike recognized that WIA resources constitute only a very small portion of the total public and private investment in skill development. With that in mind, the legislation encourages WIBs to collaborate with education, economic development, welfare, entrepreneurship organizations and private sector providers and intermediaries in order to align resources and to achieve common goals. The statute allows WIBs considerable flexibility in linking the fulfillment of its core responsibilities to other organizations engaged in these and related activities. Depending on the circumstances in a given community, region, or state, the WIB may convene multiple organizations to identify opportunities and to develop effective strategies for aligning different agendas and activities. These may include secondary and post-secondary schools, community colleges, universities, and other public and private training providers, public and quasi-public economic development agencies, literacy programs, community-based organizations, small business development centers, manufacturing extension centers, regional planning entities, and a host of other organizations that have not partnered with the workforce system traditionally. In part, this collaboration is necessitated by the need to draw from multiple partners and resources in devising solutions to the complex, multi-faceted challenges faced by employers and job seekers in this economic climate.

Local WIBs in particular are well-positioned to play a broad role in this turbulent economy. They are close to these trends at the local level. With their partners, they have the capacity, statutory authority, and some relatively flexible (if not sufficient) resources to develop and execute strategies promoting economic growth and smoothing the path for workers and companies in transition. Moreover, they feel the arbitrary nature of political boundaries between communities and states most directly, and can use their statutory authority to build relationships and collaborate for mutual benefit across jurisdictions. Of course, there are obstacles to achieving this vision for the WIBs as community change agent.

First and foremost is uncertainty about the *willingness* of the WIBs and staff to play this different role. As detailed in a recent Brookings Institution report[2], WIA introduced numerous major policy shifts (e.g., program eligibility, business-majority boards) from prior statutes that take time to implement effectively. Issues of geographic and jurisdictional boundaries, established practices and relationships, and a sense of agency roles, responsibilities, and expectations among current and potential partners all conspire to make it difficult to change the status quo. This task is made considerably more difficult in a climate of declining federal resources for workforce development. Limited funding creates a tension between funding traditional program delivery and infrastructure versus supporting a strategic agenda that invests in research, incumbent worker training, and related partnering activities. Local officials are forced to make difficult choices because of the mismatch between the broad ambition anticipated and the limited funding to carry

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[2] "The Workforce Investment Act: Reauthorization to Address the 'Skills Gap,'" by Harry Holzer and Margy Waller, The Brookings Institution, Research Brief, December 2003.

it out. Local officials who choose to support a strategic agenda often must secure additional, non-WIA funding for these efforts.

The *ability* of WIBs and staff to adjust to changing circumstances in local labor markets and the broader economy constitutes another challenge. Do they have the knowledge, experience, insights, and vision to develop and implement strategies that will engage new partners, especially employers, on a broadened mission as a change agent for the community? Do they have the credibility to develop and leverage relationships with employer intermediaries and economic development organizations already active? It is a big step from understanding the forces in play and the implications for changed behavior to figuring out strategies to operate effectively in this new environment.

A related challenge is that there are many new private sector members serving on WIBs around the country since the passage of the Workforce Investment Act. These members often face a steep learning curve in understanding their roles and responsibilities and how to ensure that the system takes a demand-driven approach to the investment of workforce development resources. In addition, WIB staff face the challenge of engaging private sector members meaningfully so as to sustain their involvement over time.

Finally, are other organizations willing to partner? The workforce system needs to present a value proposition that is appealing to new and existing partners, whether they are service providers and different agencies locating in the One Stop Center or business associations collaborating on sectoral strategies. Are the WIA resources and infrastructure sufficiently flexible and responsive to meet the needs of new customers and partners and to sustain their participation? Can WIA leadership fulfill the anticipated role and execute strategies that will meet existing needs?

This project explored several questions. What demographic and economic trends are likely for the future, and how are they affecting us now? How is the nation's workforce investment system responding to the slow recovering economy and the uncertainty affecting individuals, employers and local labor markets? Are there specific examples of Workforce Investment Boards and their partners developing effective strategies to address these particular challenges resulting from the churning in the economy?

The project sought to identify and share effective strategies for addressing the demands on the workforce investment system during this time of economic churning. NCEE committed to informing WIB members about the opportunities under WIA to address these challenges, and to help clarify how WIB (especially private sector) members can use WIA's broadened authority to take advantage of opportunities and make an impact in their communities. To this end, NCEE engaged representatives of WIBs to explore ways in which the publicly-funded workforce system could act proactively, and share information with stakeholders about these practices and the policies that support them.

This report is organized to achieve those objectives, and to document trends and illustrate creative responses to emerging issues. Section II provides a brief discussion of the various forces shaping these economic times, with a particular focus on those relevant to workforce development policy makers and leaders in the system. These forces have important ramifications for how we work and learn; how effectively we adapt to them will influence our standard of living for many years to come. Section III describes the methodology used in this project to identify and document some of these innovative strategies and initiatives that WIBs and their partners are undertaking. Section IV presents an overview of strategies employed by local workforce areas and partners, followed by individual case examples that illustrate the strategies. Section V draws conclusions from the case examples and related project work.

II. THE SOCIAL AND ECONOMIC CONTEXT

It is important to explore in some detail the social and economic forces at work in today's turbulent economy to help set the context for the challenges facing our nation in general and, by extension, the workforce investment system. For one, local and state workforce investment boards need to understand the myriad forces and their complex interactions in order to make decisions about resource allocation, strategies, and tactics. Second, we hope to convey to the system decision-makers a sense of urgency about the need to approach workforce development issues in an entirely new way.

The prevailing social and economic conditions of both America and the world today determine the supply/demand of appropriately prepared workers. And these labor market conditions in turn shape the economic futures of nations, states and regions because people are the core natural resource of today's innovation economy.

By its very nature, the innovation economy is a "churning economy." The World Competitiveness Year Book describes the knowledge or innovation economy as follows:

"Knowledge is the ingredient that underlies the competitiveness of regions, nations, sectors or firms. It refers to the cumulative stock of information and skills concerned with connecting new ideas with commercial values, developing new products and, therefore, 'doing business in a new way.' At its most fundamental level, the "knowledge base" of an economy can be defined as:

> The capacity and capability to create and innovate new ideas, thoughts, processes and products, and to translate these into economic value and wealth."[3]

All kinds of persistent and repetitive change (churning) are occurring in today's innovation economy:

- Businesses start, businesses fail
- Businesses locate, then re-locate
- Jobs are created, jobs are lost
- Skills are acquired, only to become outdated
- Workers come, workers go
- Occupations grow, occupations decline
- Corporations grow, corporations downsize

To varying degrees, this churning is taking place in all firms, all industries, at all locations, in all markets (local, regional, national, and global).

Economist Schumpeter characterized this type of economy as one known by its "gales of creative destruction." To the worker, firm, or community, it might seem more like the "wails" of creative destruction. But to those who are agile and prepared, it means "sails"

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[3] World Knowledge Competitiveness Index, Robert Higgins Associates, 2002

of creative destruction. Change creates opportunity as much as it creates threat. What such an economy requires is constant learning and agility not only on the part of workers but workforce preparation organizations and systems, including Workforce Investment Boards across the nation.

Human capital is critical to this innovation economy because:

1) It is the source of new ideas and creative ideas that are the building blocks of the innovation economy.
2) People are highly adaptable to change. Unlike physical capital tied to place that can be difficult to move or rebuild in a short time frame, properly equipped people can be mobile and flexible to quickly learn and relearn new behaviors and skills. They are agile in talent-acquiring behaviors.

America's Workforce Today

According to the 2000 Census, the U.S. Population 16 years of age or older was 217,168,077. Of these individuals, 63.9 percent, nearly 139 million, were in the labor force (working or actively seeking work).

While the majority of the labor force is in the 25 – 54 age bracket (70.6 percent), substantial numbers at either end of the age spectrum are working: nearly 8 million of 16–19 year olds (5.8 percent of the labor force) and 4.6 million of those 65 and older (3.4 percent of the labor force). As discussed below, these percentages could increase for several decades.

While a college education remains part of the American Dream, only 30.4 percent of the 25 to 64 year-old population held a bachelor's degree or higher in 2000. 27.4 percent of this population had some post-secondary/pre-Baccalaureate education, while 41.6 percent was educated to the high school level or below[4].

Of particular concern are the workforce preparation needs of workers, at all ages, whose educational preparation is less than a bachelor's degree. These workers are important for at least two reasons. First, in general, these workers live at close to livable income thresholds. The average wage in occupations requiring a high school diploma or GED was $10.55/hour in 2000; for occupations requiring a high school diploma with additional on the job vocational training, $13.46/hour; and for occupations requiring vocational credentials up to an Associate's degree, $16.36/hour. It is widely held that a livable income starts in the low $30,000's per year, plus benefits. In round numbers, this is $16.00 / hour. Large numbers of workers earning a marginally livable income prompts us to ask "How can the workforce development system do a better job to enhance skills, increase productivity, and improve agility for these workers in a churning economy?" At an even broader level, how can the workforce system help companies expand available jobs and influence the nature and requirements of those jobs?

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[4] U.S. Census Bureau, Statistical Abstract of the United States, 2001.

Second, because of their sheer numbers, the productivity of these workers is critical to U.S. economic growth. Should they become less competitive relative to similar workers overseas, America's economic engine could lose steam. Already in many low skill/low pay industries, the higher productivity of American workers cannot compete with lower productivity but much lower labor costs in the developing world. Not only has manufacturing, such as textiles, furniture manufacture, and steel making, moved offshore, but now services such as back offices/call centers have relocated to places like India. Only by constantly upgrading their skills and moving into occupations and industries that will grow and prosper can these workers hope to achieve the American Dream of owning their own house, providing a good start for their children and enjoying a comfortable retirement.

Third, the socioeconomics of those with high school or less deserves attention. Certain minority and immigrant groups remain underemployed or unemployed at higher rates than the population at large, just at a time when they are becoming an increasing contributor to overall labor supply. In addition to fairness issues, their workforce participation and advancement becomes critical to meeting demand. Hudson Institute's recent monograph "Beyond Workforce 2020: The Coming (and present) international market for labor" states: "Even more dramatic is the share of workforce growth contributed by Hispanics and Asians. Between now and 2015, over half of net workforce growth will come from Hispanics and Asians. Between 2020 and 2050, they account for all of net workforce growth.

The Skills Gap Continues

The skills of many of today's workers do not match those required in a workplace driven by technological and managerial change. For example, a 2001 survey done by the National Association of Manufacturers (NAM) found that more than 80 percent of manufacturers report a moderate to severe shortage of qualified job candidates. "Most ominously, some 60 percent say the lack of adequately skilled workers makes it difficult to maintain the production levels necessary to meet demand…" said NAM president Jerry Jasinowski. This current phenomenon is likely to get worse, as evidenced by data from the Bureau of Labor Statistics projecting a 22 percent increase in jobs that will require at least some college education by 2008. In their frustration to find highly skilled, highly productive workers at U.S. wage rates, increasing numbers of employers are looking offshore where workers are plentiful, much lower in cost, more loyal and surprisingly well-educated.

For a time in the 1990's, the skills gap caught the attention of business, government and education leaders alike. Brought on by a boom economy, the labor market tightened markedly. Employers were willing to hire any "warm body" only to become ever more frustrated with the lack of skills. The reported skills deficiencies ranged from a basic knowledge of literacy, mathematics and computers, to the social skills of team work, joint problem-solving and verbal communication, to the life skills of punctuality, personal time management and personal savings/financial management. At the same time, employers were requiring workers to commit to lifelong learning, while employers were less willing to commit to long-term job security. Yet the innovation economy demands that firms, along with workers at all levels, "learn on the run" constantly.

Passage of the Workforce Investment Act of 1998 (WIA) was one response to a perception that the workforce preparation system in the U.S. was fragmented, ineffective and ill-prepared to meet the needs of an innovation economy. The legislation focused the concept of integrated services to the individual worker in the establishment of "one stop centers," where numerous service providers could be co-located to more effectively serve job seekers. WIA also broadly empowered local Workforce Investment Boards to develop regional human capital strategies that were broader than individual programs, funding streams, and political jurisdictions. Moreover, the idea of "employer as customer," which WIBs in many communities have implemented, is a significant expansion beyond workforce programs' traditional focus on serving disadvantaged individuals.

Because WIA was passed at the height of a boom economy, leaders assumed jobs would be plentiful. What was most important was getting willing workers to those jobs. Now nearly six years later, times are different: the U.S. and global economies are less buoyant. Following a mild recession in March – November 2001, the U.S. economy has not picked up as fast as is the usual recovery pace. While concerns about a double-dip recession have disappeared, jobs remain less plentiful. Some call this a "jobless recovery." And some believe it is here to stay due to "global labor arbitrage"[5] where employers are moving jobs in the U.S. to offshore locations such as China and India. The unemployment rate remains at a low 6 percent. But employers continue to bemoan skills shortages. Why? The reason is churning! [But the section below does not make clear why changes requiring workers to switch industries and accept pay cuts (churning) necessarily leads to skill shortages—what's the basis for the connection???]

Churning, Now A Given

In its 2002 survey of more than 66,000 individual participants in its career transition programs, the international outplacement and career management firm DBM / NETg reports that workers are increasingly required to switch industries and accept pay cuts. Key findings were:

- Corporate downsizing or restructuring was responsible for 83 percent of job transitions, only 2 percent due to poor individual performance.
- Seventy-five percent of those downsized changed industries, up 3 percent from previous year.
- Pay cuts were a reality for 65 percent of those re-employed.

The nature and extent of this churning is such that the U.S. Department of Labor's Bureau of Labor Statistics has created a new survey of 16,000 U.S. business establishments to track monthly changes in job openings and labor turnover by industry. Specifically, the Job Openings and Labor Turnover Survey (JOLTS) collects, processes,

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[5] "global labor arbitrage": a term used by Steven Roach, Chief Economist, Morgan Stanley.

and disseminates data, including employment, job openings, hires, quits, layoffs and discharges, and other separations.

These data serve as demand-side indicators of labor shortages at the national level. Prior to JOLTS, there was no economic indicator of the unmet demand for labor with which to assess the presence or extent of labor shortages in the United States. The availability of unfilled jobs--the job openings rate--is an important measure of the tightness of job markets, parallel to existing measures of unemployment. Having this statistic makes it possible to paint a more complete picture of the U.S. labor market than by looking solely at the unemployment rate, a measure of the excess supply of labor.

Trends indicate that the reality suggested by these statistics is probably here to stay for the foreseeable future. What is fundamentally different about today's economy is the pace of change superimposed upon a unique combination of "tipping points" facing the national and global economies. A tipping point is a threshold which when reached, results in a dramatically different order: A new set of forces, actions and solutions comes into play. Potentially significant trends and tipping points affecting the American workforce today and over the next 10 years are briefly described below. These provide the basis for developing a checklist of desirable design characteristics for future workforce development agencies and practices.

U.S. Consumption Unsustainable—Slowing Global Growth?

One does not have to be an economist to appreciate that consumerism is a dominant characteristic of the U.S. economy. Consumers are responsible for approximately two-thirds of U.S. gross domestic product. What many do not appreciate is that this same phenomenon keeps the world economy going. Today's global economy has become U.S.–centric. No other growth engine exists: not Japan (in a decade-long recessionary deflation), not Europe (still in major transformation to a Euro–integrated economy), and not yet the developing countries of Asia, Africa and Latin America, although China and India could be big players a decade out.

At present rates the U.S. consumes approximately $2 billion a day more than it produces. The U.S. current account deficit (balance sheet of global trade and income) is approximately 5 percent of Gross Domestic Product. According to classical theories of economics, this cannot continue forever. Something must give: either the U.S. appetite for foreign goods and services will decline, or the value of the dollar will decline. This tipping point will be reached when foreign holders of U.S. debt are no longer willing to lend and/or U.S. consumers, maxed out on household consumer debt and mortgage commitments, dampen buying habits due to higher real interest rates, terrorism shock, or some other factor.

Such a tipping point would have numerous consequences for the U.S. workforce and workforce development system: higher unemployment, some deceleration of jobs moving off shore, an invigorated emphasis on job retention by employment, a slowing of the innovation economy with fewer opportunities for knowledge and high skill jobs. In the long term, a more stable economy with less churn would likely ensue. What remains unclear is whether this adjustment to the balance of trade will be sudden or gradual. The current path appears to be a gradual decline in the value of the U.S. dollar, resulting in national workforce challenges that are still relatively manageable [So what are the implications for the design of a workforce development system?].

Global Over-Capacity: Driving Down Costs and Equilibrating Wage Rates

U.S. consumers buy foreign goods and services because they can obtain quality merchandise at attractive prices. They are cheaper because the rest of the world possesses excess productive capacity: plant, equipment, know how and particularly labor. Globalization opens access to U.S. markets, which in turn advances distant economies, which in turn leads to overseas purchases of U.S. advanced goods and services. For over 30 years, every U.S. president, regardless of partisan affiliation, has strongly supported free trade. It enables economic players from around the globe to take advantage of comparative and competitive advantage, driving down costs and improving quality for the benefit of consumers worldwide. In the long run, everyone benefits.

The consequences of this trend on the American worker are enormous. First, only those goods and services that are cost competitive are still produced in the United States, and second, only by increasing worker productivity can high wage rates be sustained. Labor costs account for approximately 70 percent of the costs of doing business. As shown in the table below, for a European country like Sweden, unit labor costs for manufacturing have decreased by more than 50 percent since 1990, and Korea has seen a 22 percent decline. Several East Asian countries such as Korea achieved improvements through strong increases in productivity, whereas some European countries lowered their labor costs relative to the U.S. The United States, in contrast, has shown little progress in its competitive position on the basis of labor costs. At least in part, this could be explained by steadily increasing health care costs for those jobs that pay benefits.

Trends in Unit Labor Costs, US$, Index for each Country (1992=100)

	US	Japan	Korea	France	Germany	Sweden
1990	93.7	83.9	93.0	94.2	N/A	91.3
1991	97.6	91.8	100.3	93.2	87.5	96.3
1992	100	100	100	100	100	100
1993	100.6	115.3	102.7	95.2	98.7	67.8
1994	98.5	125.8	106.8	93.4	98.2	64.0
1995	94.8	131.6	124.3	102.6	114.2	70.0
1996	93.5	109.5	125.9	101.3	111.6	77.3
1997	91.9	97.4	100.2	83.3	94.0	65.4
1998	92.8	92.2	65.8	79.1	92.9	61.5
1999	91.3	101.0	68.8	75.2	91.6	56.4
2000	92.3	98.4	70.4	62.8	79.8	47.5
2001	94.1	89.3	66.5	61.4	78.7	43.1
2002	92.8	81.1	72.4	65.1	83.0	44.2

Source: U.S. Department of Labor, Bureau of Labor Statistics, September 2003.

The implications for American workers and workforce agencies should be apparent: U.S. workers are no longer competing against each other for local jobs but against a much larger labor market, and the only way to stay competitive is to improve one's own productivity through applications of new production processes, new knowledge, and acquisition of additional skills that can be effectively applied in the workplace on a regular basis. Given the pace of scientific discovery and the abundance of accumulated technology development and deployment in the 1990's, the outlook for high productivity remains very encouraging. What remains less certain is the pace with which workers can "skill-up" to fully exploit technological gains.

Abundant Global Supply of Talent

The rest of the world is catching up to the U.S. in quality and price of goods and services because there is an abundant supply of talented labor available. While the U.S. remains the most college educated, it ranks low on international primary and secondary school achievement scores and is less organized to prepare workers for technical/vocational careers and for workplace/worker skills upgrade.

TIMSS Eighth Grade Scores for Select Nations, 1999			
Mathematics		**Science**	
Nation	**Average**	**Nation**	**Average**
All Nations	*487*	*All Nations*	*488*
Korea	604	Hungary	552
Japan	579	Japan	550
Hungary	532	Korea	549
Canada	531	England	538
Russia	526	Canada	533
Malaysia	519	Russia	529
United States	502	United States	515
England	496	Italy	493
Italy	479	Malaysia	492
Romania	472	Thailand	482
Thailand	467	Romania	472
Indonesia	403	Indonesia	435
South Africa	275	South Africa	243
Source: National Center for Education Statistics, U.S. Department of Education. (2000). *Pursuing Excellence: Comparisons of International Eighth-Grade Mathematics and Science Achievement from a U.S. Perspective, 1995 and 1999*. NCES 2001-028. Washington, DC: U.S. Government Printing Office.			

The Trends in International Mathematics and Science Study (TIMSS) program assesses the mathematics and science performance of U.S. students in comparison to their peers in other nations. As TIMSS measures the science and math achievement of tomorrow's workforce, the results are particularly relevant in today's globalized and knowledge-driven economy.

In 1999, U.S. students scored lower than their peers in 14 nations on the mathematics section of the test. U.S. students performed similarly in science, scoring lower than their peers in 15 nations. While the U.S. did outperform about half of the nations that participated, the U.S. averaged over 100 points lower than Korea, and 77 points lower than Japan. Hungary was a full 50 points behind Japan, indicating that there is a gap in the knowledge of students from those countries as well. What this illustrates is the mediocre preparation American students are receiving in mathematics and science. The same differential in score separates the U.S. from the top-scoring nation as separates the U.S. from a developing country like Indonesia.

Approximately one third of India's workers have a solid pre-baccalaureate background, are middle class by India's standards, and are educated in a western-style university system. Not surprisingly, the advanced information technology (IT) services industry has been burgeoning in India. Interestingly, no longer are foreign producers restricted to bidding away manufacturing and agriculture from the U.S., but also the advanced business services industries (witness growth in the enhanced IT services industry in Bangalore, Shanghai, Dublin and major Australian cities.)

The consequences for U.S. workers are twofold. First, offshore corporate locations are not only attractive for low skill/low pay production, but for high-end employment as well. Second, a slice of this talent pool has aspirations to live and work in the U.S. If these workers migrate to the U.S., this would help to offset the U.S. labor shortage effect of the aging population.

The U.S. is one of a few developed economies expected to escape dramatically declining growth rates in resident population. This is due to a number of factors, including an increase in the birth rate, longer average life-spans, and increasing rates of immigration over the last two decades. Immigration trends alone account for one-third of the growth in the U.S. population. The implications of accelerated immigration for the U.S. workforce and workplaces are many: a multicultural workplace, enhanced communication abilities demanded by language differences, skills preparation of partially literate or under-educated new arrivals, and opportunities for advancement by next generation immigrant families.

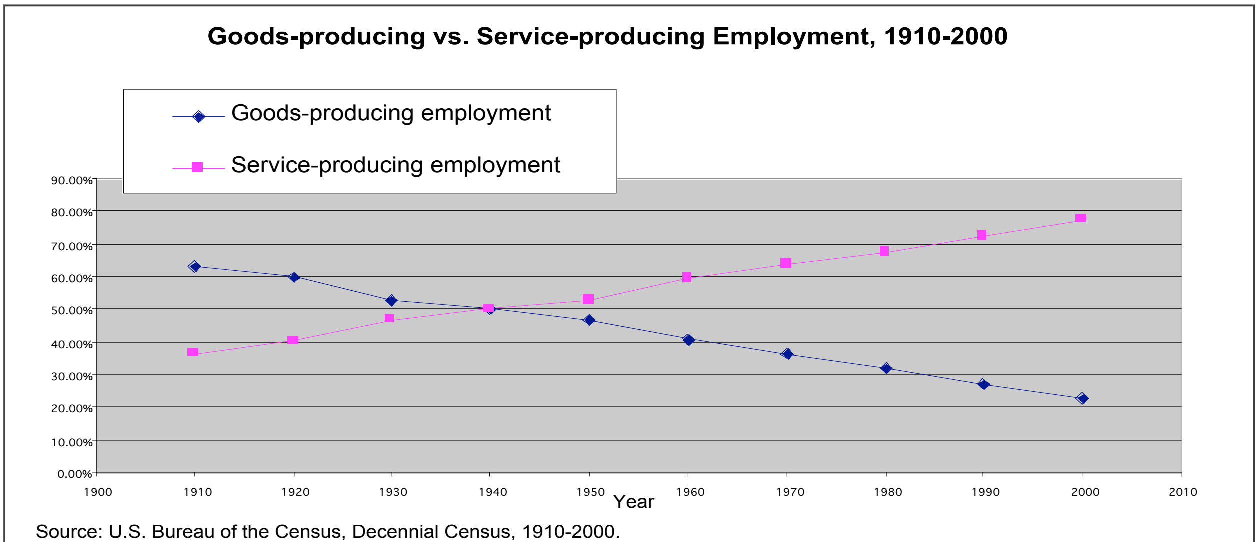
Uncertainties about Global Supply Chains

Trends in technology and globalization have supported the "slicing of the supply chain," the geographic separation of production stages across states and countries. Consequently, business services, as their share in the modern economy expands, are increasingly traded internationally and create competition for even the high-skill domestic labor force. Reports from Gartner, Forrester and others that have studied outsourcing predict that employers will send several million jobs in the IT and financial service industry offshore in the next five to ten years. The United States has, nevertheless, an unsurpassed infrastructure and business climate for firms to take advantage of innovation spillovers in industry clusters and is therefore still one of the largest recipients of foreign direct investment in the world. These assets might become even more relevant in an age of knowledge-driven production where many activities arise that are too strategic, location- or relationship-specific to be outsourced internationally or sent offshore. The competitors at this level are then less like countries like India or China, but more like the other advanced economies where 70 percent of all trade is still taking place.

The implications of an accelerated global job shift remain unclear at this stage. Reduced transaction costs through technological advancement and globalization have increased the ease of global business activity and the accessibility of low-wage alternative production locations. It is estimated that between 1975 and 1995, the share of intermediate goods that were imported doubled in manufacturing, reflecting the rise of outsourcing and off-shoring activities. This movement has created a drag on employment in traditional low value-added industries in the United States. The decline in manufacturing employment, however, is still mostly due to other factors. Productivity increases and labor-to-capital substitution are the drivers behind the shrinking workforce in this sector and are part of the natural industrial evolution. Outsourcing and off-shoring trends have had their toll on worker displacements but reflect most of all a division between high and low value-added activities among countries. Production activities in China, for example, are estimated to only contribute 20 cents to every $1 of U.S. exports. These trends then represent a cost-efficient relocation of production that eventually brings benefits in the form of cheaper imports and worker relocation to potentially higher value-added occupations. They also spur higher exports to the countries that experience income growth due to U.S. international business activity

Changing Industrial Mix: Manufacturing vs. Services

Whereas the U.S. economic track record in the 20th century was one that reflected manufacturing prowess, it can now be aptly described as a "Services Economy." The graph below shows the century-long trend of decline in goods-producing jobs (agriculture, mining, construction and manufacturing), alongside a reciprocal increase in service-producing jobs.



Source: U.S. Bureau of the Census, Decennial Census, 1910-2000.

Since the 1940's, more jobs have been available in the services economy than in the goods-producing economy. Today's preponderance of service jobs leads to the false assumption that "manufacturing is dead" or "future economic growth in the U.S. must focus on services." This "services myth" is ill-founded for many reasons:

- As a result of constant improvement in productivity in the goods producing sector, the gross output of manufacturing has remained fairly steady in percentage terms, while employment has declined. The goods-producing sector remains a significant source of the U.S. GDP.
- Manufacturing jobs pay well, relative to educational attainment. High productivity is passed on to workers in higher wages and/or to owners in higher returns. Within the same occupational categories, significant wage differentials occur between the manufacturing and services sectors. For example, on average, workers in Office and Administrative Occupations earn $13.47/hour in manufacturing industries, while workers in these same positions earn an average of $11.45/hour in services industries[6].

It is indisputable, however, that the nature of occupations and industries has changed dramatically to reflect this fundamental change in our economic structure. The change has been so pronounced that the Standard Industrial Classification (SIC) system, established in the 1930s to promote uniformity and comparability of data collected and published by agencies within the U.S. government, state agencies, trade associations, and research organizations, could no longer keep pace with changes in the economy. There were periodic revisions over the decades, most recently in 1987, when approximately 20 new service industries were added to the SIC and a few new industries were added to manufacturing to reflect technological changes occurring in that sector. By the early 1990s, many data users and analysts were criticizing the SIC as outmoded and not reflective of the economy of the United States. The North American Industry Classification System (NAICS), adopted in 1997, is the all-new system for classifying business establishments that attempts to better capture these structural changes in the economy.

What is becoming evident is that much of the manufacturing that will remain in the U.S. will be high value-added, very sophisticated and high paying. And the size distribution of manufacturing establishments might shift in favor of highly agile, small- to mid-size "cutting edge" enterprises (known as small and medium-sized enterprises or SMEs). Similar trends are actually taking place in services, where low value-added, labor-intensive functions such as call centers are moved to more cost-efficient locations, with the higher-end jobs such as financial consulting remaining in the U.S.

The implications for workforce development of the job shift from manufacturing to services are already well underway: displaced manufacturing workers must not only retool but reemploy in other industries, continuous advanced training is required of remaining manufacturing workers, and SMEs in both sectors have special training needs that call for collaboration between firms and partnerships with workforce development and technology development agencies.

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[6] Industries are defined by BLS SIC Division Structure. Manufacturing includes Division D. Services includes Division I. Source: Hudson Institute JOWE© database, OES 2000.

Other Social and Economic Factors

The End of Retirement as We Know It

Only twenty years ago, many demographers feared unbridled exponential growth of global population. Now a different reality is becoming apparent: global aging is widespread, resulting in a potential peak in global population between 8 and 9 billion around mid-century. Already, approximately fifty countries are experiencing near zero population growth. Much of the developed world will experience population loss without substantial immigration (e.g. Japan, Canada, Italy). Global aging means that all age cohorts above 19 years of age are increasing as a proportion to total population, while child and youth cohorts are decreasing. In some parts of the world, such as the Middle East, Africa, and Latin America, child and youth cohorts will grow substantially over much of the 21st century, declining thereafter in the pattern of today's developed countries. For the developed countries, this means more mature, experienced workers and potentially more people working beyond conventional retirement age. With people likely living to average ages of 100 or more, terminating work at 65 may not be intellectually or emotionally rewarding, and certainly may not be financially practical. The mortality table below for annuitants of an international life insurance company shows the dramatic gains in life expectancy over the past 3 decades due to improved information on health, lifestyle change and advanced medicine.

Life Expectancy of Women
(Remaining life spans in years)

Age	1970	1980	1990	2000
65	19.14	20.84	23.88	26.61
70	15.12	16.60	19.38	21.35
75	11.49	12.72	15.15	16.34
80	8337	9.35	11.37	11.78
85	5.86	6.61	8.23	7.93
Source: Annuitants of an international life insurance company				

A 65-year old female in 2000 can expect to live to 91.6 years of age. By 2020 this likely will be 100 or more.

Several converging trends -- an intergenerational workplace, skills retooling for older workers, lifelong learning as given, flexible schedules for older workers, cafeteria health plans that provide choice for young and older workers alike -- have important implications for workers and workforce development agencies.

Rising Costs of Formal Education

These economic and social changes take place at a time of rising costs of formal, campus-based education and training and mounting fiscal austerity, especially at the state and local levels. For the decade ahead, the opportunities for low and middle income youth to spend 4 – 5 years in full-time learning beyond high school may become increasingly unrealistic. Recently, college costs have been rising at 3-4 times the current rate of inflation. Tuition, at all levels of public institutions of higher learning, increased 4.1 percent per year between 1988 and 1998. In addition, student aid programs have been shifting quietly and subtly from needs-based eligibility to merit-based. Further, according to a recent study by the National Center for Public Policy and Higher Education, even given the best of economic conditions, most states will not emerge from severe budget constraints until 2008-2009.

Most likely, financial restrictions will force more young learners to combine learning with work in order to pay the bills. While this raises questions about the accessibility of higher education, there are numerous examples of approaches across the country where work and learning are integrated in a manner that enhances, rather than detracts from, the learning experience. The potential implications for community colleges, technical institutes, career proprietary schools and Workforce Investment Boards are many-fold: learners and employers are likely to seek learning that is more on the job, convenient, available in shorter modules, and accessible anytime and anywhere (computer- and Internet-based).

Importance of Place/Lifestyle in the Employment Decision

In the industrial economy of much of the 20th century, U.S. workers located where the jobs were. Jobs grew where various economic factors offered business "locational advantage," considering factors such as access to reliable transportation, low cost energy, proximity to markets, moderate land and labor cost and others.

In the innovation economy, increasing numbers of workers and business owners/ entrepreneurs will choose where they want to live and the business activity will follow. These locationally-discriminating workers are looking for select quality of place and lifestyle attributes. The growth of the high technology industry in Colorado since the mid-1980s can be explained, in part, by the desire of Generation X workers to enjoy the outdoor amenities of the Rocky Mountains. Richard Florida has observed this relatively new phenomenon in <u>The Rise of the Creative Class</u>.

For workforce development professionals and agencies in the future, focusing solely on workforce needs might miss the mark so far as local and regional economic and social vitality is concerned. For an area/region to prosper, the efforts of economic development, social services, education and workforce training, urban design and environmental quality will need to be better linked around common growth goals and strategies. The "silo" approach of different functions of government and civic action operating independently will no longer work. Workforce Investment Board leaders, for example, will need to network effectively with other key development professionals, including urban planners, economic developers, recreation planners with whom they have worked infrequently in the past.

Global Terrorism and Insecurity—Slowing Down Trade?

This entire discussion of the macroeconomic context takes place in an environment with one major caveat: it assumes that there will not be major disruptions to the economic and public life in the U.S. due to terrorism. While very serious, and requiring constant vigilance along with heightened counter-terrorism measures, the U.S. and global experience since September 11 indicates that macro trends in global trade, job shifts, productivity, and demographics should remain paramount in crafting innovative workforce strategies and practices at the local and regional levels.

If anything, the aftermath of September 11 highlights more clearly the importance of diversifying local economies and acting regionally to better withstand external shocks, whatever their origin. The nation's workforce system has a critical role to play as a catalyst, convener, and source of resources and leadership. WIBs are well-positioned to develop strategies and form alliances across programmatic and political jurisdictions to support economic growth in this turbulent environment.

III. METHODOLOGY

In order to meet project goals, the project team consulted with dozens of workforce experts and practitioners in the field to seek out their suggestions for innovative approaches. These discussions led to numerous examples where WIBs and other local partners had initiated creative solutions to deal with the effects of economic transitions. Several of the examples are included in Section IV of this paper.

To share some of these examples and promote their replication in specific regions, NCEE convened two meetings in Boston, Massachusetts (June 2002) and Manhattan Beach, California (January 2003). These meetings were organized in close cooperation with the associated DOL/ETA Regional Offices and other partners such as the California Workforce Association to provide a forum to discuss issues and highlight effective strategies.

In Boston, the meeting focused on both short- and long-term challenges facing the region's WIB leaders at the State and local levels. Conference objectives included: emphasizing the need for strong WIB leadership by providing a big picture view of the economic outlook; highlighting innovative practices, models and resources that support New England WIBs; and providing opportunities for WIB leaders to discuss the issues highlighted with their peers.

These objectives were achieved through an agenda that addressed regionalism—cutting across political and geographic boundaries—as an emerging trend for organizing workforce development initiatives in collaboration with economic development entities. In the cluster of activity in a region, WIBs can potentially play a unifying role across industries, service providers, and diverse populations.

The body of the conference was organized around three "working sessions" featuring panel presentations. The panels afforded conference attendees the opportunity to learn about different and innovative approaches to each of the following topics:

- Layoff Aversion
- Creative Responses to Layoffs
- Capacity Building: Anticipating and Meeting the Needs of Employers and Job Seekers

In conjunction with the California Workforce Association and the Region VI Office of DOL/ETA, and with support from several local workforce areas, NCEE convened the second major conference of the series in Manhattan Beach, California. In addition to sessions on layoff aversion and addressing workforce issues in a holistic context of the needs of a company, this agenda also highlighted several strategies used in sectors such as health care and manufacturing. This enabled meeting planners to address regional interests and concerns, focusing additional attention on sectoral strategies (involving the National Network of Sector Partners) as a method for WIBs to proactively engage employers in important industries. The agendas for both the Boston and Manhattan Beach regional meetings are presented in Appendix B.

In order to discuss these issues with workforce system leaders, the project team conducted a workshop entitled “Retaining and Growing Your Employer Base in a Turbulent Economy” at the NAWB National Conference (March 2003). The audience included private sector members and executive staff from WIBs, providing an excellent opportunity to present ideas discussed in the regional meetings and successful strategies employed by communities. The session addressed how, in a time of slower economic growth and churning among industry sectors, WIBs must do more than simply react to layoffs. The session described proactive strategies and community partnerships that WIBs can use to avert layoffs, to assist existing companies and workers, and to foster job retention and creation.

In the NAWB session and the regional meetings, the presenters provided specific examples of initiatives that illustrate creative approaches used by WIBs and their partners to navigate this complicated economy. Moreover, there were numerous lessons learned about effective strategies being employed. As such, they merit consideration for replication in other communities and regions. In order to fulfill the project objective regarding sharing this information widely, the project team has incorporated these lessons into other products being disseminated throughout the workforce system. These other products include speeches, seminars, and the course launched last fall by the National Association of Workforce Boards entitled “Introduction to Economic Development for Community Leaders” that is being offered in numerous locations around the country.

The following section presents some of the examples identified in the course of this project and highlighted in the regional meetings. We present these examples as “snapshots in time” illustrating creative approaches designed to address concerns at a fixed point in a rapidly-changing environment. Because of the nature of this churning economy, with federal and state budgets in flux, trends in industry evolving, and economic circumstances that vary widely from one community and one year to the next, we do not suggest that these examples will have relevance for all time and all circumstances. Rather, like the circumstances that led to their creation, the models and strategies too must change to accommodate the dynamic environment in which we work.

IV. CASE EXAMPLES HIGHLIGHTING INNOVATIVE WORKFORCE SYSTEM STRATEGIES IN A CHURNING ECONOMY

A. Regional Initiatives that Coordinate Workforce and Economic Development to Establish Common Goals and Maximize Resources

Using the region as the organizing unit for mobilizing development is relatively new to the United States. National regional policy emerged in the post-depression era, for example, with the creation of the Tennessee Valley Authority. However, it wasn't until the 1970s that regional government solutions and quasi-governmental organizations began to flourish. This was due in large part to federal initiatives that required or fostered regional entities and that charged them with separately addressing such issues as health care, aging, economic development and technical vocational education. One problem with the creation of these regional entities was that, because of their "silo" design, little coordination or creative exchange occurred across functional missions.

As the 1990s progressed, a different kind of regionalism has gained momentum —regionalism not based on functional separation but on linked economic, social and political strategies. It has become evident that the level of regional economic development is highly interdependent with issues related to quality of life (regional housing, transportation, environment and land use planning) and workforce development (regional strategies by providers of educational opportunity such as Workforce Boards, technical/community college districts, employers, and literacy initiatives). In short, great places for work must be great places to live and learn.

Given these trends toward better linking economic development, community development and workforce development, numerous promising governance and organizational solutions have emerged across the nation. Three instructive practices—each highlighting a different structural model from the field—are described briefly below. Such organizational restructuring is a widespread practice to encourage the kinds of collaborative activities described later in this section.

CASE EXAMPLE ONE: Workforce Development as the Umbrella for Regional Development Strategy: North Central Indiana

North Central Indiana is a six county region immediately north of the Greater Indianapolis region. It is anchored by a small metro area, Kokomo, surrounded by non-metro counties each with a county seat of 10,000 – 20,000 population. The region has a dominant agricultural and manufacturing base. In fact, Kokomo boasts the highest manufacturing wages in Indiana.

The Workforce Investment Board is structured as a private not-for-profit organization called Workforce Development Strategies, Inc. (WDSI). One of its five core strategies is to "partner with economic development entities in the six counties to develop and coordinate regional comprehensive economic development strategies and foster continued cooperation with workforce development planning effort." Because no regional economic development coordination existed early on, WDSI created its own Economic Development Committee comprising the economic development directors of the six county economic development organizations. In 2001–2002, this Committee, with the WDSI Board's blessing, initiated a CEDS (Comprehensive Economic Development Strategy) process funded in part by the U.S. Department of Commerce's Economic Development Administration. The subsequent report and discussions led to the creation of an Economic Development District (EDD). The CEDS report—a framework for regional economic growth—is now undergoing its first update.

What is distinctive about the WDSI organizational structure is that the EDD is a semi-autonomous unit under the WDSI umbrella. To meet federal requirements the EDD has its own board of directors, but considerable cross-membership between WDSI and EDD Boards ensures coordination. Further, the Economic Development Committee of WDSI now serves as the executive committee of the EDD. In addition, WDSI recently became host organization to the North Central Indiana Small Business Center, which is partially funded by the U.S. Small Business Administration, providing staff support to small businesses in the region.

In effect, WDSI has become the umbrella for three regional federal funding streams and the programmatic initiatives associated with those funds—workforce development, economic development and small business development. This is making possible new opportunities for rationalization in the delivery of "silo" federal programs, including joint data collection, combined planning and shared staffing, while providing opportunities to explore more creative connections between workforce and economic development. This model exemplifies how regional entities can coordinate and organize federal categorical programs to local and regional advantage.

CASE EXAMPLE TWO: Workforce Development Under the Umbrella of a Regional Planning Organization: Western Massachusetts

The Pioneer Valley Planning Commission, one of the most well-established, highly regarded regional planning groups in the country, serves a three county region of western Massachusetts (Hampton, Franklin and Hampshire counties). It has exercised its convener role with distinction bringing civic leaders together for organized regional action. More recently it has taken on responsibility for fostering public-private partnerships for development.

Western Massachusetts has a long tradition and awareness of regional interdependencies. The water powered mills situated in the Connecticut River Valley provided a powerful regional influence in pioneer development. These mills evolved into a cluster of the U.S. machine tool industry. Not surprisingly, the Western Massachusetts Chapter of the National Tooling and Machining Association (NTMA) has been particularly active, organizing its own training initiatives and numerous other activities.

Within this context, the Hampton County Regional Employment Board (REB) serves as the local WIB, and plays a complementary and collaborative role in regional development strategy. It too has an established track record and is well regarded by civic leaders. In recent years its vision to link workforce development and economic development has resulted in tighter communications and coordination with the Pioneer Valley Planning Commission, but the REB does not play the same sort of lead role or serve as the umbrella organization as is the case in North Central Indiana. The REB also works closely with a recently-formed Economic Development Council and the Western Massachusetts Chapter of NTMA.

The Economic Development Council has become the third key organization in the triad that includes regional land use planning, workforce development, and economic development. Formed out of smaller local economic development groups and powered by its own business and industrial parks program, this Council provides direct linkages to what is taking place in business attraction and location.

Unlike many regions, the long-established reputation of the Pioneer Valley Planning Commission as a “meeting place,” along with a “regional mind set,” has provided numerous and ongoing opportunities for the REB to build economic development linkages and deliver value to its stakeholders. They have concluded that separate organizations committed to collaboration work best given the region’s set of circumstances.

CASE EXAMPLE THREE: Integrated Workforce-Economic Development Regional Organization: Stanislaus County, California

Stanislaus County is located in the central valley, approximately halfway between San Francisco and Yosemite National Park. Stanislaus provides an example of a third governance arrangement—integrated workforce-economic development regional organizations—that could foreshadow an emerging trend.

Approximately five years ago, Stanislaus County had two entities addressing economic development and workforce development separately: the Stanislaus County Economic Development Corporation (SCEDC) and the Workforce Investment Board. They were on two tracks—site specific needs of businesses and people specific needs. While human resources needs were of increasing concern to businesses, the SCEDC was focused on area-wide marketing for business attraction and select small business and business retention issues.

The SCEDC was primarily government led, with 100 percent of its budget publicly funded and a board made up primarily of public officials. On the other hand, the WIB, by law, had a business-majority board. In order to blend the business and government leadership and to leverage the public funds, they merged and formed a not-for-profit: The Small Company Economic Development and Workforce Alliance, called simply "the Alliance."

Under the guidance of its Board of Supervisors, the Alliance combines one-stop employment and training services, a small business development center, business marketing and promotion, and a revolving business loan program all under one roof. The Alliance is chartered as a local WIB under WIA, by the Small Business Administration (SBA), and under the Community Development Financial Institutions (CDFI) program. In addition to CDFI, the Alliance has moved aggressively into addressing gaps in available financing to support business investment and growth. It has established an economic development bank out of sales tax revenues and a contingency/ leveraging fund to support large projects. The merger has been fully integrative – there is now one board, one staff, and one comprehensive mission.

The Board of Supervisors still appoints the county and city delegates to the Alliance Board, but the Alliance is an autonomous entity. It seeks creative investments that support both the business climate and the learning environment. The Alliance views welfare and work programs in their broadest perspective to include transportation issues as part of human capital access, using GIS overlays to map and monitor where people live, work and learn. It addresses economic development from a competitiveness perspective, paying attention to how firms can do things better, cheaper and faster—and focuses on those economic foundations, especially workforce and transportation, that make the area attractive to business investment.

The Alliance has also strengthened its analytical capabilities. It funds environmental impact statements to accelerate development projects in the pipeline. It has commissioned a local university to measure the indirect and induced impacts on the local economy of young people gaining training and credentials, and moving up career ladders with wage gains.

The Stanislaus County Alliance experiment is based on the recognition that two groups of experts inevitably need to converge at the regional level: those who know workforce preparation and those who know economic development/project development. Joining these forces not only achieves rational, lower cost solutions, but sets up prospects for higher value added products and services.

B. Workforce System Interventions to Promote Economic Growth Throughout the Life Cycle of a Company or Industry

The following examples illustrate various strategies and initiatives where the workforce system and other community partners acted creatively in order to address the needs of workers, employers, and regional economies resulting from an economy in transition. The examples illustrate a wide range of opportunities for intervening at different stages of the development process or company or industry life cycles. The opportunities start with helping businesses in the nascent stages, in order to position the workforce system to meet company hiring and related needs when start-up companies or emerging industries begin to expand. Other examples demonstrate activities that improve the employment outcomes for workers within the context of strengthening the health of a company or an industry deemed important in the regional economy. Enhancing the competitive position of the company or industry will impact the number and types of jobs available, profitability, tax revenues, and future prospects. The interventions occur as part of routine, continuous improvement efforts during stable times, reflecting the need for lifelong learning on the job.

We refer to these initiatives as providing assistance on the "upside" of economic churning. In a relatively new role for the workforce system and its partners, these organizations are helping companies and individuals proactively address changing markets, changing technologies, and changing opportunities in a dynamic setting. They face the challenge of trying to stay ahead of emerging circumstances to create new jobs, new opportunity, and economic growth for their communities and regions.

The examples also include initiatives that focus on the "downside" of economic churning. This is a far more traditional role for the workforce system, reacting to unfortunate economic circumstances and seeking to ameliorate the impact on individuals and communities. "Rapid response" to layoff announcements are, by far, the most common activity in this category. Workforce development leaders are very familiar with these strategies designed to ameliorate the impact of layoffs and/or move the workers quickly to new jobs or new careers. The workforce system continues to be well positioned to implement effective rapid response strategies once layoffs have been announced and/or implemented. In addition, we include some examples authorized by the WIA statute and regulations that explore opportunities to avert layoffs through nontraditional means.

Sometimes layoff aversion strategies can save companies or divisions and jobs through a variety of creative interventions involving financial, management, or operational changes. Companies make decisions to lay off employees for a variety of reasons, not always related to the economic viability of the plant or office. General Electric under CEO Jack Welch made a point of selling off businesses that were not #1 or #2 in their market segment. Companies relinquish divisions that may not fit with new directions in corporate strategy. In some cases, companies are unwilling to make required investments to turn around current operations toward greater profitability. These scenarios all provide an opportunity for community resources to aggregate expertise across entities, intervene, and possibly save jobs.

INITIATIVES ON THE "UP SIDE" OF CHURNING

CASE EXAMPLE FOUR: *Assisting New and Emerging Businesses: Jacksonville, Florida*

The First Coast Workforce Development (FCWD) Consortium represents the six counties of Northeast Florida (and their local elected officials), and functions as the fiscal agent for federal funding. In addition, WorkSource (FCWD's local "brand") staffs the region's workforce investment board and oversees service delivery through the region's One Stop Career Centers.

WorkSource operates within the context of a growing economy. Over the last two decades, the region has increased the number of jobs by nearly 80 percent, almost twice the national average. More than half (53.6 percent) of all business establishments in Northeast Florida have four or fewer employees, and 94.3 percent of establishments have fewer than 50 employees.

WIBs in Florida have been aided by some important actions taken by the Florida state legislature. The legislature enacted the Workforce Development Act of 1996, moving the state's workforce system toward the model envisioned in the federal Workforce Investment Act. The statute prompted a renewed sense of regionalism in the latter half of the 1990s, enabling the region's political leadership to consolidate two Private Industry Councils (one for the City of Jacksonville, and one serving the five surrounding counties) to create a single regional WIB (with largely new membership) serving the six counties. This arrangement enabled the region to move beyond more localized service areas that competed based on differences among the urban, suburban, and surrounding rural counties. By design, the regional economic development authority (known as "Cornerstone") serves the same six counties and is operated under the auspices of The Jacksonville Chamber of Commerce, further promoting the sense of regional collaboration.

WorkSource has adopted a broad series of initiatives designed to serve business customers with a wide range of needs in a constantly-changing business environment. One approach involves designating business consultants who are trained to address a broad set of business needs that are not necessarily related to workforce development. The business consultants address these needs directly, or by referring business customers to one of the many partner organizations identified across the region.

One important illustration of its commitment to addressing the holistic needs of its business customers is WorkSource's support for the Enterprise North Florida Corporation (ENFC). ENFC is a local incubator providing coordinated, centralized access to experts that can help technology-based and other high-growth companies accelerate their commercial success and prepare for capital investment. To this end, ENFC manages the North Florida Venture Capital Network, which provides access to early-stage investors, and the Technology Enterprise Center in Jacksonville, the region's first technology "accelerator." ENFC currently houses 22 "gazelles," providing the following services:

commercial market assessment, strategic planning, enterprise development, business planning, management team recruitment, resource networking, and access to investment capital.

WorkSource has adopted a philosophy that its work is not completed when the job seeker customer is placed in a job. Instead, it takes a longer-term view and develops an "income growth strategy" for the job seeker. In doing so, it makes an important distinction between “workforce development"—which occurs over time, and optimally in the workplace—and, “worker training.”

Given this operating philosophy, WorkSource realized that it needed to offer employed (incumbent) worker training services for employers and job seekers as a just-in-time, customized solution that improves worker skills and productivity and helps to stabilize the workforce. Using cost-of-living data available from its economic development partners, WorkSource established a “self-sufficiency wage” of $23/hour for the Jacksonville region. This self-sufficiency wage, in turn, enabled WorkSource to provide services using WIA Adult funding to a broad spectrum of employed workers, including those in information technology and other high-skill categories, earning up to $23/hour. As a result of its expanding the eligibility for training, WorkSource now can serve more employers and workers.

WorkSource realizes a good return on its investment because employers share the training costs. On average, WorkSource pays 35 percent of the costs for employed worker training, and the employer pays the other 65 percent (the majority of which is an in-kind match for items such as worker salaries while in training, and training facilities and equipment). As a result, within a period of 18 months, WorkSource was able to supplement training costs for 1,230 employees at an average cost to WorkSource of only $751 per employee, compared to an average cost of $4,600 for each Individual Training Account (ITA). Moreover, the employed worker trainees require almost no support services expenditures, require no case management through the training process, and are much easier to track for retention and wage gain data. Accordingly, WorkSource plans to continue to reduce the number of ITAs it issues this year as a way of stretching its limited financial and human resources to meet the greater need.

Impact

WorkSource invests in ENFC for several reasons. First, the relationship provides insights into the workforce needs of emerging businesses before those needs become critical. WorkSource can assess the optimal way to meet those needs, either through One Stop Career Centers or through partners (like the Florida Staffing Association). Second, it supports proactive job creation, rather than solely reacting to the effects of the changing labor market on job seekers and employers. Finally, it positions WorkSource as the supplier of choice with, in effect, a “right of first refusal" to address the recruitment and screening needs of rapid-growth companies as they emerge from the incubator. The impact will be clearer when the companies that “graduate” start reporting job growth publicly, probably within the next 12-18 months.

CASE EXAMPLE FIVE: *Helping Manufacturers to Stay Competitive: California Manufacturing Technology Consulting*

The California Manufacturing Technology Consulting (CMTC), a private, non-profit organization, was established in 1992 to provide high-value consulting services to Southern California's small and mid-sized manufacturers. CMTC is part of the national network of manufacturing extension centers funded in part by the U.S. Department of Commerce's National Institute of Standards and Technology/Manufacturing Extension Partnership program. Other funds come from federal and state grants as well as through private industry fees.

California is home to more than 90,000 manufacturers, with 70 percent of those in Southern California. Major sectors include: aerospace and defense, metal, machinery, electronics, distribution, food processing, life sciences and apparel. Manufacturing supports 1.6 million jobs (13 percent of the state's total) and generates $112 billion in wages each year.

Keeping manufacturing competitive is critical as the industry is a major contributor to the economic well-being of the state. A 2003 statewide survey of top manufacturing industry issues impacting competitiveness revealed that increasing production efficiencies and upgrading employee skills were the top two concerns of employers. In response, CMTC has developed a number of strategies for helping manufacturers to stay competitive.

For one, CMTC understands that increasing the supplier base competitiveness will help California to gain additional defense business and employment. Suppliers need to be able to respond to defense build-up and to modernize their design, production, marketing and management capabilities in order to deliver efficiently.

In one case, CMTC helped provide technical assistance as well as leveraged resources of a defense manufacturer, a training provider and the State of California to retain jobs. The manufacturer was having difficulty meeting its customers' cost and delivery requirements and was facing potential loss of their business and consequent layoffs. Working with CMTC and its training provider, the manufacturer was able to train its workforce on Lean Enterprise techniques and apply those techniques to its manufacturing process. State of California's Employment Training Panel funding was used to offset the cost of training to the manufacturer. The manufacturer was able to apply the new production techniques they were trained on very effectively. As an example, on one product line, their production went from 40 parts in one eight-hour day to producing 40 parts in one hour. Additionally, the company was able to reduce its manufacturing costs and improve its customer order-to-delivery time, as a result of the training and the technical assistance performed by CMTC and its training provider. Because the company was able to become more competitive, it has gained additional new contracts and eliminated the potential layoffs. The ultimate customer, the Department of Defense, got the product it needed from its supplier at the cost and quality level it needed and on time.

CMTC has also worked to keep bio-manufacturing jobs in California. Bio-med firms may come to the state to conduct clinical trials for research and development, but then leave due to lack of qualified workforce. CMTC is working with a large biomedical manufacturer, an industry association (BIOCOM), local community college (Mira Costa) and local Workforce Investment Board (San Diego Workforce Partnership) to develop curriculum and provide workforce training for both new hires and incumbent workers. The cost to deliver this program will be offset by a combination of Workforce Investment Act and California Employment Training Panel funds.

The local Workforce Investment Board helps CMTC develop strategies that address key regional workforce needs in the manufacturing sector. CMTC offers specific technical consulting and training services to manufacturers, while the WIB helps employers connect with effective consulting and training providers to develop joint implementation projects for manufacturers.

Impact
CMTC has provided improvement services for over 1950 manufacturers since its inception and 7,275 employees at 276 of those clients companies have received workforce training delivered by CMTC and its Community Colleges and University partners. These manufacturers report substantial benefits after CMTC helps them implement improvements in their company. According to the latest U.S. Department of Commerce survey, CMTC's annual impact is as follows:

- Clients reported a sales increase and retention of $288 million
- Clients increased their investment in their companies by $55 million
- Clients reduced cost by $44 million
- 1890 high paying manufacturing jobs were created and retained

CASE EXAMPLE SIX: Integrating Adult Basic Education and Job Training: Commonwealth Corporation's BEST Initiative

The BEST Initiative (Building Essential Skills through Training) is a multi-agency partnership designed to integrate adult basic education and job training for Massachusetts' front-line workers. BEST pooled $3.5 million of resources from several Massachusetts agencies, including the Division of Employment and Training, Department of Labor and Workforce Development and the Department of Education, to fund regional proposals representing industry-driven partnerships that address the workforce development needs of Massachusetts businesses. The Commonwealth Corporation, a quasi-public corporation that provides economic and workforce development services in Massachusetts, was charged with the task of helping to build the partnership and operate the program.

By proactively training incumbent workers and new hires, the BEST Initiative is helping to reduce persistent job vacancies in key sectors. Moreover, BEST is providing smaller firms with an opportunity to train their workers to meet the demands of rapidly changing products and workplace operations—firms that otherwise might not afford worker training. Employees benefit by increasing their economic self-sufficiency and advancing their careers.

Projects are developed and overseen by regional industry teams that are experiencing or anticipating skill shortages in their industries or sectors. Six Regional Industry Teams (RITs) were selected and funded through a competitive RFP process in February 2002. The eighteen-month grants ranged in size from approximately $340,000 to $700,000. The six BEST RITs are:

- Boston Financial Services
- South East Massachusetts Manufacturing
- Metro Southwest Hospital Initiative
- Boston Health Care and Research Initiative
- North East Hospital Partnership Initiative
- Blueprint for Biomanufacturing

Each industry team, most of which are led by a local Workforce Investment Board, has taken a slightly different approach based on their critical needs. BEST aims to provide opportunities, resources, and flexibility so that regional industry teams can address skill shortages in a systemic way.

With the support of BEST, front-line workers in the targeted industries are given a foundation of skills to support their employment and career mobility. Participating employers can use the training funds for any instruction that supports successful employment: basic skills, English as a Second Language, computer skills, industry-specific requirements, supervisory skill development, career support activities, and others.

Impact
There are four features that make the BEST Initiative unique:

- *Integrative Approach*: The partnership is a first in that it brings together community-based organizations (CBOs) that work with diverse populations, community colleges and other training providers, businesses, and the Workforce Investment Boards. Participants in the training see a seamless chain that moves from the CBO to the One-Stop Career Center to the training provider to employment in a job with living wages and career advancement opportunities.
- *Career Advancement*: The six partnerships support defined career pathways within specific industries or occupations.
- *Capacity Building*: The initiative is designed to build capacity in the individual, employer, and the CBO by providing technical assistance, disseminating best practices, and strategically investing resources.
- *Sustained Investment*: The six partnerships received a local match of funds to ensure joint ownership and sustainability.

According to a Baseline Evaluation Report done by FutureWorks, each of the RITs is currently addressing the three fundamental components of the BEST Initiative: 1) partnership building, 2) training design and implementation, and 3) career pathway mapping and development. Overall, the partners have succeeded in forging new and mutually beneficial relationships, and they have been able to secure employer input and significant co-investment. Each of the RITs has developed and launched training, although some of the training did not begin until January 2003.

Some of the RITs have not initiated the time-consuming process of building career ladders within participating employers. The RITs may need more time and/or additional funding in order to fully develop the three components of BEST. The RITs are seeking additional public and private funding to ensure that the initiative continues after the initial two-year investment.

CASE EXAMPLE SEVEN: *Investing in Lean Manufacturing Training to Improve Worker Productivity: Oklahoma Alliance for Manufacturing Excellence, Inc.*

The Oklahoma Alliance for Manufacturing Excellence (The Alliance) is the NIST-MEP center serving the state of Oklahoma. The Alliance received funding from the Oklahoma Workforce Investment Board and the Oklahoma Employment Security Commission to provide Lean Manufacturing training and implementation projects to employees of selected manufacturers in Oklahoma.

Using this grant from the WIB, the Alliance has provided Lean Manufacturing training to 20 Oklahoma manufacturers. The grant provided funds to firms that had participated in introductory training, but were slow to implement continuous process improvement projects. The WIB funding allowed the Alliance to assemble demonstration projects in which employees of the 20 companies participated in Lean Manufacturing training and focused implementation. Manufacturing Extension Agents (MEAs) nominated participating firms based on the company's ability to benefit from the project. During the 12-month project period, sessions of the three process improvement phases were offered to manufacturers.

The grant-funded project demonstrated the value of investing in workforce development. Employees who attended Lean Manufacturing training enhanced their value in the Oklahoma workforce because they acquired the skills to make Oklahoma manufacturers increasingly more competitive.

Lean training impacts employees, manufacturing firms, communities, and the state in a number of ways. The funding allowed The Alliance to provide training to manufacturers who, in turn, documented the impact on their companies. The 20 companies met the matching requirements by paying almost $114,000 in tuition payments, $152,880 in wages to their employees while in training and implementation, and $10,000 as a part of the implementation project cost. In total, the 20 companies paid a match of nearly $277,000 for the $100,000 grant.

Impact
The training has a documented history of significantly improving productivity and competitiveness by removing non-value-added steps from the production process for the companies that implement it. In addition, employers are able to reduce the likelihood of plant closures and provide safer working conditions. Manufacturers who implement Lean have reported major positive impacts on the companies' bottom lines.

Results were impressive. At the end of each implementation project, the MEA conducted a formal survey closure interview with senior company officials. Every company reported significant dollar impact on sales retained, sales increased, cost savings realized, or unnecessary investments avoided. A total of $11.24 million in increased sales was expected as a result of these implementation projects. In addition, participating companies retained about $10 million in sales (generally because costs savings were identified in the production process). Participating companies realized just under $7 million in cost-savings; unnecessary capital investments were avoided, saving an additional $709,000 and creating 94 new jobs. These figures are a result of the grant implementation project and involve projections made by the companies for the next 12 months.

In addition, at the implementation's conclusion, the project consultants wrote an extensive report on each project. All companies reported cost-savings, improved working conditions, and increased employee involvement. In addition, one company that had already started to shift manufacturing operations to Mexico realized cost savings sufficient to justify staying in Oklahoma, to the benefit of the workers, the community, and their local suppliers.

CASE EXAMPLE EIGHT: *Training Workers Already On-the-Job to Promote Continued Well-Being: Bridgeport, Connecticut's "The WorkPlace, Inc ."*

The WorkPlace, Southwestern Connecticut's Regional Workforce Development Board, is spreading the message to the Southwestern Connecticut business community that incumbent worker training is key to their bottom line. With a diminishing workforce, businesses need to invest in their current workers' skills more than ever in order to maintain their economic health. Manufacturers and service industry firms are particularly at risk in a fast-changing economy.

In Southwestern Connecticut, three trends are colliding: 1) population growth is low and predicted to remain low; 2) job growth is slow; and 3) full employment continues despite the recent recession. As a result, employers have no choice but to invest in developing the skills and knowledge of their workforces if they expect to compete nationally and internationally.

The WorkPlace has made supporting incumbent worker training (particularly for low-income, low-skilled workers) a priority, using private employer contributions for scholarships to support learning within companies across the region. They launched three workplace training projects:

- *Flexbuild*: With the help of a $552,000 U. S. Department of Labor demonstration grant, three Bridgeport manufacturing companies' employees were trained in ISO9000 procedures, English-as-a-second-language, math, reading, writing, computer literacy, accurate data transfer, and leadership development. The Literacy Volunteers of America suggested that The WorkPlace convene the partners and provided a majority of the training.

- *Flexbuild META*: A cluster of 11 small metal manufacturers in Bridgeport organized to share training with the help of a $125,000 start-up grant from the Connecticut Department of Economic and Community Development, followed by a $1.7 million demonstration grant from the U.S. Department of Labor. The WorkPlace designed the project to help updated incumbent worker job skills and those of workers who had been dislocated by layoffs. Ninety-four percent of the employees who completed the training were retained by their current employers.

- *H-1B Technology Training*: With the help of an H-1B visa grant, The WorkPlace provided technology training to 1100 incumbent manufacturing workers. About 90 percent of the trainees completed the program. Many who did were promoted to higher-skilled technical jobs with better wages.

These public-private projects had elements common to their success:

- Employer partners provided in-kind contributions in all projects.

- Other partners, such as community colleges, literacy volunteers, economic development organizations, and chambers of commerce completed the mix of training providers and support catalysts.
- Training occurred at the work sites and during work hours—both critical incentives to boost employee participation.
- All were supported by U.S. Department of Labor grants. The WorkPlace provided the administrative infrastructure and interface with the U.S. Department of Labor.
- Most importantly, employers governed the projects, deciding the content of the training, where and when it would be offered, and who was eligible.

Impact

The employers involved in these worker training projects worked in coalitions and with The WorkPlace to increase profitability by training nearly 2,000 employees in total. FlexBuild META's cluster of 11 metal manufacturers became even more cohesive after the DOL demonstration grant ended. Now incorporated as METAL, a non-profit membership organization, the manufacturers continue to work together to support a skills and lean manufacturing training program, and to share expertise and resources with one another. The companies involved also have established a joint-purchasing program and have partnered to bid on new work that they would have not been able to qualify for independently.

The WorkPlace continues to build on the common elements of these projects and is seeking further funding to support additional incumbent worker training projects. The WorkPlace also regularly shares the lessons learned about the benefits of lifelong learning and incumbent worker training in presentations to local civic and business groups.

CASE EXAMPLE NINE: *Addressing a Broad Range of Business Needs: Collaboration in Rhode Island*

Workforce system officials in Rhode Island have worked extensively with the Rhode Island Manufacturing Extension Services (RIMES) program to address the needs of small manufacturing companies in a time of economic instability. This collaboration is part of a broader strategy in Rhode Island to address business needs.

Like other Manufacturing Extension Partnership (MEP) centers, RIMES takes a broad, technical approach to helping small and medium-sized manufacturers to solve business problems and raise their level of competitiveness and profitability. Collaborating with RIMES has enabled workforce officials to address a broader array of business needs in addition to providing the traditional WIA services related to hiring and transitioning laid off workers. RIMES helps manufacturers stay competitive and improve all aspects of their businesses. In the process, the workforce system delivers highly-valued funding and services to help local businesses meet competitive challenges.

Several members of the RIMES staff have worked previously with state and local workforce agencies, so they understand the mission and functioning of the workforce system. Building on existing relationships, RIMES has identified numerous ways to link manufacturers to the workforce system, helping employers with incumbent worker training, one-stop career center services, layoff aversion strategies, and rapid response services. These include:

The Rhode Island Human Resources Investment Council (effectively the state WIB) provides state funds for RIMES' operations that enables the center to draw down a matching amount of federal funds from the U.S. Department of Commerce/National Institute of Standards and Technology.

Every day, RIMES' field staff works with companies. When they identify company needs that can be addressed using DOL resources, they help the company access those resources to address the problems identified. RIMES meets regularly with officials from the State and local WIBs to share information about employers, about the local economy, and to collaborate on specific opportunities that arise.

RIMES regularly offers classes in lean manufacturing, value stream mapping, and related process improvement courses to client manufacturers. Several times each month, this training is delivered in facilities provided by One-Stop Career Centers and the Community College of Rhode Island. This provides an outstanding opportunity for manufacturers to learn about services and resources available through One-Stops. For this endeavor, RIMES was nominated for a "good partner" award.

RIMES sought and received agreement from the Community College of Rhode Island to accredit these MEP lean manufacturing training courses as a way to enhance the credibility of the courses and to tap into Individual Training Accounts (ITAs) under WIA. Both dislocated and incumbent workers (those earning below the locally-established self-sufficiency wage) can use ITAs to enroll in training to earn credit towards certificates and associates degrees. In addition, manufacturers are able to train workers dislocated from other industries in Lean Manufacturing principles using ITAs. Numerous individuals and companies have taken advantage of this opportunity to increase the supply of skilled manufacturing workers available in the local labor market.

Impact

After the events of September 11, 2001, RIMES launched a program called "Management 9-1-1" to meet the immediate needs of Rhode Island manufacturers relating to cash management, marketing, and emergency grant and loan assistance. Thirteen firms took advantage of RIMES' offer of 20 hours of free technical assistance, designed to help companies in distress survive the economic turmoil.

Most participating companies suffered from diminished sales after September 11 and were at risk of major layoffs or plant closing. Management 9-1-1 helped companies revise marketing strategies, streamline production processes, and reduce costs. RIMES helped some participants obtain state customized training grants to offset costs. Most participating companies were able to survive, with minimal staffing disruptions. Most importantly, most participants avoided having to re-hire and re-train employees when the economy stabilized, making it possible to take advantage of the new markets and production process improvements identified during the critical period.

The experience of the companies participating in Management 9-1-1 illustrates numerous ways in which the workforce system and RIMES' collaboration is delivering value. Companies can access state customized training funds for incumbent worker training that can facilitate company transitions to new technologies, software, equipment, and production processes designed to increase productivity or output. When field staff identify companies that are at risk of laying off staff (e.g., they notice orders/shipments declining, idle staff), they can assess problems and deliver technical solutions to help stabilize operations. If layoffs are necessitated, they can help the client to participate in the state's Workshare program, whereby work hours are reduced for a larger number of employees who receive partial unemployment insurance payments instead of laying off some employees. RIMES also provides access to the state's rapid response teams and the resources that participating agencies can bring to ease the transition in the event that a layoff occurs.

INITIATIVES ON THE "DOWN SIDE" OF CHURNING

CASE EXAMPLE TEN: *Proactive Response in a Threatened Industry: Bumble Bee International in Puerto Rico*

This is a story of two Puerto Rico tuna processing plants competing in the global marketplace. One couldn't keep its costs competitive and had to close its doors, laying off its entire workforce with minimal warning. The other managed to adapt, using state and local workforce development and economic development resources to save jobs. To adapt, they developed a multi-faceted approach that combined a new product line, product and process innovations, a major new customer, new technologies, and a substantial re-training of the workforce.

Bumble Bee International, Inc. acquired a tuna cannery in Mayagüez, Puerto Rico in 1970, adjacent to Star-Kist Caribe, the largest plant in the world. There were five other tuna plants on the island and the tuna industry employed over 12,000 people in Puerto Rico. Over the years, the two helped each other out by sharing costs of the used water treatment plant and dock maintenance.

In the 1990s the industry began to suffer from rising production costs (fish, transportation, utilities, water treatment, etc.) and was increasingly restricted by international trade agreements. In Puerto Rico, the labor costs (with benefits) amounted to $9.00 an hour, compared to $0.75 an hour in Thailand, $2.50 an hour in Ecuador, and $3.50 an hour in American Samoa.

In May 2001, fixed costs and wages finally forced Star Kist Caribe to close, leaving all 1,300 workers unemployed. Many of these workers are still unemployed today as they were ill prepared to move into new jobs. The impact had devastating impact on Mayagüez and the west coast of Puerto Rico.

Bumble Bee faced financial challenges and difficult times as well. They developed a strategy that searched for new clients and product lines so that the company could retain its facility in Puerto Rico. The company signed an agreement with Costco, the largest wholesale club in the United States, to deliver 700,000 cases of premium tuna per year. Bumble Bee made an ideal manufacturing partner for Costco, committing to delivering a distinctive product using Costco's own product label, and complying with federal (U.S.) food safety regulations. To meet the commitments, the plant would need to institute improvements in the processing (cleaning, cooking and packaging) of round fish and frozen tuna loins. The necessary process improvements required new skills, necessitating the intensive training of the entire packing room area workforce. Moreover, the new production processes, and the sophisticated equipment needed to implement them, required training on the new practices and on servicing and maintaining the equipment.

With the Costco partnership in place, the Bumble Bee executive team turned to the local economic development agency -- the Puerto Rico Industrial Development Company (PRIDCO) -- for financial assistance with the training. PRIDCO agreed to intervene as long as Bumble Bee committed to retaining 525 of its 700 jobs. PRIDCO served as an intermediary for Bumble Bee and helped them connect with the Human Resources and

Occupational Development Council (HRODC) that administers the Title I Workforce Investment Act (WIA) funds, Department of Labor and Human Resources, and other agencies that could provide assistance.

With the help of PRIDCO, HRODC, and its local partners, Bumble Bee secured WIA funds to support retraining efforts and further the region's economic development objectives. Modifying a WIA statewide project entitled "Needles to Technology" that was originally designed to enhance the skills of laid-off apparel and leather workers, the tuna workers were able to access a comprehensive training program preparing them to use the new technology and implement the new production process. HRODC directed nearly $382,000 of statewide Rapid Response funds through the Mayagüez local WIB to train 302 of the 525 employees in Bumble Bee's workforce in the new skills required.

PRIDCO negotiated a special incentives package of $500,000 for the payment of state compulsory insurance and electricity debts for Bumble Bee. The company also received more than $700,000 from the Puerto Rico Department of Labor and Human Resources Bureau of Opportunities Promotion for Work Program for wages and benefits. The program promotes work opportunities in occupations with future employment demand and the creation of work opportunities with high productivity by reimbursing employers up to 50 percent of the workers' salary for up to 12 months. The combined financial assistance from public entities totaled $1.5 million.

Building on the Costco agreement, Bumble Bee executives made plans to expand production using private labeling, delivering a new product line under their own name (Bumble Bee "Prime Fillet"). In addition, Costco expanded the contract with Costco to 1.2 million cases per year.

Impact

As the only remaining tuna cannery on the island, Bumble Bee succeeded in securing a series of new contracts to pack tuna for other private labels, including Progresso. These new clients had rigorous quality specifications that again required the plant to adapt their traditional fish cleaning and can filling techniques. The company invested in new machinery that incorporated the most advanced technology in the tuna industry, including new pre-cookers, can fillers, vacuum oilers and seamers, loading and unloading machines, and case gluers. On November 08, 2002, local newspaper headlines read, "Hope for the tuna workers," "Subsidies for a tuna plant" and "Government avoids Bumble Bee plant closing…incentives for the industries on the west coast."

As with other industries competing in the global marketplace, the changes Bumble Bee made earned competitive advantages that were only temporary. Bumble Bee again faces new challenges in the marketplace due to additional cost pressures, changes in consumer preferences, and management changes only a year later. In February 2003, the company announced its intentions to convert the Mayagüez operation to a frozen loins processing plant only, moving the front-end fish cleaning operations to Trinidad. This change forced Bumble Bee to downsize employment to 300 people, despite its earlier commitment to retain 525 jobs. At the same time, the Mayagüez WIB continues to support training for workers at the plant. This continues the initial process improvement training and also is designed to give the employees transferable skills in mathematics and troubleshooting. The future of this training is less than certain, due to changes in available funding and in the industry.

Second, changing consumer preferences for vacuum-packed premium tuna, and technological advances associated with those preferences, have forced the plant to re-think its packaging operations. While product and process innovation are key to survival in the competitive foods industry, adopting these innovations comes with a cost. Technological advances usually require changes to labor. Several factors will affect human capital development investment decisions, including the availability of both public and private funds for training, the constraints of the current incentive training programs in which they participate, and the timeliness with which the program can be implemented.

On May 19, 2003 ConAgra Foods, Inc. acquired Bumble Bee. The new corporate ownership raises additional uncertainties about the strategic direction of the facility and indeed, its future in Puerto Rico.

CASE EXAMPLE ELEVEN: ***WorkSharing as a Layoff Aversion Strategy: Massachusetts***

In 1998, the Commonwealth of Massachusetts passed legislation instituting a WorkSharing program as an alternative to layoffs. The Division of Employment and Training administers the program which allows workers—in an entire company, a single company department, or even a small unit within the company—to share reduced work hours while also collecting unemployment insurance benefits to supplement their reduced wages.

Eighteen states are currently instituting WorkSharing in various forms. In many states, business participation jumped after the economy took a downturn following the September 11, 2001 terrorist attacks. In Massachusetts, applications to participate in the program more than doubled and larger firms began to apply for relief from short-term layoffs. Massachusetts now averages 1500 claimants per year, or about 150 employers at any point in time.

Businesses benefit by:

- Keeping their knowledgeable, experienced, and trained workers on the job, albeit at a reduced level
- Maintaining the continuity of the skilled workforce
- Staying prepared for business upswings because the workforce is in place
- Avoiding the time and expense of training new employees when business does increase
- Preserving workforce productivity by avoiding the organizational disruption of a layoff

Workers, in turn, avoid the trauma involved in a typical layoff situation. Employees in the identified unit or units decrease their normal weekly hours by an agreed upon percentage (between 10 to 60 percent). They then collect a percentage of their unemployment insurance benefits equal to the percentage of the reduction in their wages and hours, thereby offsetting some portion of their lost earnings. Workers continue to receive regular wages for the hours they work in addition to their WorkSharing benefits. Employers are required to provide the same health insurance benefits and to provide retirement benefits during the time that employees are participating in WorkShare.

To participate, a Massachusetts employer must fill out a simple WorkSharing application available through the Division of Employment and Training. If employees in the WorkSharing Plan are represented by a collective bargaining union, the employer must have union agreement to participate in WorkSharing. Workers do not have to be on the payroll for a specified amount of time before they can be considered as part of the affected work unit.

All Massachusetts employers, including non-profit organizations and governmental agencies, are eligible to participate, no matter their size. Seasonal layoffs are not eligible.

Impact

WorkSharing can help companies and workers survive a short-term downswing in business. For example, instead of laying off 20 percent of workers, an employer can opt to reduce workers' hours by 20 percent, perhaps to a four-day work week. Employees receive 20 percent of their regular unemployment insurance benefits to help compensate for lost earnings.

Chris Swenson, Assistant Director of Unemployment Insurance Operations, says participants have been "very satisfied" with the approval process and overall program. While she cautions that WorkSharing is "not for the terminally ill" company, she says the short-term assistance has been extremely helpful for employers feeling the crunch in difficult economic times.

In states that have WorkSharing legislation, Workforce Investment Boards are a perfect vehicle for spreading the word to employers. Savvy WIB directors ensure that all staff, particularly those who have direct contact with business customers, are knowledgeable about WorkSharing programs.

CASE EXAMPLE TWELVE: ***Effective Rapid Response to Announced Layoffs: Dexter Shoe Career Transition Center***

The demise of natural resources-based industries (forest products, pulp and paper) and the disappearance of traditional manufacturing operations (shoes, textiles) have cast off thousands of workers causing implosions in traditional rural economies. Massive dislocations of this type present significant challenges for public workforce development and reemployment services as employment alternatives are severely limited in rural areas.

One recent example is the closing of the Dexter Shoe plant in Dexter, Maine. At the time of its closing, 586 individuals were employed there (down from its peak employment level of 1,200 workers). These workers were employed in the manufacture of shoes in semi-skilled jobs paying $10-$14 an hour with benefits. This plant was the primary employer in the community with a payroll that created significant secondary economic impacts in the region. The pressures of foreign competition finally caused the multi-national conglomerate owners of the firm to move production overseas following a steady trend that has impacted Maine for more than 20 years.

The public workforce system mobilized quickly upon the announcement of the plant closing. First, a Rapid Response Team consisting of One-Stop career center staff, officials from the Maine Department of Labor, specialists from area education and training institutions and representatives from social service agencies met with workers to make them aware of the services and benefits to which they were entitled and for which they qualified. At the same time, community leaders, officials from the Maine Department of Labor and staff from Maine's Congressional delegation moved quickly to prepare a petition to the U.S Department of Labor requesting that these workers be declared eligible under the Trade Adjustment Act (TAA). Eligibility is limited to situations where job loss is directly attributable to foreign competition and brings with it expanded benefits for job training assistance and extended unemployment insurance benefits (up to 78 weeks).

Similarly, the regional workforce investment board mobilized quickly to seek additional resources under the Workforce Investment Act, National Emergency Grant program through the U.S Department of Labor. An award of $3.2 million was made in response to this request, ensuring that workers who were laid off from the plant and other workers who lost jobs as result of secondary impacts would receive training and reemployment services.

The Training and Development Corporation (the local one stop operator), along with its one-stop career partners, established a career transition center in the town of Dexter to provide services and convenient access for impacted workers. Peer counselors and teams of professionals who specialize in career planning, case management and the provision of reemployment services staff the center. Center staff provide workers critical assistance in vocational assessment, career and reemployment plan development, access to needed social and support services, connections to education and training programs and job placement assistance. One of the most important services performed by center staff has been helping workers access multiple federal and state resources and programs including effectively aligning multiple sources of income support (severance pay, regular unemployment insurance and expanded unemployment insurance granted under TAA) with job training strategies.

One-Stop career center staff also have worked with local economic development officials to promote the availability of this concentrated labor supply as a community asset appealing to companies seeking to relocate. Analyzing the transferability of worker skill sets to new industries and employers, and incorporating this resource as part of a business attraction and regional economic development strategy, has met with mixed success thus far.

Impact
The Dexter Career Transition Center reports impressive results. Of the 586 workers employed by Dexter Shoe at the time of the plant closing announcement, 476 workers chose to enroll to receive services under the Workforce Investment Act (WIA). This represents a commitment of rate of 81 percent.

Of the workers that chose to enroll, 382 workers entered some form of training program including formal degree programs, certificate programs courses offered by the regional community college, the state university system, adult education programs and local proprietary schools. The company-specific job skills combined with long-term employment experience with Dexter Shoe necessitated major re-skilling efforts on the part of the workers in order to enhance their employability with other employers. The former Dexter Shoe workers have been able to participate in longer term, more formal retraining programs because of the effective blending of TAA and WIA benefits.

To date, 277 workers have officially exited from the Career Transition Center leaving almost 200 workers who are still engaged in formal long-term retraining programs and job search. Of the workers who have exited, 247 of them have entered employment, mostly in service jobs found within a 30 mile commuting radius of Dexter. This represents an employment rate of 89 percent. The wages reported by those entering new jobs average $9.27 per hour or between 66 and 93 percent of the prevailing earnings at Dexter Shoe.

The challenges for the former Dexter Shoe workers along with the community overall remain immense. Replacing livelihoods rooted in long traditions requires enormous determination and the mobilization of human and capital resources. The workforce system responded quickly and effectively in this instance, providing support from a broad range of community partners and securing resources from numerous avenues to support transition. Even so, company restructuring in traditional industries and outsourcing jobs overseas will place increasing pressure on the workforce system to collaborate with economic development and other non-traditional partners to support and expand jobs in existing industries, and to support entrepreneurship and other job creation efforts as well.

V. CONCLUSIONS

The work undertaken during this project leads to two clear conclusions. First, workers, companies, and communities in the 21st Century U.S. economy face unprecedented challenges over the next decade. Second, there are many ways in which public investments in workforce development can address the emerging needs of employers and job seekers to ameliorate the effects of this economy in transition and provide a smoother ride through the challenges.

To help address economic transitions, the WIA rules encourage the WIB to provide leadership by:

- Anticipating labor market and economic trends
- Coordinating workforce investment activities with economic development and education strategies
- Bringing relevant parties together to address workforce and competitive challenges in a sustainable and collaborative way
- Promoting the participation of employers in the public workforce investment system
- Ensuring the effective provision of connecting, brokering, and coaching activities, through intermediaries to help employers meet hiring needs and competitiveness concerns
- Developing linkages with economic development activities including available state and local business retention and recruitment activities
- Devising and overseeing strategies for incumbent worker training
- Developing layoff aversion strategies
- Exchanging information about potential dislocations
- Exploring early interventions and pre-feasibility studies for alternative ownership/financing
- Delivering effective rapid response to ease transition of laid-off workers to new industries and occupations

The case examples illustrate these numerous ways in which workforce investment boards are managing public investments to serve as agents of change in this churning economy. Working with many different partners to address a variety of business needs, WIBs can and are making a difference in the economic health of communities and regions.

Many WIBs play broader roles that, while anticipated by public leaders and incorporated into the Workforce Investment Act, are relatively new in practice. These WIBs embrace the broad vision in the authorizing statute and apply it in new and different venues that seek to make an impact on the economic agenda of the community or region. These WIBs are exploring new governance structures, identifying creative strategies, reaching across jurisdictional boundaries, and launching targeted initiatives to advance the ability of workers, companies, and communities to adjust in a rapidly-changing environment. Some new roles include the WIB as a leader in organizing regional initiatives, as a partner supporting technology transfer activities, as a catalyst assessing alternate strategies for distressed employers trying to survive, and as a problem-solver helping local businesses.

In this way, WIBs deliver valued resources and services on both the “upside” and the “downside” of economic churning. While the workforce system has tended to focus historically more on reacting to the downside consequences, the emerging trend for WIBs to play a role on the upside as well is an important development that complements the traditional expertise of the system. WIBs that are active on both fronts will be well-positioned to make an impact on a broader agenda.

Successful WIBs that accept this bigger agenda seem to have several characteristics in common. They:

- take a broader perspective beyond simply managing a single federal categorical program that provides workforce development services to job-seekers.
- deliver services and achieve results that make a difference to employers by “going the extra mile” beyond traditional workforce services to win the confidence of business customers.
- interpret and apply the WIA statute and regulations with confidence, and use their authority to promote innovative program strategies and entrepreneurial behavior.
- use WIA funding to penetrate new markets, to communicate with new and existing business customers, to work successfully beyond the established WIA performance metrics, and to seek opportunities and new relationships.

Many of the successful state and local workforce boards also take a systematic approach to understanding the needs of local businesses and deciding how to act on that information. Often they follow a logical progression from research (labor market information and studies), to strategy development, to putting in place effective management systems (implementation, incentives, evaluation) in order to define needs, allocate resources effectively, and realize returns on these investments. An important component of this process is to make sophisticated use of local labor market information to understand the rapid changes in a regional economy and to develop responsive strategies that address the implications of these changes on individual segments of job seekers and employers.

At the community or regional levels, following a systematic process creates opportunities for building broad support for the effort. Throughout the process, there are opportunities for expanding the options and range of solutions available within a community by aligning resources and integrating services at the state or regional levels. Building and nurturing a healthy economy involves multiple actors and issues that are intertwined, including workforce development but also transportation, social services, infrastructure, education, and tax policy considerations. The WIB can assemble the appropriate community representatives to address each component as part of a community-wide workforce development strategy.

At the company level, employers experience a broad range of needs beyond workforce issues. No single entity can address all the needs of employers effectively, especially as they relate to other concerns about new product development, integrating new technologies, financing, identifying new markets, and addressing the need for "faster, better, cheaper" production processes. Increasingly, effective workforce boards are integrated within a community-wide effort to pool expertise and resources from multiple organizations, public and private, to help address a wide range of community and company needs holistically.

Communities that figure out how to meld the unique mix of resources and expertise that they have into mature service provider networks at the local and regional levels will have a comparative advantage over other communities. Moreover, community leaders and organizations working together to address the effects of an economy in transition will have a meaningful impact on their employers, workers, and other community institutions.

APPENDIX A: Case Examples Contact Information

Case Examples	Contact
Bumble Bee International	Joe Alvarez Consejo de Desarrollo Ocupacional y Recursos Humanos (Council for Occupational Development and Human Resources) Puerto Rico Department of Labor P.O. Box 192159 San Juan, PR 00919-2159 787-754-5510 phone 787-274-1342 fax Elena Martinez Executive Director Mayaguez-Las Marias Workforce Investment Board 21 Morell Campos Street, Suite 101 Mayaguez, PR 00680 787-265-2044 or 265-3737 phone 787-833-1755 fax
California Manufacturing Technology Center	Cheryl Slobodian 1149 West 190th Street, Suite 2014 Gardena, CA 90248 310-263-3017 phone 310-263-3062 fax slobodia@cmtc.com www.cmtc.com
Commonwealth Corporation's BEST Initiative	Cathryn Lea Project Director The Schrafft Center 529 Main Street, Suite 110 Boston, MA 02129-1125 617-727-8158, ext. 1306 phone 617-242-7660 fax clea@commcorp.org www.commcorp.org
Dexter Shoe Career Transition Center	Theressa Mudgett Training & Development Corporation 18 School Street P.O. Box 1669 Bucksport, ME 04416 207-945-9431 phone

Case Examples	Contact
Jacksonville, Florida	Candace Moody Vice President, Communications WorkSource 215 N. Market Street, Suite 340 Jacksonville, FL 32202 904.798.9229 x2201 cmoody@worksourcefl.com
Massachusetts Worksharing	Chris Swenson Assistant Director of UI Operations Massachusetts Division of Employment and Training The WorkSharing Department Charles F. Hurley Building 19 Staniford Street Boston, Massachusetts 02114 617-626-5510 phone 617-727-8976 fax cswenson@detma.org www.detma.org/worksharing/default.htm
North Central Indiana	Vicki Byrd President Workforce Development Strategies, Inc. 1200 Kitty Hawk, Suite 208 Peru, IN 46970 765-689-9950 phone 765-689-9971 fax vbyrd@wdsi.org www.wdsi.org
Oklahoma Alliance for Manufacturing Excellence, Inc.	Roy Peters, Jr., Ed. D. President 525 South Main, Suite 210 Tulsa, OK 74103-0726 918-592-0726 phone roy.peters@okalliance.com
Rhode Island Manufacturing Extension Services	Leslie Taito Vice President, Operations 35 Tourgee Street North Kingstown, RI 02852 401-294-3535 phone 401-294-2300 fax ltaito@rimes.org www.rimes.org

Case Examples	Contact
Stanislaus County, California	Terry D. Plett, Director Stanislaus County Department of Employment and Training P.O. Box 3389 251 E. Hackett Rd. C-2 Modesto, CA 95353-3389 Phone: 209.652.0395 Fax: 209.558.2164 E-mail: plettt@mail.co.stanislaus.ca.us
Western Massachusetts	Tim Brennan tbrennan@pvpc.org Pioneer Valley Planning Commission 26 Central Street, Suite 34 West Springfield, MA 01089-2787 (413) 781-6045 http://www.pvpc.org/html/home/staff/admin.html William Ward, Executive Director Regional Employment Board of Hampden County (413) 755-1357 bward@rebhc.org
The WorkPlace, Inc.	Joseph M. Carbone President and Chief Executive Officer Southwestern Connecticut's Regional Workforce Development Board 350 Fairfield Ave., Bridgeport, CT 06604 203-576-7030 phone 203-335-9703 fax carbone@workplace.org www.workplace.org

APPENDIX B: Boston and Manhattan Beach meeting agendas

Workforce Investment Board (WIB)
Leadership in a Changing Economy
The Egan Center at Northeastern University
Boston, Massachusetts
June 19, 2002

New England Training & Employment Council

A G E N D A

7:30am **Continental Breakfast**

8:30am **Welcome and Introductions:**

Andy Sum- *Director, Center for Labor Market Studies, Northeastern University*
William Spring, *Vice President, Community Affairs, Federal Reserve Bank Boston*

8:45am ***WIA: New Economy, New Opportunities***

Robert J. Semler, *Regional Administrator, USDOL-ETA*

9:00am ***Changing the Culture of the Workforce Investment System: Meeting Employer and Workers' Skill Needs and Linking Workforce Investment to Economic Development***

Graham Toft, *Senior Fellow, Hudson Institute*

9:45am ***Working Session I: Layoff Aversion***

Moderator: **Dr. Lee Arnold**, *Director, RI Department of Labor & Training*

Panel:
Tom Croft, *Executive Director, Steel Valley Authority*
Leslie Taito, *Director of Operations, RI Manufacturing Extension Service*
Chris Swenson, *Assistant Director of UI Operations, MA Department of Employment and Training*
Joseph Carbone, *President, The Workplace, Inc.*

10:45am **Small Group Discussions**

11:30am Lunch

12:15pm Introduction: ***Leonard Wilson,*** *Chair, MA WIB, NAWB Board Member*

Luncheon Speaker:
Tripp Jones, *Executive Director, MASS INC*

"The State of the American Dream in Massachusetts, 2002"

1:15pm ***Working Session II: Creative Responses to Layoffs***

Moderator: **John Dorrer**, *Deputy Director of Workforce Development, NCEE*

Panel:
Paul Harrington, *Associate Director, Center For Labor Market Studies, Northeastern University*
Steve Sullivan, *Director of Education & Training, Teamsters-Local 25*
Tom Leever, *Chair, Vermont Human Resource Investment Council*
Ron Phillips, *President, Coastal Enterprises, Inc.*

2:00pm ***Question and Answer Session***

2:15pm **Afternoon Break**

2:30pm ***Working Session III: Capacity Building: Anticipating and Meeting the Needs of Employers and Job Seekers***

Moderator:
Mark Troppe, *Director of Economic and Workforce Development, NCEE*

Panel:
Gail Dyer, *Workforce Development Specialist, ME Department of Labor*
Steve Mitchell, *Director, Workforce Connections-Pennsylvania Economy League*
Michael Power, *President, NH Workforce Opportunity Council, Inc.*
Sylvia Beville, *Executive Director, MA Metro Southwest REB*

3:30pm ***Small Group Discussions***

4:00pm ***Political and Economic Realities: Implications for WIBs***

Introduction: **Tim Barnicle**, *Director, Workforce Programs, NCEE*

Steve Gunderson, *Managing Director, The Greystone Group, Former Member of Congress and Ranking Republican, House Employment Opportunities Subcommittee*

4:30pm ***Next Steps and Adjourn*** **Robert J. Semler**

This Conference is made possible through partial funding support from the Ford Foundation and its Co-sponsors: National Center on Education and the Economy (NCEE), Northeastern University, Federal Reserve Bank of Boston, New England Training and Employment Council (NETEC), and the USDOL/ETA-Boston Regional Office.

Conference Description and Objectives

<u>The Challenge</u>

Historically the unemployment rate has lagged behind trends in the economy, with increases typically appearing after the economy slows, and improvements trailing economic recovery by several months. In the current scenario, if historical trends persist, unemployment can be expected to rise even if we now begin to see a period of renewed economic growth.

These cyclical changes, however, mask deeper, underlying trends in the economy that have important implications. Specifically, there is still a need for workers with higher skill levels. The National Association of Manufacturers maintains that the manufacturing skill shortage persists in spite of the current economy. ("The Skills Gap 2001" NAM/Anderson Survey released November 2001.) This is corroborated by data from the Bureau of Labor Statistics, projecting a 22% increase in jobs that will require at least some college by 2008.

Changing demographics exacerbate problems meeting skill requirements. The US workforce will slow its growth dramatically over the next several decades. This will create a growing need for youth who are well prepared for post-secondary education or training to replace skilled retirees. Recent data suggest that if current trends continue, the US will experience a net deficit of workers with at least some college of about 12 million workers by 2020 (Carnevale and Fry, 2001).

The Role of the Workforce Investment Board

This environment presents both short and longer-term challenges for the Workforce Investment System. In the short term, increases in major layoffs and rising youth unemployment are pressing concerns. At the same time, long-term concerns such as responding to skill shortages in key industries, skills upgrading, and skills development for young people also require a response. Workforce Investment Boards play a pivotal role in developing and executing strategies to address these workforce issues. It is imperative that all WIB members have a clear understanding of the opportunities inherent in the

Workforce Investment Act for collaborating with other community resources. WIBs are uniquely positioned within their regions to recognize labor market conditions, to seek out new resources and establish new partnerships and to help meet the challenges faced by their respective communities.

How this Conference Can Help

"WIB Leadership in a Changing Economy" is designed to offer both topical information on economic trends and creative models for addressing current issues of concern to WIBs. The conference also presents a unique and timely opportunity for WIB leaders to engage in discussions with experts, peers, and program practitioners. We hope you will take advantage of this forum by sharing your own challenges and issues in the discussion sessions and by networking with your colleagues from across New England. You will have the opportunity to do this in the three working sessions, described below.

Working Session I: Layoff Aversion Many communities are examining what they can do to strengthen existing companies as a way of supporting local economic growth and mitigating job loss in a churning economy. In this session, we will explore a range of options for working with employees and companies as part of a proactive and collaborative workforce strategy. Roundtable discussions in small groups will follow panelists' presentations.

Working Session II: Creative Responses to Layoffs States and localities have become very creative in anticipating needs and responding effectively to layoff announcements. In this session, we will hear from several local practitioners about the policies and initiatives that support these responses.

Working Session III: Capacity Building: Anticipating and Meeting the Needs of Employers and Job Seekers Taking full advantage of the flexibility in the Workforce Investment Act requires a new way of thinking for WIB leadership and the public workforce development infrastructure (i.e., WIBs, One Stops, etc.) In this session, we will hear about state and local efforts to develop staff capacity for doing business with employers and a broader range of job seekers. Roundtable discussions in small groups will follow the presentations.

Business Leadership, Business Results:
A Meeting of the WIBs from Region Six

January 30 - 31, 2003

Manhattan Beach Marriott
Manhattan Beach, California

Thursday, January 30, 2003
Making Business our Customer

Salon A (Manhattan Ballroom/Lobby Level)

1:00 pm -2:00 pm

* Welcome:

Wayne Spenser, Chair, South Bay Workforce Investment Board

* A Call to Action

Bob Knight, President, National Association of Workforce Boards
Armando Quiroz, Region Six Administrator and
Grace Kilbane, Administrator of the Office of Workforce Investment,
US Department of Labor

2:00 pm - 3:00 pm

* Layoff Aversion: A Proactive Economic Development Strategy

Moderator: Isiah Turner, City Manager, Richmond, CA;
Member, California Workforce Investment Board

Panelists: Tom Croft, Steel Valley Authority/Mark Troppe, NCEE
Roy Peters, Oklahoma Alliance for Manufacturing Excellence
Leila Mozaffari, California Manufacturing Technology Center

There are numerous strategies, networks and tools that have proven successful in averting plant closures and retaining jobs. However, there is relatively little awareness about these strategies across the workforce system. This session will explore options for working with companies and employees holistically as part of a proactive workforce strategy geared toward preventing or mitigating job loss in a churning economy. In particular, the session will examine efforts to grow and strengthen existing companies as a cost-effective strategy for supporting local economic growth.

3:00 pm - 3:30 pm Discussion of Panel Presentation

3:30 pm - 3:45 pm   BREAK

3:45 pm - 4:45 pm

* Sectoral Strategies: Identifying & Impacting Critical Business Issues

Moderator: Cindy Marano, Director, National Network of Sector Partners

Panelists: Conaway Haskins, the Aspen Institute
David Sims, Polk County WIB, Florida
Cary Harkaway, worksystems. inc, Portland, Oregon WIB

Sectoral strategies have been shown to have promising results for low income job seekers, low wage workers, and for business. These "win/win" strategies have been piloted in a number of workforce boards across the nation - as well as in community colleges, nonprofit organizations and in business associations. This panel will present the experiences of workforce boards that are using a sectoral approach, the research findings that show promising results for business and workers, the program elements that appear to make sectoral approaches successful, and discuss the different roles WIBs have played in conducting sectoral efforts in their communities and regions.

4:45 - 5:15 pm   Discussion of Panel Presentation

6:00 pm   Networking Reception
Terrace Ballroom

Day 2 January 31, 2003
Managing Workforce Issues

7:30-8:30 am Continental Breakfast
Salon B

8:30 am - 8:55 am

Salon A

* The View from the Top
Larry Fitch, President, San Diego Workforce Partnership
President, California Workforce Association
Steve Smith, Secretary, California Workforce and Training Agency
Sue Marie Allison, USDoL Business Resources Group
US Department of Labor, Washington D. C.

9:00 am - 10:00 am

* Sectoral Strategies Show & Tell (breakouts)

These discussions will focus on the benefits of sector efforts in these industries to the employer community, discuss how current sector efforts in the industry are working, explore strategies for engaging employers in the industry, and provide resources to help you learn more about implementing sector efforts.

Agribusiness: Room 200A

David Villarino, Farmworker Institute for Education and Leadership Development (FIELD), Bakersfield, CA
Blake Walters, National Economic Development and Law Center

Construction: Room 200B

Susan Crane, Office of Port JOBS, Seattle, WA
Will Mollard, National Economic Development and Law Center

Entertainment: Rom 205

Don Nakamoto, Verdugo WIB, Glendale, CA
Gavin Koon, Contract Services Administration Trust Fund
Cindy Marano, National Network of Sector Partners

Healthcare: Room 211

Anne Hill, Worksystems Inc. Portland, OR
Amy Wallace, National Network of Sector Partners

Manufacturing: Room 219

Linda Wong, Community Development Technologies Center, Los Angeles, CA
Kim Tarr, National Network of Sector Partners

10:00 am - 10:15 am BREAK

10:15 am - 11:15 am

Incumbent worker and customized workforce training strategies

Local Workforce Investment Boards in Region 6, and across the country, are providing incumbent workers and customized training in many ways. Here are a few of the stories and some strategies for you to take home.

1. Designing and Funding Services to Employed Workers Room 200A

Larry Good, Corporation for a Skilled Workforce

WIBs across the nation are taking a variety of strategies to engage in creating, funding and delivering crucial and needed services to workers who are already in the workplace. This session will focus on how to choose a strategy, program design elements unique to working with incumbent workers, and funding alternatives being used.

2. Straight Talk: How to Capture an Employer's Heart   Room 200B

Sandy Bustillo, Contra Costa County, Karen Shawcross, Bank of America,
and their partners will talk about putting together a program that increases employer and jobseeker chances for successful interaction!

3. Be part of the solution to your local health care workforce needs
Room 205

Terry Plett, Stanislaus WIB (C NA to LVN), Jan Vogel, South Bay WIB
(Nurses), and Diane Walton, Portland OR.

The problem is evident: Health care worker shortages are commonplace, specific skill shortages exist within the existing workforce, and the need for health care services is growing rapidly. How can your Board contribute to the solution in your community?

4. Sue Marie Allison, USDept of Labor Business Resources Group (BRG)
Initiatives   Room 211 Ms. Allison will go into detail on the BRG
initiatives in this small group setting.

5. Bob Knight, NAWB Insights   Room 219   Based on his wide travels,
Mr. Knight will discuss attendees' opportunities for success, and
suggest strategies to overcome any particular obstacles.

11:30 am - Noon   Plenary   Salon A

Regional Approaches to Address Regional Economies:
Moving Beyond Current Geopolitical Boundaries

Graham Toft, Senior Fellow, The Hudson Institute

Graham Toft specializes in how the new economy brings change to communities, regions, and states. At Hudson Institute he supports the work of Workforce 2020, Manufacturing 2020 and undertakes applied research at the state, regional and local levels and has devoted considerable effort to the preparation of sub-state strategic economic development plans. Between 1988 and 2001 Graham was President of the Indiana Economic Development Council, Inc., the state’s think tank on economic development. There, he led the preparation of strategic economic development plans for Indiana in 1988, 1994, and 1999. During this period, Graham paid considerable attention to measuring the performance of state economies, including the development of *Indiana Benchmarks*, which tracks Indiana's performance against all the U.S. states.

Noon - 1:15 pm Lunch and Adjourn
Salon B