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The Role of Partnerships in Economic Development and Labor Markets in the United States

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by

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Abstract

This paper describes the role of local partnerships in the delivery of workforce and economic development services in the United States. Partnerships include both public and private organizations and increasingly depend upon local business people for leadership. With grassroots organizations traditionally taking the lead in addressing local issues and a long history of decentralized government, it is not surprising that a labyrinth of partnerships characterize the provision of public services. This paper grew out of a study tour that the Upjohn Institute conducted in conjunction with the Local Employment and Economic Development (LEED) Committee of the Organization for Economic Co-Operation and Development (OECD). Delegates from 14 European countries visited nearly two dozen partnership organizations in the U.S. Midwest. The paper summarizes the history of local partnerships in the United States, tracks the separate evolution of workforce and economic development activities, describes the leadership roles of the federal and state governments in fostering partnerships, and provides case studies of current public-private partnerships that the delegates visited on the tour. The paper concludes by drawing lessons learned from the tour regarding the efficiency of partnerships, the efficiency of service delivery, the local management of programs, and the proper roles of federal, state, and local governments. A version of the paper appears in an OECD volume on partnerships entitled *Local Partnerships in Better Governance*, prepared by Sylvain Giguère.

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INTRODUCTION

Local partnerships play an important role in the delivery of workforce and economic development activities in the United States. Partnerships include both public and private organizations and increasingly depend on local business people for leadership. The strong role of the private sector reflects the predominance throughout the country's history of grassroots organizations in addressing local issues and in delivering services. Today, economic development activities are carried out primarily at the local level by nonprofit organizations, with help and guidance from state agencies but minimal involvement from the federal government. Workforce development efforts, on the other hand, have enjoyed a much stronger partnership with the federal government. Since the inception of the major employment programs that grew out of the economic crisis of the 1930s, state and local efforts have benefitted from the federal government's leadership, technical expertise, and superior taxing powers.

During the last decade, interest in strengthening the role of local organizations in providing activities in both these areas has increased. The underlying premise is that local governments are better able to assess and respond to the specific needs of their area. In addition, they are considered to be in a better position to coordinate services from the various programs that are intended to help people within their jurisdictions.

With regard to workforce development activities, Congress recently passed two major pieces of legislation that gave state and local governments significantly more responsibility in the delivery of social services. Several states, in turn, have granted local jurisdictions, particularly counties, an increased role and, in some cases, greater autonomy in providing and coordinating services. With encouragement and, in some instances, mandates from the federal government, states and counties have forged partnerships with nongovernment organizations (NGOs) to deliver services. Most recently, these local partners have included private businesses, which provide leadership and oversight for the local service organizations and occasionally provide services. Local economic development partnerships have been strengthened, not by the encouragement of the federal government, but because of pressure from businesses. Concerned about the inability to find qualified workers in a tight labor market and the need to enhance their local supply chains, local businesses have taken a more active role in partnering with local governments to develop the workforce and to enhance the local economy.

The evolution of intergovernmental relations and current policy changes makes the United States an interesting and instructive example of the formation and evolution of local partnerships in providing workforce and economic development activities. Recognizing that potential, the W.E. Upjohn Institute for Employment Research organized and sponsored a study tour of local partnership organizations in the United States within the framework of the Study of Local Partnerships conducted by the Organization for Economic Cooperation and Development/Local Economic and Employment Development (OECD/LEED) Committee. The study tour focused on the U.S. Midwest. During the six-day tour in April 2000, 15 delegates representing 12 European countries and the European Commission visited 20 organizations in various cities in the states of Illinois, Michigan, and Ohio (see Appendix 1)

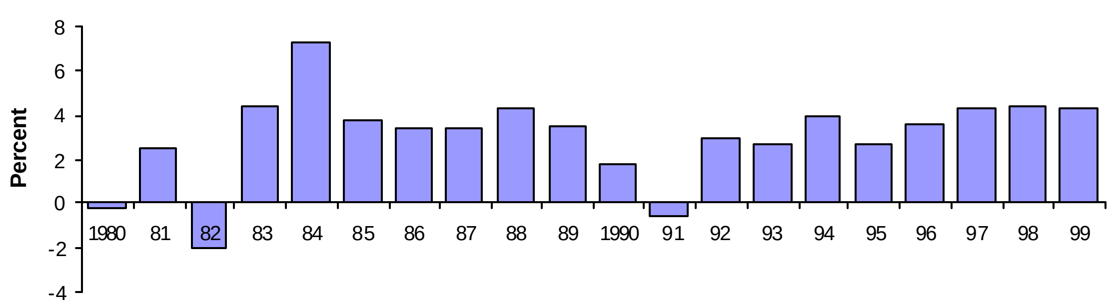
This chapter provides an overview of the role of partnerships in delivering workforce and economic development services in the United States. It is based on a survey of partnership cases in the Midwest, which possess characteristics that provide favorable comparisons with many European countries. Even after significant restructuring during the past two decades, the Midwest economy is still more dependent upon manufacturing than most other regions in the country. The restructuring resulted in considerable displacement of workers, an emphasis on work retraining, and an intense effort by states and localities to promote economic development in their area. Consequently, the Midwest has fostered innovative approaches to workforce development and economic development initiatives and serves as a laboratory to examine the nature and effectiveness of local partnership organizations in meeting these needs.

Economic and Employment Situation

The study tour of local partnerships in the U.S. Midwest took place during strong economic times. Throughout the 1990s, the United States enjoyed its longest economic expansion ever, and except for a slight 0.5 percent decline in 1991, the nation's economy grew steadily between 1983 and 1999 (figure 1). Accompanying this unprecedented growth were unemployment rates of around 4 percent and productivity growth rates that exceeded historical trends. Growth even accelerated during the latter half of the decade and into the current millennium with GDP growth reaching an unsustainable pace of 5.2 percent.

In 1999, employers hired 2.9 million workers, a 2.3 percent increase over the previous year. This high demand for workers kept the national unemployment rate below 4.5 percent during the entire year. From June 1993 to June 2000, the nation's employers added 260,000 workers per month, on average.

Figure 1. Real gross domestic product, United States
(average annual growth rates)



The nation's businesses, facing highly competitive global and domestic markets, have spent billions of dollars year after year on new capital equipment (especially computers and related equipment). This expenditure, coupled with the strict discipline of the global marketplace, has contributed to both the nation's strong productivity growth and to lower production costs, which have in turn created an environment of stable prices.

As shown in Table 1, the Midwest shared for the most part in the robust national economy. Unemployment rates among the various areas surveyed ranged from 2.7 to 5.7 percent, and rates in most of the cities, except Chicago, were at or below the national rates.

Table 1. Characteristics of the areas surveyed in the Midwest

City	Population (1998)	Unemployment rate 1998)	Population living in poverty, 1995 (%)
Battle Creek	53,496	4.6	14.1 (Calhoun county)
Chicago	2,802,079	5.7	14.7 (Cook county)
Cleveland	495,817	4.5	14.3 (Cuyahoga county)
Grand Rapids	185,437	4.1	9.6 (Kent county)
Kalamazoo	76,241	2.7	11.3 (Kalamazoo county)
Lansing	127,825	4.1	13.9 (Ingham county)

General Characteristics of Workforce and Economic Development Activities

Several important dimensions characterize local partnerships concerned with workforce development and economic development in the United States. First, a distinct separation exists between activities related to workforce development and those related to economic development. Traditionally, these activities have been pursued by different levels of government and by different nongovernment entities.

However, in recent years, as employers have become increasingly frustrated in their search for qualified workers in the tight U.S. labor market, organizations responsible for economic development have turned their efforts to increasing the pool of trained workers. These efforts have been pursued primarily through businesses forging closer working relationships with workforce development agencies, as opposed to relying solely on their own efforts to train workers.

Second, most workforce development programs targeted at dislocated workers and the economically disadvantaged are funded by federal and state governments.[1] Active labor market programs (e.g., job training, job search assistance, labor market exchange) and income support programs (e.g., unemployment compensation) are administered and funded by the government. In most cases, the services are provided by state and local government agencies.

However, the newly enacted Workforce Investment Act allows for the privatization of some services, and state and local governments are beginning to contract with private sector (mostly nonprofit) organizations. Charitable foundations also help to support workforce development services by sponsoring small programs. Many of these initiatives are experimental, and most are implemented and tested in a limited number of areas on a relatively small number of people. Some of these schemes yield important information that has been used to initiate new government-sponsored programs or to improve existing programs. In some cases, local nonprofit organizations partner with local offices of government workforce programs to help improve the coordination of services and to deal with problems that government programs

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[1]The vast number of community colleges, colleges, and universities are also important contributors to workforce development. These institutions are funded in part through local and state taxes and federal grants. However, much of the support for higher education comes through tuition paid by students or their families and through alumni giving.

are not designed to address. Local charitable organizations and churches also play important roles in meeting the needs of the unemployed, particularly those who need food and other special assistance.

Third, most government-sponsored workforce development programs are marked by a strong federal-state-local partnership arrangement. This federal approach to providing social services was established when the first employment programs were implemented nearly 70 years ago. The new welfare reform initiative, Personal Responsibility and Work Opportunity Act of 1996, and the first major reform in the nation's job training system in 15 years, the Workforce Investment Act of 1998, have followed the same design but with even more emphasis on the devolution of authority to state and local government organizations.

Fourth, economic development activities are primarily the responsibility of state and local governments, with only limited assistance from the federal government. The federal government has chosen not to promote the economic development of one region over another, except in the case of severe poverty in specific areas, particularly inner cities. In recent years, federal funding initiatives have offered resources to a few urban areas to address chronically high unemployment and deteriorating economic infrastructure. Therefore, the vast majority of economic development efforts are conducted by state and local government agencies and by public-private ventures.

WORKFORCE DEVELOPMENT

Brief history of government-sponsored programs

Government-sponsored workforce development activities have focused primarily on the needs of the unemployed and the economically disadvantaged. The first broad-based labor programs in the United

States were initiated in response to the high level of joblessness during the Great Depression of the 1930s. The Wagner-Peyser Act of 1933 established in the U.S. Employment Service, and the Social Security Act of 1935 put in place the unemployment insurance system. While the federal government enacted both programs, each one was based on a strong federal-state-local partnership in the delivery of services.

The partnership arrangements among the different levels of government ostensibly grew out of two deep-rooted aspects of the institutional heritage of the United States. The first is the strong leadership role payed by states in initiating programs to serve the needs of their citizens. The second is the federal system of government which, for the administration of many social programs, has evolved into strong partnerships among federal, state, and local governmental entities. For example, prior to the enactment of the Wagner-Peyser Act by the U.S. Congress, many states provided labor market exchange services through local employment offices. The Wagner-Peyser program used federal funds raised through the employer payroll tax to transform the patchwork of existing state offices into a more coordinated nationwide system with more consistent operating procedures and types of services (O'Leary and Straits, 2000). Today, the Employment Service is a federal-state partnership that provides free labor market exchange and reemployment assistance services in 1,800 offices in 54 states and territories (Balducchi, Johnson and Gritz, 1997).

The unemployment insurance (UI) system shared a similar beginning, and arguably it established an even stronger federal-state partnership. Prior to its enactment in 1935, at least 17 states had considered establishing an unemployment compensation system. Only one state, Wisconsin, actually enacted such a program before the federal legislation went into effect. Many states, however, were reluctant to provide income support to displaced workers. They feared that employers in their state would be at a disadvantage to those in states without such a program, because of the taxes needed to finance the system.

Since only one state had actually established an unemployment compensation system, Congress, when fashioning the Social Security Act, was presented with the opportunity to establish a wholly national system. However, after considerable deliberation, they chose a federal-state partnership. The system prescribed distinct federal and state roles and obligations. It gave states the discretion to set compensation levels and to experiment with system improvements but imposed separate limits for the federal and state components of the payroll tax. It also established financial incentives for states to comply with approved nationwide UI programs. Legal suits immediately followed the program's inception, challenging the constitutionality of the UI system on the grounds that it usurped states' rights and force them to act in compliance with federal regulations. Nonetheless, the UI system has survived and serves as a model for other federal-state partnerships (O'Leary and Wandner, 1997).

In many respects, the evolution of publicly supported job training programs in the United States is a lesson in the advantages and disadvantages of a centralized versus decentralized administration of social services. The Federal Manpower Development Training Act (MDTA) of 1962, the first nationwide publicly provided training program, was based on the primary belief that the lack of marketable job skills barred the economically disadvantaged from employment. Consequently, MDTA offered a full range of services to the economically disadvantaged, including remedial education, occupational skill training, work experience, and counseling.

Several problems arose with the program. It was a piecemeal approach managed primarily at the federal level and left little opportunity or incentive for partnering with nonprofit/nongovernmental organizations. Federal administrators established programs and policies for separate categories of clients that were to be implemented at the local level in the belief that no one program could meet the divergent needs of the economically disadvantaged. Moreover, federal administrators held the view that there were gross inefficiencies in administrative capacity at the local level. Therefore, they prepared strict guidelines for the local implementation of the various programs. Unfortunately, "it was not unusual to find communities with similar programs located within a few city blocks of one another, targeting services to technically distinct but frequently overlapping groups" (O'Leary and Straits, 2000).

The resulting problems of the MDTA led the federal government to consolidate all categorical programs and then to decentralize their workforce programs to the local level. Decentralization meant the transfer of programs management from the federal level to the state and local level (Levitan and Gallo, 1988). Decategorization meant that federal appropriations were no longer earmarked for specific programs.

The Comprehensive Employment Training Act (CETA), established in the 1970s, offered several improvements to the delivery of workforce development services. It introduced the concept of local advisory councils to ensure that local public interest would guide program planning. CETA regulations required that councils include constituencies such as education and labor along with members of the business community. The effectiveness of these advisory councils differed across the country. Some were merely "rubber stamps" while others played an active role in on-site monitoring and local policy development.

Even with the establishment of advisory councils, CETA was criticized for operating inefficiently in many communities. In particular, classroom skill training often did not provide the kind of training desired by local employers. Instead, clients selected the type of training they wanted regardless of the occupational demands of the area's business community, and they often selected occupations with limited "career ladders" offering little opportunity for career advancement. In addition, the public service's employment programs in CETA proved to be expensive and were used, in some instances, to subsidize the local provision of government services.

To address several of these problems, the Job Training Partnership Act (JTPA) was enacted in 1982. It made several improvements to CETA while following the same philosophy of federal-state partnerships. First, it eliminated the placement of displaced and economically disadvantaged individuals into public-sector employment, focusing instead on placing them in unsubsidized private sector employment. Second, it focused training programs on the development of skills that local employers demanded. Third, it increased private sector participation on the advisory councils to ensure that the needs and concerns of local businesses were being heard.

Current Federally Funded Programs

During the latter half of the 1990s, public assistance to low-income households and government-funded workforce development programs underwent major reform. Now, the focus was on moving welfare recipients off public assistance and into jobs and on giving states more discretion to find ways to accomplish this goal. The reforms also attempted to integrate employment-related services more closely by establishing one-stop centers in which all major services are provided at the same location.

These reforms were advanced in two pieces of legislation. The Personal Responsibility and Work Opportunity Act of 1996 provides states with federal block grants to fund income support for low-income households but requires that the head of the household finds work within a specified time period. This shift in philosophy away from pure income support and the development of long-term skills training and toward a work-first approach was also incorporated in the workforce development reform legislation. The Workforce Investment Act (WIA) of 1988 emphasized job-search assistance and job-readiness training over specific job-skills training with the goal of increasing employment, retention, and the earnings of job participants. In short, WIA is based on the belief that the best training is experience on the job and that there are a sufficient number of jobs for even low-skill workers. In exceptional cases, training is still offered when a mismatch in workers' skills and employers' needs exists. WIA also gives state governors almost full discretion in determining how their state will achieve this requirement.

The Workforce Investment Act came at a time when the U.S. economy was stronger than it had been in a generation. Unemployment rates had reached a four-decade low, and many employers were finding it increasingly difficult to fill vacancies. Although opportunities for workers of nearly any skill level to find a job were unprecedented at the time, the demand for highly skilled jobs was nearly three times the rate of other jobs. Millions of workers with little or no skills required assistance to upgrade their abilities in order to avoid being trapped in low-wage, dead-end jobs. At the same time, employers needed to fill vacancies with qualified workers as quickly as possible to avoid costly capacity constraints. The WIA was an attempt to provide a system that serves the needs of low-skill workers and employers alike.

As with JTPA, a business-led advisory council, referred to as the workforce investment board (WIB) under WIA, supervises the delivery of services at the local level. One of the major requirements of WIA is for the local workforce development board to establish one-stop centers that provide core services to all job seekers regardless of income or employment status. Under previous programs, job seekers were required to trek to their local employment service office for information on current job openings and to obtain job search skills. From there, they were required to find the offices of the JTPA service delivery agencies in order to obtain skill training, job placement, and information on job openings. Services were duplicated, and job seekers were required to go from place to place.

The one-stop approach provides many of these services at a single location, including

- a preliminary assessment of individuals' skill levels, aptitudes, abilities, and support service needs;
- information on available employment-related services including training opportunities;
- help in filing unemployment insurance claims and evaluation for job training and education programs;
- job search, placement assistance, and career counseling; and
- up-to-date labor market information.

The law prohibits the local administrative agency from providing services, so the local WIBs, as the administrative agents, select operators of the centers through a competitive process. Under this arrangement, the WIBs contract with numerous nonprofit organizations and other government agencies to provide these services. The law requires that each local one-stop center should comprise numerous partners. These partners include

- Adult, dislocated workers, and youth activities;
- Employment Service;
- Adult Education;
- Post-secondary Vocational education;
- Vocational rehabilitation;

- Welfare to Work
- Title V of the Older American Act;
- Trade Adjustment Assistance;
- NAFTA Transitional Adjustment Assistance;
- Veterans Employment and Training Programs;
- Community Services Block Grant;
- Employment and training programs administered by the U.S. Department of Housing and Urban Development;
- Unemployment Insurance.

These partners are required to provide services in a way that is consistent with their authorizing legislation, such as Wagner-Peyser, while striving to cooperate with the other co-located programs. The local area may also include other appropriate federal, state, or local programs, as well as private sector initiatives as partners in the one-stop system. WIA requires that all states implement their one-stop operating systems by July 1, 2000. Most states have complied at the time this study was carried out, but some were still in the developmental stage.

The requirement under WIA that local workforce investment boards contract with local providers to deliver services creates a relatively tight network of partner organizations. To formalize the relationship between a WIB, as the one-stop operator, and its partners, both parties enter into a memorandum of understanding (MOU). This establishes an agreement between the two entities concerning the agreed-upon roles and responsibilities of the subcontractor as a one-stop partner in the implementation of the provisions under WIA. The agreement is formed to ensure the effective and efficient delivery of workforce services to prevent duplication, and to coordinate resources in the local workforce development area.

The agreement also establishes joint processes and procedures that will enable partners to integrate the current service delivery system. The MOU lays out the principles of the one-stop centers that the partners are required to adhere to; it specifies the services that the partner is obligated to provide; and it delineates the financial arrangements, legal compliance, and the period of performance, typically two years. Signatories from each organization sign the agreement with the understanding that it can be amended upon mutual consent.

In some states, partners can be members of the WIB's governing board, but in Michigan they cannot, to prevent possible conflicts of interest. Board are comprised of local business people and civic leaders. Business people comprise the majority of board members, which is in keeping with the intent of WIA that local boards be led by businesses so as to be responsive to their hiring needs.

WIA also establishes individual training accounts (ITAs) as a means of funding the delivery of training services. ITAs are similar to vouchers. Individuals who are eligible for training under WIA can choose the training program they prefer and WIA will pay a portion (if not all) of the tuition. A qualified training institution must meet specific requirements under WIA and post information about placement rates and program evaluations. These institutions include for-profit organizations as well as traditional nonprofit and public training and educational institutions.

State and Local Workforce Development Organizations

Three types of organizations involved in workforce development are presented in this chapter:

- Government bodies responsible for administering services
  - Michigan Department of Career Development (Lansing);
  - Mayor's Office of Workforce Development (Chicago);
  - Kalamazoo-St. Joseph Workforce Investment Board (Kalamazoo).
- Public partner organizations providing services
  - Education for Employment (Kalamazoo);
  - Michigan Technical Education Center/Kalamazoo Valley Community College (Kalamazoo);
  - Regional Manufacturing Technical Center/Kellogg Community College (Battle Creek).
- Private nonprofit partner organizations providing services
  - Chicagoland Business Partners (Chicago);
  - Center for Employment Training (Cleveland).

The government bodies administer federal and state programs at the state and local levels. The Michigan Department of Career Development is the state agency in Michigan that is responsible for administering federal and state workforce development programs. This agency does not provide the services directly, but devolves this responsibility to about two dozen local WIBs in the state, such as the one in Kalamazoo. The state agency oversees the operation of WIBs to ensure that they and their subcontractors comply with the requirements of WIA and the other federal and state programs.

The Kalamazoo-St. Joseph Workforce Investment Board, also referred to a Michigan Works, administers 10 employment programs, including welfare-to-work, school-to-work, dislocated worker training schemes, and the employment service.[2] More than 45,000 people drawn from a two-county area with a population of slightly over 300,000 have participated in at least one of the programs. The partners include a regional educational services agency, two private nonprofit service organizations, and two local colleges. Two of its partners are Education for Employment and Michigan Technical Education Center/Kalamazoo Valley Community College. The partners are all under contract to provide specific services and in most cases to achieve various predetermined performance outcomes.

The Michigan Works office's annual budget for 1999 was $4.2 million[3] and came from the following sources: 50 percent from the U.S. Department of Health and Human Resources, 24 percent from the state of Michigan, 20 percent from the U.S. Department of Labor, five percent from the U.S. Department of Education and 1 percent local. The program is staffed by 86 full-time and, 18 part-time workers, and 31 volunteers. Funds to operate the Michigan Works office are derived principally from the funds of the various programs it administers. It also receives some funds from the state to specifically implement the one-stop centers.

In Chicago, the five one-stop centers, located throughout the city, are run by a partnership between the city colleges of Chicago, the Illinois Department of Human Services, the Illinois Department of Employment Security and the Mayor's Office of Workforce Development (MOWD). These centers are part of the Illinois Employment and Training Center statewide network and work with employers,

[2]The Kalamazoo-St. Joseph Workforce Development Board is unique in that it is an administrative agent that is a division of an independent, nonprofit private foundation. The administrative arms of most boards are government entities. In 1970, the county designated the Institute as its agent to administer these programs, and this function has been housed in the Employment Management Services Division of the Institute ever since that time. The other divisions of the Institute conduct employment-related research, give out grants to researchers, and publish books.

[3]1 US$ = 1.18 Euro (1 Euro = 0.844 US$; exchange rate on 29.6.2001).

community organizations and other governmental agencies to provide job placement assistance, job training, and other employment services. MOWD employs 240 workers with an annual budget of $118 million, which is funded by the city of Chicago (16%), the state of Illinois (75%), and the U.S. Department of Labor (9%).

One of the major problems facing MOWD is the selection of members to serve on its board. In large cities with many constituency groups, such as Chicago, it can be difficult to select a board that represents all the concerns in the community. Much attention has been given to proper representation on MOWD's board, since the ability of the agency's leadership to work with the major stakeholders of the community and the large number of partners is key to the program's success. It is recognized that political maneuvering and in-fighting could undermine this effort. However, the strong desire by many constituents, including businesses, to serve on the MOWD board contrasts with the opposite problem faced by some boards in attracting qualified members.

As mentioned earlier, WIBs typically partner with several local agencies to provide services, such as the Michigan Technical Education Center at Kalamazoo Valley Community College (M-TEC). The purpose of M-TEC is to solve the training challenges of businesses in southwest Michigan using creative, competency-based, cost-effective solutions. Opened in late 2000, the M-TEC facility aims to offer a CAD/CAM lab, a resource center, manufacturing laboratories, and classrooms. Other services include needs assessment for firms, skill assessments of a firm's current workforce, and the design and development of custom-training programs. Many of the training programs are fee-based, and the center is expected to be largely self-supporting.

A similar scheme, the Regional Manufacturing Technology Center, is operated by Kellogg Community College in partnership with the Calhoun County WIB, which borders the Kalamazoo workforce development area to the east. Its mission is to meet the training needs of the local manufacturing workforce by providing high-quality instruction in the most effective and efficient way possible. It offers open-entry, open-exit modularized instruction in the manufacturing skilled trades, nine skilled trade programs, and customized training at the center or on-site. Local businesses fund 31 percent of the $1.25 million program, which has a staff of 7 full-time and 19 part-time instructors. The remaining 69 percent are funded by the state of Michigan (36%) and local government (33%). In addition, several manufacturers donate equipment and/or materials. One of the unique features of the center is that it is located in the heart of one of the state's more successful industrial parks, making it extremely accessible to on-site employers. That proximity underscores the close relationship that many WIBs have with businesses, and it illustrates the merging of workforce development and economic development activities.

Another program administered by the Kalamazoo-St. Joseph WIB, the Economic Development Job Training (EDJT) initiative, is a further example of how workforce development activities are important tools for local economic development. This program is a division of the Michigan Economic Development Corporation, which is the state's chief economic development agency. As described in more detail in the section on economic development, the corporation addresses the business retention and expansion needs of Michigan businesses. While this venture is administered and funded by an economic development agency, its primary focus is work training - a workforce development activity. To be eligible for training grants, businesses agree to create jobs or retain jobs that would be lost in such areas a manufacturing, research and development, warehousing and distribution, relocation of world headquarters, and exporting of goods and services outside of Michigan. Most training is for high-skill jobs and typically encompasses skills that are specific to a company's needs.

One of the expected advantages of a decentralized organization with numerous partners is the ability to nurture innovative approaches to delivering employment services. An example of such a program in the Cleveland area is the Center for Employment Training (CET), a nonprofit organization specializing in training individuals, primarily from low-income households, for well-paying jobs. The facility is located in an economically distressed neighborhood with a high unemployment rate. CET partners closely with the county and city governments, receiving more than 90 percent of its funding from these two sources. It depends heavily on a technical advisory committee of business representatives to ensure that the training they provide is what local employers need.

CET provides training in other regions of the country as well, most notably the Silicon Valley area of California. Rigorous evaluations of CET in that state have shown the program to be successful for the following reasons:

- Potential workers are screened for local employers, thus making CET an integral part of the recruitment networks of employers.
- On-the-job counseling is offered to participants who have completed the training and are working but may be facing serious personal problems.
- Active industrial advisory boards and technical advisory committees ensure the program's curriculum is up-to-date and of high quality, assist in fund raising, and help in job development efforts.
- Strong ties are developed and maintained with local employers.

Research has shown that CET trainees enjoy great job-placement rates, retain their jobs longer, and enjoy substantial gains in earnings. In other words, CET works on both the supply and the demand side of the labor market. Its approach to the latter explicitly recognizes the importance of inserting itself into precisely those networks that companies already value (Melendez and Harrison, 1998). However, some researchers question whether or not the CET program is transferable because the original program in San Jose, California, took advantage of existing employment networks in the area's strong Hispanic community. The question remains whether or not such strong community ties are available in other regions that do not have large Hispanic populations, such as the Cleveland neighborhood.

Public Education

Workforce training is a key element of workforce development. As described in the previous section, states and some local governments have established dedicated training centers to upgrade the skills of displaced workers or to enhance the skills of incumbent workers. Community colleges, in particular, have taken the lead in providing specialized training for workers in the areas they serve. However, these efforts are dwarfed by the traditional educational system of elementary and secondary schools (K-12 grades), community colleges, and four-year colleges and universities.

Considerable attention has been given to public K-12 schools in recent years. There is a general consensus that public schools have not served the needs of students with special needs or who come from economically disadvantaged households. Employers complain that high-school graduates are not prepared for work, either because they lack basic reading, writing, or math skills or because they do not have the job-readiness skills to move easily from school into the workplace.

While businesses have complained about this lack of job readiness, they have been slow to become involved in any large-scale effort to improve the situation. However, partnerships between businesses and

K-12 public schools have been established in several communities. One such program is Kalamazoo's Education for Employment (EFE). Administered by the intermediate school district, EFE offers a bridge between school and productive careers by helping to develop the appropriate skills, knowledge and attitudes that are essential for becoming a productive member of the workforce. The hallmark of the program is the internships with local businesses in several key local industries. High school juniors and senior split their time between traditional classroom training and on-the-job training. Internships are available not only for those who aspire to a trade job but also for those, who plan to pursue professions such as medical technicians and even physicians. In addition to EFE, the Kalamazoo area intermediate school district is working with area employers to ensure that high school students are being taught the necessary workplace know-how skills required by employers for their entry-level workers.

ECONOMIC DEVELOPMENT

Conceptual Foundation

Economic development efforts in the United States are carried out primarily by state and local organizations. Unlike some countries, the United States does not pursue a national industrial policy. Rather, as former Secretary of Labor John Dunlop once remarked, it pursues 5,000 industrial policies, as each state and local municipality pursues policies to promote their own economic development.[4] The federal government provides some support for these local efforts, but the support is limited and is targeted primarily at economically distressed areas. Focused on meeting the needs of employers, economic

[4]Paraphrased from a private conversation with Prof. Dunlop during his visit to the Federal Reserve Bank of Cleveland in the late 1980s.

development efforts have traditionally addressed infrastructure and tax issues.[5] In recent years, marketing and attraction efforts have shared the stage with retention and small-business development initiatives. Moreover, efforts to support an area's economic-based industrial clusters have taken center stage in many communities.

With local economic development organizations devoting considerable effort to attract businesses to their areas, economic development efforts in the United States have been labeled by some as costly competition between the states that results in no net benefit to the country. It is feared that the employment gains in the winning states are totally offset by the employment losses in the losing states. Moreover, some argue that government incentives can, in fact, promote poor site-location decisions if they persuade firms to locate at less than the optimal location.

During the late 1980s and through the 1990s, the economic development literature turned its focus away from the more traditional cost-cutting approach of attracting businesses (low taxes, subsidized loans, infrastructure grants) to a value-added approach (increase productivity, encourage innovation and entrepreneurship). Eisinger (1997) distinguished the two approaches by labeling the more traditional policies as supply side and the new value-added approach as demand side. He and others argue that value-added economic development policies are not subject to the zero-sum argument because the resulting advancements in productivity or innovation enlarge the broader economy.

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[5] An exception to the statement that the federal government provides limited support to economic development is the distribution of federal funds for highways and other infrastructure investment. The federal government provides states and local governments with upwards of $20 billion each year to expand and improve their highway systems. States and local governments have a good deal of discretion on how these funds are to be used. The federal government also spends an additional $20 billion for air, transit, rail, and water transportation. A good portion of this money also goes to states and local governments (U.S. Department of Transportation, 1999).

One way in which this new approach has been conceptualized and implemented is through regional cluster analysis. Michael Porter, an early pioneer of cluster analysis, argues strongly that economic developers should concentrate their efforts on enhancing the competitiveness of their local industrial clusters. Porter defines a cluster as a geographically proximate group of interconnected companies and associated institutions in a particular field, linked by commonalties and complementarities (Porter, 2000). The geographical boundaries of clusters are difficult to define since they vary in size from a state (Michigan and the auto industry) to a metropolitan area (Grand Rapids and the office furniture industry), but they should include the major companies in the cluster along with several of their major suppliers. According to Porter (1990), the health of an area's economy depends upon the strengths of its clusters which, in turn, relies on four components: 1) demand conditions for the cluster, 2) quality of suppliers, 3) a supportive infrastructure, and 4) competition among rivals that is based more on quality and innovation than on price.

The emphasis on cluster analysis reinforces the need for local partnerships. One of the basic tenets of the cluster approach is to bring business, government and labor together to discuss common concerns and to elicit concerted efforts to address these problems. Successful cluster initiatives have a number of common characteristics. To be effective, initiatives must be industry driven, demonstrate a bias toward action, and involve the major firms in the cluster as well as associated institutions. In order to keep the cluster's members engaged, the initiative must maintain its focus on removing obstacles and easing constraints on cluster upgrading.

Role of the Federal Government

The federal government has typically backed away from supporting economic development efforts because of its possible "zero-sum" outcomes. The federal government does not see its role as assisting one region at the expense of another. In fact, the federal government has restricted its role to very specialized functions, such as providing technical and planning assistance to economically distressed areas, funding public infrastructure investment in economically distressed areas, providing technical assistance for businesses through universities and private service providers, and promoting export trade.

This role is consistent with the acceptance that market failures in the delivery of public goods and significant inequity in the distribution of income necessitate economic development efforts in economically distressed areas. Bartik (1994), Hill (1998) and Thornburgh (1998) agree that the federal government should a) achieve macroeconomic stability, b) provide timely and accurate economic statistics, c) provide incentives for states and local economic development activities to concentrate on economically disadvantaged communities, d) encourage and fund evaluations of existing state and local programs, and e) assist productivity growth through technology extension services and customized job training programs.

To learn about some of these functions, 2 of the 12 regional banks of the Federal Reserve System, one in Chicago and the other in Cleveland, were surveyed. These two banks, individually and as members of the Federal Reserve System, provide some of the functions listed above. As the nation's central bank, the Federal Reserve System seeks to maintain price stability that will encourage and promote sustainable economic growth. Federal Reserve Banks (FRBs) also monitor economic trends and publish numerous regular and special reports on the economic trends in their districts. Both banks have a community affairs function that supports community reinvestment, fair lending, and as catalysts, conveners, and consultants to identify best practices, build partnerships, and provide training and technical assistance to community development practitioners. The Federal Reserve System is technically not a federal agency. Each of the 12 regional banks is governed by its own board of directors, with oversight by the Board of Governors in Washington, DC. The Board of Governors also has its own governing body and is not part of the executive branch of the federal government, as are other federal agencies.

The Economic Development Administration (EDA) of the U.S. Department of Commerce is the primary federal agency that assists the nation's economically distressed areas. Its basic principle is that economically distressed areas must be empowered to develop and implement their own economic development effort; it cannot be issued by an out-of-the-area government entity. The EDA maintains a variety of programs to assist economically distressed areas through direct funding, local technical assistance, public infrastructure development, and economic and trade adjustment programs. The latter assist communities in adjusting to severe and sudden economic dislocation, such as plant or military base closings.

Another federal government economic development program promotes productivity growth through technology extension services. The National Institute of Standards and Technology (NIST) assists industries to develop the technology needed to improve product quality, to modernize manufacturing processes, to ensure product reliability, and to facilitate rapid commercialization of products based on new scientific discoveries. In carrying out this goal, NIST funds a national network of more than 75 local manufacturing extension partnerships (MEP). Their primary goal is to assist small to medium-size manufacturers in improving their production processes, management and financial systems, and product development. MEPs link manufacturers with business and production specialists and also serve as information centers.

Another agency delivering services in this field is the Michigan Manufacturing Technology Center (MMTC). MMTC offers assistance in performance benchmarking, business systems/information technology, costing systems, customer management, energy assistance, environmental services, and health and safety initiatives. MMTC hold quarterly meetings with local manufacturers and is geared towards meeting the needs of small and mid-sized firms for information on technology issues. Many of its services are fee-based and the services are provided by a contracted third party.

Two volunteer business councils work with MMTC on issues germane to their industry cluster: the Grand Rapids Right Place Program's Office Furniture Industry Council and the Manufacturing Council. These councils represent an application of the cluster-focused economic development approach. The Office Furniture Industry Council was formed in 1992 to serve as a forum for peer networking and continuous improvement in the industry. Its mission is to ensure growth by creating value and eliminating waste in the customer-supplier relationship. Its achievements include setting industry standards for supplier quality, color evaluation, and EDI/Electronic Commerce; exchanging best-practice processes and technologies; and supporting ISO/QS 9000 Certification among its members and their suppliers. A list of the council's current and future projects includes parts submission conventions for office furniture suppliers, standardized supplier performance-rating systems, minority/women-owned business enterprises and an internet-based information clearinghouse for the industry.

The mission of the Manufacturing Council, founded in 1989, is to "promote, facilitate and enable implementation of 'world class manufacturing' principles and practices among manufacturers" in the Grand Rapids area. The council's strategy is three-pronged: 1) create a forum where manufacturers can talk among themselves and identify common concerns; 2) work to improve the area's manufacturing workforce;

and 3) articulate and prioritize the needs of manufacturers. An evaluation of MEPs found that "participation in the manufacturing extension is associated with between 3.4 and 16 percent higher labor productivity growth between 1987 and 1992" (Jarmin, 1999).

State Economic Development Efforts

States are responsible for a large share of the economic development efforts. Michael Porter, in his study of regional competition (1990), concludes that a government can promote the well-being of its industrial base in several ways. It can a) provide business with an educated workforce, an appropriate physical infrastructure, and accurate and timely economic information; b) establish rules and incentives governing competition that will encourage productivity growth; c) develop and implement an economic action program or change process that mobilizes government, business, institutions, and citizens; and d) facilitate clusters.

As the state of Michigan's chief economic development agency, the Michigan Economic Development Corporation (MEDC) focuses on the last two points listed above. MEDC's status and organizational structure is somewhat unique among state economic development agencies, which is worth noting. It is a quasi-public organization that has a private-sector board of directors that controls public dollars. Therefore, instead of elected officials overseeing publicly funded projects, business leaders, as members of the board of MEDC, control the dispersal of government dollars. MEDC has a staff of 250 full-time individuals and a budget of $340 million. It receives its funding from the general fund of the Michigan state government and from a separate, state revenue-funded Michigan Strategic Fund.

MEDC partners with local economic development agencies to mobilize resources, including contributing state funds to local projects. It plays a large role in providing technical assistance, political clout, and public funds to attract businesses from outside the state and to retain existing businesses. To achieve this, it can offer businesses grants to train their employees, making a small contribution to the overall education of the workforce. For example, MEDC funds job training facilities across the state, including the Michigan Technical Training Center in Kalamazoo and the Regional Manufacturing Technology Center in Battle Creek.

MEDC can also extend tax credits and provide industrial revenue bonds that have a lower interest rate than other loans because they are exempt from federal taxes. A recent example of MEDC partnering with a local community is its joint effort with Southwest Michigan First, a local private nonprofit economic development organization for Kalamazoo County. To attract a retail distribution center that promised to employ upwards of 1,000 workers, MEDC approved a $4.5 million tax credit, offered a $500,000 grant to train the company's employees, and provided $2.5 million in infrastructure development assistance.

One of MEDC's most unique activities is the deployment of account managers throughout the state. Their primary responsibility is to be the regional eyes and ears for MEDC. Account managers are required to interview periodically the CEO or other top-ranking officers of every major private employer in their assigned region. Moreover, they work on a regular basis with the local economic development organizations in their region in monitoring the region's economic activity. If and when an account manager finds a firm that is considering shutting down, relocating, or expanding its regional facility, then it is his or her job to offer all the available services provided by MEDC. Indeed, a good account manager can change the negative attitude held by some businesses toward government.

Local Economic Development Organizations

Nearly all local areas engage in some form of economic development activities, even cities with populations as small as 10,000 people. In most areas, local governments take responsibility for several aspects of economic development, such as zoning regulations, infrastructure development, and business retention. In addition, many communities have established private nonprofit organizations to promote their area. These take the lead in business attraction and retention and partner with local governments and other private entities to carry out these functions.

Local government entities include Battle Creek Unlimited (BCU), the Grand Valley Metropolitan Council (GVMC) in Grand Rapids, and the Chicago Partnership for Economic Development. Both Battle Creek Unlimited and the Chicago Partnership offer a single point of contact for businesses interested in obtaining assistance in locating or staying in the area. BCU actually administers an industrial park, owned by the city of Battle Creek, and devotes most of its economic development efforts towards developing the park and seeing to the needs of businesses within the park. BCU activities are funded primarily through a portion of the property taxes generated at the park. It offers business loans, tax incentives, ready-to-build sites in an attractive environment, a commercial-size airport, and a one-stop shop that handles permits and other government regulations for its business customers.

Led by a board of directors, which is dominated by business representatives and chaired by the city's mayor, the Chicago Partnership is a not-for-profit, private-public corporation charged with "mobilizing and leading the city's public and private economic development efforts." One half of its budget is funded by the city of Chicago while the business community picks up the remaining share. The partnership serves as the clearinghouse for all economic development activities in the city and is the single point of contact for businesses interested in obtaining assistance. GVMC is an association of local governments including cities and townships in the Grand Rapids urban area. Its primary focus is on land-use planning and transportation. One of its strengths has been its ability to consolidate all of the area's infrastructure needs into one comprehensive plan that is then presented to state and federal authorities for funding.

Private organizations surveyed included the Civic Committee Inner-City Business Development Initiative in Chicago, the Right Place Program of Grand Rapids, and WIRE-Net in Cleveland. These organizations have strong business support and involvement in pursuing economic development efforts. They try to recruit new businesses to locate in their region and to retain existing businesses. Funding for these efforts come from a variety of sources, including local businesses, foundations, and federal, state, and local governments. As private organizations, they have greater latitude to court businesses than a government agency might have, because they are not subject to open-meeting requirements (and thus can meet discreetly with potential clients) and because they are not subject to public restrictions on the use of public monies. However, because their funding is voluntary and not mandated by government action, they are expected to show significant results or risk losing their franchise.

The Right Place Program is a private, nonprofit organization focused on promoting economic growth in the Grand Rapids urban area, primarily Kent County. In addition to providing the standard set of economic development services (e.g., information on industrial sites, tax abatements, statewide business incentives, and information about the community itself), the Right Place Program has partnered with other organizations to offer several unique programs. One such initiative is with the city of Grand Rapids to redevelop abandoned industrial land in the inner city. It is somewhat unusual for a private organization to carry out an effort of this kind, since urban redevelopment is a risky venture with uncertain payoffs. Instead, many private economic development bodies prefer to develop the more attractive land that is available in an area, which is typically outside the inner city.

The Inner-City Business Development Committee of the Commercial Club of Chicago is another attempt by a not-for-profit economic development organization to stimulate and encourage employment growth in the inner city. The committee, comprising the senior executives in the Chicago business community, attempts to promote the formation and expansion of small businesses in inner-city neighborhoods. A key strategy in assisting these businesses is the development of business relations with the area's larger companies that form the Civic Committee. The end goal is that by increasing the level of business volume at these firms, employment opportunities will arise in inner-city neighborhoods.

WIRE-Net, the Westside Industrial Retention and Expansion Network, was incorporated in 1988 by neighborhood residents, businesses, and workers on Cleveland's west side. It was formed to create a community development strategy, which would promote further growth and retain existing small and medium-sized businesses by providing programs and services to meet their needs. WIRE-Net's 12 full-time staff focus on workforce development, industrial real estate development and specific business issues. Currently, 150 companies on Cleveland's west side are members of WIRE-Net. The program's annual budget of $1.4 million comes from government, charitable foundations, and membership dues.

Colleges and Universities

For the most part, colleges and universities pursue their core mission of providing advanced education and conducting cutting-edge research. However, in some cases, they have partnered with local governments and community organizations to help promote local economic growth. The most visible manifestation of this partnership is the development of business-research parks developed in part by universities. They offer attractive, campus-like business locations with easy access to the universities' many professional programs. Some of these parks are meant to serve as incubators for the university's faculty and students who have the desire to "spin-off" their research into a business opportunity. Evaluations of existing university-related research and business parks offer mixed results. While some of the earlier ones have become world renowned, others stand fallow. A recent study suggests that for university-related research and business parks to have a high probability of success, the area should also a) house a strong industrial base that has a large research and development sector, b) invest in good air transportation, c) maintain a well-developed network of business services, and d) nurture civic leadership (Luger and Goldstein, 1990).

Finally, in addition to providing professional, business, and scientific capabilities, universities also assist community development efforts. These activities draw upon the expertise of the university's urban planning, economic development, and community development departments. For instance, Michigan State University's Center for Urban Affairs and the Community Economic Development Program partner with local economic development organizations to provide them with training and research assistance.

THE IMPACT OF LOCAL PARTNERSHIPS

A strong network of partners characterizes both workforce development and economic development organizations in the United States. These partnerships have been formed within and between both public and private organizations. However, they have not crossed the line between workforce development activities and economic development activities to any great extent, and thus the two functions have not been integrated. Workforce development organizations appear to have a more formalized partnership arrangement, which has been established and fostered by federal programs that have emphasized such networks particularly among federal, state, and local government agencies. The new legislation recently passed to reform many of the federal employment programs further reinforces partnership with more authority given to state and local governments and greater opportunities for private sector organizations to partner with government agencies.

Economic development efforts have been less formalized, since there are few federal economic development programs and thus little leadership from the federal government. However, the lack of top-down guidance has opened the way for local entities, both public and private, to step in and provide innovative approaches to enhancing their local economies. Nevertheless, the resulting partnerships are as much a product of cantankerous political in-fighting and interagency turf wars as they are a product of planned coordination of functions and responsibilities among organizations. Despite some glaring inefficiencies that result, it is reasonable to conclude that such a system has injected considerable flexibility within organizations that carry out workforce development activities and economic development activities.

Partnerships in the Midwest have four recognizable strengths:

- *The active involvement of the business community*. Businesses accept a leadership role in directing and designing many of the programs. Not only do they take on leadership responsibilities in funding and working with the various nonprofit organizations studied, they also play active and important advisory roles on governmental efforts.

- *Employment programs are market driven*. The active involvement of the business community is especially seen in the design of training programs. Training is offered in only those fields where an unmet demand exists. Equally important, business representatives play a vital role in ensuring that both the training curriculum and the equipment being used will adequately prepare the program's graduates for employment.

- *The ability to respond locally to address local issues.* Local control over training and economic development programs leads to increased flexibility and a greater variety of programs. While many of the programs surveyed had similar components, each had a unique approach based, in part, on the strengths of the community and its organizations. Moreover, local decision makers are by definition stakeholders in the community and, hence, are more concerned about the success of their programs and their impact on their community. Partnerships are composed of empowered residents who live and work in the local area.

- *Efforts are pragmatic and innovative.* Pragmatism should be expected given that many programs are local responses to local issues. If one successfully mapped out all of the training programs being offered in even the smallest surveyed community, it is almost certain that the end product would show a highly uncoordinated, duplicated, and confusing delivery system. However, many of the programs would still be innovative, and most would show a pragmatic approach to the problems they set out to address. Another indication of how pragmatic programs are is the fact that most are designed to meet the needs of existing companies and industries.

The partnership arrangements examined have also a number of weaknesses, including the following:

- *Government resources and activities are often ignored or bypassed.* Millions of dollars of public funds are spent on elementary and secondary education, and yet, many of the program-makers view the public schools not as an opportunity but as a major obstacle to work around. Instead of working more closely with public schools to improve their lagging performance, businesses are more willing to duplicate the effort and spend millions of additional dollars on training workers who dropped out of school. This is not limited to public schools; in several communities, nonprofit organizations decide to ignore public economic development efforts, as well.

- *Lack of community or citizenry involvement.* The creation of programs in the public and nonprofit sectors is aimed at meeting the needs of the area's business community. Involvement of ordinary people is kept to a minimum. One troubling outcome of this is that if private and public resources dry up, none of these programs will have strong support from the people they are designed to assist. Another problem is that the partnerships may not include all the stakeholders that are affected by services they deliver. The emphasis on business involvement may be seen as crowding out groups that represent low-income and economically disadvantaged segments of the population. Furthermore, the emphasis on work may ignore those people who have more significant barriers to employment.

- *Programs are market dependent.* If an when the unemployment rate starts to rise, it is unclear if the business community will maintain its level of involvement in these programs. Businesses typically act in their own self-interest as they take on leadership roles in the provision of workforce development programs. When the current tight labor market eases, it is likely that some of the business involvement will wane.

The ability to enhance the existing strengths and weaknesses depends to a large extent upon the state and local political landscape and the strength of an area's civic and community assets. However, significant barriers may stand in the way of partnerships in reaching their full potential.

- Federal/state/city administrating agencies may be unwilling to grant true authority to local organizations, restricting their ability to respond to changes in local conditions. Funding agencies are typically reluctant to grant complete autonomy to those who receive their support, primarily due to the public sector's requirement of accountability.

- Job-training providers and local economic developers are unable to work together because of their narrow focus. Job-training providers tend to focus on the needs of their clients, while often ignoring the needs of employers. Economic development professionals, on the other hand, are focused solely on addressing the needs of the area's existing and potential employers and often neglect the needs of local employees or the needs of less-advantaged population groups.

- The politicalization of the delivery programs creates an environment where solid evaluations are unlikely. It becomes very difficult for any organization to remain flexible and responsive to its changing environment when proper evaluations of its programs are discouraged due to the political or self-interest concerns of the program's administrators.

- Service providers may be "too close" to their customers, and hence, are unable to allocate resources properly. If the partnership is too closely connected to a neighborhood, an area employer, an employers' association, or a specific project, it is possible that it will allocate resources in a biased and inefficient manner.

CONCLUSIONS

Lessons have been drawn from the survey of partnerships in the Midwest on four issues: 1) the efficiency of partnerships; 2) the efficiency of service delivery; 3) the local management of programs; and

4) the proper roles of federal, state and local governments in the provision of workforce and economic development services.

The Efficiency of Partnerships

Two efficiency conditions have been identified for the management of federal and state employment and economic development strategies by partnerships. First, the importance of active business involvement is a key component in a partnership's ability to efficiently manage federal and state employment policies. Businesses, through their membership on WIBs and involvement in other organizations, identify occupations and industries experiencing labor shortages and skill deficiencies and recommend appropriate training programs and other employment services to address these needs. Second, the existing political environment of the local area plays a critical role. The ability of the partnerships in resolving conflicts between governmental units, community organizations and political parties determines, in large part, its success. Developing an atmosphere of cooperation where none existed before is one of the strongest challenges facing civic entrepreneurship. Such effort requires a high degree of trust and common vision among the partners.

Service Delivery

There is no one mechanism that will ensure the efficient delivery of local employment or economic development services. While the active participation of major stakeholders is a necessary condition, it is not sufficient. Guidelines on the composition of advisory boards and on procedures to establish linkages between the service provider and employers are useful, but can serve only as a starting point. At least three conditions are associated with successful programs in the Midwest. First, there needs to be a strong commitment from the business community, stimulated in large part by economic necessities, such as finding employees or lowering costs. Second, effective civic entrepreneurs are needed to pull together the major stakeholders and keep them together. Finally, the successful partnership creates an environment where partners feel that they have ownership in the process and that their voices matter. If too many of a program's mechanisms are mandated by the federal or state government, it becomes more difficult for local partners to gain the necessary sense of ownership in the process that is needed to foster innovative and cooperative solutions to problems. At the same time, it must be acknowledged that the leadership from the federal government in establishing a strong federal/state/local partnership is instrumental in engineering the partnership arrangements among local workforce development organizations. The lack of such leadership in economic development activities most likely accounts for the wide variety of arrangements across states and localities.

Guidelines for Local Management

The local business community plays a critical role in employment and economic development partnerships in the United States. In fact, in some instances, it was found that the business community simply bypasses governmental efforts, if they think that they are unresponsive or cumbersome. While it is in the public interest to establish general guidelines such as targeting assistance at individuals and communities that are experiencing economic hardships, if state and federal governments mandate too many guidelines, reporting requirements and procedures, it is possible that the business community will not actively participate. A possible fruitful approach would be for the federal and state authorities to a) clearly state the objectives of federal-or state-funded employment or economic development programs, b) grant local partnerships greater latitude in establishing and implementing the strategies to achieve these objectives, and c) fund third-party program evaluations.

Proper Roles of Federal, State, and Local Governments in the Provision of Workforce and Economic Development Services

In the United States, the federal government has been a major player in workforce development, while state and local governments and nonprofit organizations have traditionally conducted economic development activities. It seems reasonable for federal and state agencies to limit their involvement to posting broad outcome goals, supporting evaluation studies, providing staff training, and funding the program while leaving the administration and provision of services to partnerships facilitated by local government. The tasks of local government are very challenging. First, the potential success of locally directed partnerships depends on having a supporting community political decision making environment. Effective local governments facilitate, coordinate, and support business-driven (and community-driven) partnerships, while remaining the fiscal agency for the organization. When local governments fail in these duties, it is possible for the business and community leaders to go it alone, which can mean that the general community loses as federal and state monies are misallocated.

The federal government has played only a supportive role in economic development initiatives due to political considerations and the perception that local economic development is a "zero sum" game that has little to no net impact on the nation's economy. Today, many state and local economic development organization are exploring ways to build on their area's unique economic base instead of simply attracting any employers into the area, regardless of how they contribute to the local economy. Furthermore, intense global competition is also pushing state and local government to refocus their resources on assisting economic-base firms in becoming more productive since they account for a substantial share of its tax base. Many local governments have identified their key industrial clusters and are working towards creating a more productive environment in which they can prosper. As state and local economic development focus on improving the competitiveness of their existing industries, the whole economy can benefit, which is more than can be expected if state and local governments spend their funds on enticing firms to relocate from one community to the next.

As state and local economic development efforts focus more and more on improving the competitiveness of their regions, economic development loses some of its zero-sum qualities and there is more reason for the federal government to reenter the game. Federal support of nationwide industry modernization programs and the development of regional industrial cluster initiatives seems reasonable. Finally, the federal government is in the best position to fund evaluation programs of local and state economic development initiatives.

To conclude, the effective pursuit of workforce and economic development efforts at the state and local levels tests the depth and strength of a community's civil assets. The ability to link businesses, governments and other stakeholders into effective partnerships depends upon an area's "civic entrepreneurs." Such individuals must come from government, business, and the broader community and be willing to work together through partnerships to address their local issues. Therefore, the challenge facing most local areas is the ability to foster such leadership and to encourage and support their active involvement in the delivery of these services.

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APPENDIX 1 Study Tour Information Details, United States (April 9-14, 2000)

Organizations, constituencies and projects visited/met

– Mayor's Office of Workforce Development, Chicago Partnership, Civic Committee Inner City Business Development Initiative and Chicagoland Business Partners: managers and constituencies (municipality, public employment service, social services, employer organizations, private companies); Federal Reserve Bank of Chicago, Chicago, Illinois.

– Michigan Works! (Kalamazoo-St. Joseph Workforce Development Board), M-TEC Michigan Technical Education Center at Kalamazoo Valley Community College, Kalamazoo Regional Educational Services' Education, Battle Creek Unlimited and Kellogg Community College's Regional Manufacturing Technology Center: managers and constituencies (private companies), Kalamazoo and Battle Creek, Michigan.

– Right Place Program, Michigan Manufacturing Technology Center Partnership, Office Furniture Industry Council, Grand Valley Metropolitan Council and Urban Redevelopment Council: managers and constituencies (municipality, employer organizations, private companies), Grand Rapids, Michigan.

– Michigan Economic Development Corporation and Michigan State University for Urban Affairs and Economic Development Program (managers), Lansing, Michigan.

– Greater Cleveland Growth Association, Center for Employment Training (CET) and Wirenet: managers and constituencies (private companies); Federal Reserve Bank of Cleveland, Cleveland, Ohio.

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