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# How Local Workforce Investment Boards Can Help Support Job Creation

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## Employment Research

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Books on Occupational Issues

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*Randall W. Eberts*

## How Local Workforce Investment Boards Can Help Support Job Creation

**T**he public workforce system, by offering worker training and job search assistance, provides important services that support local job creation. Employers require qualified workers to fill their positions, and workers benefit from an efficient labor exchange to find an appropriate job match. However, the recent recession and the political climate of fiscal austerity have left the public workforce system with less money to serve more participants. Faced with the challenge of doing more with less, policymakers and program administrators are increasingly seeing the benefit of leveraging resources through collaboration among employment-related organizations within local labor markets. The decentralized structure of the public workforce system provides the flexibility for local workforce investment boards (LWIBs) to form partnerships and to be catalysts for collaboration within their local communities.

To better understand the role of public workforce policies and practices to encourage collaboration and form effective partnerships, the Upjohn Institute recently partnered with the Organisation for Economic Co-operation and Development (OECD)/Local Economic and Employment Development Programme on a multicountry comparative project. The

U.S. study specifically examines how the governance structure and incentives of the public workforce programs affect the ability of LWIBs to collaborate with local entities to help job seekers find jobs and employers find qualified workers (OECD 2013).

The study is based primarily on in-depth field interviews. For comparative purposes, the study applied a standardized methodology using a 100-item questionnaire focused on four thematic areas: 1) aligning policies and programs to local economic development, 2) adding value through skills, 3) investing in sectors of local importance and quality jobs, and 4) inclusion. The four LWIBs selected for this study—two in California and two in Michigan—demonstrate in various ways how the decentralized and relatively flexible governance structure of the U.S. workforce development system can facilitate the formation of partnerships, foster collaboration, and leverage and align resources in helping to meet the needs of customers who face different economic and social circumstances. The Institute organized the U.S. site visits and prepared the report. This article summarizes findings from the first two of the four thematic areas and highlights observed activities related to collaboration and business involvement, particularly with training providers.

## U.S. Workforce System

The study focused on Workforce Investment Act (WIA) programs and the LWIBs, which administer these programs at the local level. WIA, which is a partnership among federal, state, and local governments, by statute establishes the structure through which most of the federally funded employment and training services are delivered. The Employment and Training Administration (ETA) of the U.S. Department of Labor provides the funding and sets regulations and guidelines in the use of these funds. Each state develops a strategic plan that determines how these funds are to be used and then passes most of the federal dollars to local workforce investment areas (LWIAs). Each LWIA, through its own local board, develops a strategic plan that comports with the state and federal plans and regulations. States may request waivers from federal regulations if relaxing certain rules is seen as enhancing a state's ability to meet the needs of its job seekers and employers.

Three features of the workforce system under WIA are particularly salient in accommodating and encouraging collaboration among local organizations. The first is the establishment of LWIAs.

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### **There is no one right way to form effective partnerships; it depends on the culture and circumstances of the local area.**

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Nearly 600 LWIAs across the country provide training and reemployment services to job seekers and recruitment services to businesses. In most cases, the LWIAs encompass local labor markets so that they can respond to the specific needs and circumstances of job seekers and employers in that area. This approach is in contrast to a less customized, more "one-size-fits-all" approach if decision making took place solely at higher levels of government.

The second feature is that the LWIAs use the WIA funding to subcontract with local organizations to provide employment and training services, which are provided through one-stop service centers, referred to as American

Job Centers (AJCs). The LWIBs are responsible for establishing and maintaining the centers. WIA mandates that 16 federal employment programs be delivered through the AJCs, and some states require additional services to be delivered through these centers. This arrangement of subcontracting and integration of services within the AJC gives LWIBs the structure and incentive to collaborate with other organizations.

The third characteristic of WIA is the governance of the LWIAs. Each LWIA is governed by a board, which is representative of key stakeholders in the region, including businesses, unions, and economic development and educational leaders. This structure provides an effective mechanism for strengthening employer involvement as local business representatives are required by legislation to represent at least 50 percent of the board membership. It also provides a forum for collaboration among organizations represented on the board.

### **Aligning Policies and Resources**

Based on previous studies, the OECD has deemed the United States' decentralized approach to public workforce development as an international best practice among OECD countries in offering the flexibility to meet the specific needs of local job seekers and employers (Giguere and Froy 2009). The U.S. study described here underscores this conclusion. It finds that the LWIAs included in the study made good use of the flexibility afforded them by implementing a comprehensive range of initiatives designed to help job seekers find jobs and employers find qualified workers. Many LWIBs are increasingly entrepreneurial, collaborating with many different agencies, including community colleges, economic development networks, not-for-profit organizations, and small business advisors. Although not all LWIBs use their flexibility in the same way or with the same effectiveness, the four LWIBs offer useful lessons in how the current workforce system can align resources and integrate services to enhance local job creation.

The four LWIBs in the study demonstrated strong leadership in forging

partnerships with key stakeholders in their communities. Yet, no one approach to effective collaboration dominated; rather, it was evident that different levels of formality in the collaborative arrangement would be equally successful. For example, organizations in the Sacramento area relied on informal relationships to form and sustain their partnerships. Benefiting from years of personal relationships and trust, leaders

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### **The study shows how the decentralized structure of the U.S. workforce development system can facilitate the formation of partnerships, foster collaboration, and leverage and align resources.**

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from key organizations could respond quickly when needs or opportunities arose. Particularly noteworthy is that the four WIBs within the greater Sacramento area came together to develop integrated plans for the broader region.

A higher level of formality in forging partnerships is illustrated by one of the LWIBs studied in Michigan. It is a member of a formal network that encompasses the Detroit metropolitan area and includes six LWIBs and the Detroit Chamber of Commerce. The purpose of the network is to bring LWIBs and their business, economic, and educational partners together to secure resources and collaborate on projects to successfully address critical workforce issues as a region. Memoranda of understanding among the network members establish joint processes that enable the LWIBs to support regional initiatives and to enter into financial contracts.

The most formal relationship was found in rural California. Lacking organizations of sufficient number and size to conduct economic development activities, the LWIB of this 11-county region, encompassing 20 percent of the land area of the state of California but only 2 percent of the population, filled the void by bringing workforce and economic development activities under the oversight of one board.

State-level policy and practice encourages and supports the pursuit of coordination and collaboration. The California state workforce development plan asserts that workforce, education, and economic development entities must develop stronger partnerships and more effective communication with business and industry in order to prepare available and future workers with required skill sets. The Michigan State Workforce Investment Plan also emphasizes collaboration among state agencies and programs that encourage and demonstrate the formation of partnerships at the local level.

### **Evidence-Based Decision Making**

Prior OECD studies also established the critical role of evidence-based decision making in aligning policies and resources. The WIA statute requires states and LWIBs to develop plans that include an analysis of local economic conditions

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and the needs of local customers. In formulating strategies, the LWIBs studied in Michigan and California rely heavily on the research capabilities of local organizations, in addition to their state labor market information agencies. For example, the LWIB studied in the Sacramento area (SETA) works closely with the research arm of the local economic development organization, SACTO, whose Center for Strategic Economic Research conducts local surveys of businesses, compiles wage and employee skill surveys, and uses Web crawler techniques to assess business needs and regional skill sets.

SETA also uses analyses conducted by the community college system's Centers of Excellence, which support business and industry through their nationally recognized industry reports. The centers' environmental scans and customized reports are used to access current, relevant labor market information about wages, career ladders, and community

college offerings. Each year, the LWIB reviews the labor market projections provided by the California Employment Development Department's Labor Market Information Division, the Center of Excellence at Los Rios Community College District, and SACTO's Center for Strategic Economic Research to update the occupational content of the regional Critical Occupational Clusters list, used by job seekers in their search for long-term, career-oriented employment in the region, and offers an evidence-based approach to delivering services.

In southeast Michigan, the Workforce Intelligence Network (WIN) delivers real-time, actionable marketplace intelligence to support better, more efficient solutions for employers. This information helps consortium members, particularly LWIBs and community colleges, make better "real time" decisions regarding skill gaps. Similar to SACTO in California, WIN uses an Internet search algorithm for job openings and resumes. This information, combined with data from the state's labor market information and special surveys, is incorporated in strategic plans and operational decisions.

To achieve effective alignment of resources, WIA requires the monitoring of the employment performance outcomes of program participants. The LWIBs' adherence to performance monitoring provides clear standards for other organizations within the partnerships to follow and offers a platform from which to derive and support other performance-related metrics. Clear metrics were the "glue" that held their partnerships together, according to stakeholders interviewed for this study.

### **Business Involvement Adds Value**

A critical step in adding value through skills training is to ensure that the LWIBs and the training providers understand the needs of employers and the effectiveness of the training provided. In all four LWIBs, businesses were key partners in helping to design curricula that best meet their needs. For example, Delta College in the Saginaw-Midland area of Michigan worked with local employers to design "just-in-time" training courses

that could begin within four weeks after inception of the idea. The courses are not tied to academic semesters, and qualified trainers from outside the college are hired when faculty are not willing or able to teach the courses. Businesses in southeast Michigan also work closely with training providers. The four community colleges serving participants within the jurisdiction of the southeast Michigan LWIB included in the study worked with employers to help identify

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### **A critical step in adding value through skills training is to ensure that the LWIBs and the training providers understand the needs of employers and the effectiveness of the training provided.**

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training needs and then offered courses, some of which were distance learning and evening courses, that were available almost 24 hours a day. The colleges have also developed modular courses, which do not necessarily lead to certification but are stackable and can be cumulated toward a degree. Many of these courses are built around industry clusters, which have been identified through a strategic planning process.

LWIBs also provide an array of services to businesses to help them find qualified workers. The Sacramento Training and Response Team (START), for example, is a partnership of regional economic development, business, education, labor, and government organizations dedicated to meeting the needs of businesses in the greater Sacramento Metropolitan Area. The START team provides businesses with one-stop services, including labor market information and recruiting, screening, and referral of qualified employees. Local officials interviewed for this study offered an example of START's quick response to the needs of local business: after a technology firm's facility in the Bay Area was damaged by an earthquake, START found space in a shuttered military facility and recruited and trained 4,000 employees within eight months. In northern California, collaboration with

the private sector is facilitated by six staff members of the LWIB, who continually call on businesses to inquire about the type of skills businesses require. They also conduct focus groups and pursue other means to obtain and follow current local conditions.

### Conclusion

The joint study examined cases in which LWIBs have worked within the flexibility and decentralization of the U.S. workforce system to foster collaboration among local organizations. It observed that there was no one right way to form effective partnerships. Rather, the flexibility of the workforce system allowed LWIBs to bring key stakeholders and organizations together in ways that worked best for job seekers and employers, which can enhance job creation. The study also underscored the benefit of working closely with businesses to understand their needs for qualified workers and to design training curricula that address those needs. Furthermore, WIA's culture of evidence-based policy making and performance outcome monitoring established by WIA workforce programs sets an example for other organizations within the local area to follow.

### Note

The assistance of Jonathan Barr and Francesca Froy of the OECD/LEED and Robert Straits of the Upjohn Institute in preparing the full U.S. report is greatly appreciated.

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# Licensing Occupations

## How Time and Regulatory Attainment Matter

*This article highlights some of the findings in the author's new book, Stages of Occupational Regulation: Analysis of Case Studies, published by the W.E. Upjohn Institute for Employment Research. See the back cover for information on how to order the book.*

**G**eorge Shultz, the astute academic, businessman, Secretary of Labor, and later premier statesman, opined that from his long years in government service, lags occur with general public policy issues, but that politicians are impatient (Shultz 1995). Occupational licensing generally fits this model, since it is an institution whose effects are not immediately apparent, but rather reveal their efficacy over some time. Specifically, occupational licensing usually grandfathers in practitioners, implements new exams, and develops educational and location-specific requirements so that implementing these policies usually takes many years. Consequently, the labor market or consumer outcomes are not immediately apparent—a longer-run perspective is required to fully understand the wage, price, quality, and distributional effects. An approach that evaluates the various stages of occupational regulation can help capture and illuminate the role that licensing has in labor and service markets.

As I point out in an earlier volume, unions and licensing membership are moving in different directions (Kleiner 2006; Kleiner and Krueger 2013). As shown in Figure 1, occupational licensing has continued to grow in the United States in contrast to the decline of unionization. For example, in the 1950s and early 1960s, less than 10 percent of the workforce required an occupational license to work for pay. However, by 2008, estimates from the Princeton Data Improvement Initiative show that about 29 percent of the workforce required a license from local, state, or federal government to work for pay. With the

decline of union membership and the growth of employment in the service sector, workers and their agents (unions or professional associations) have attempted to establish a “web of rules” to regularize work and reduce competition in the field (Dunlop 1958).

Occupations are rarely formed as licensed ones. Occupations evolve, organize, and often select licensing as a method to obtain professionalism, quality, and status, as well as to limit the supply of practitioners. They tax their members through dues and engage in political activities that lead to registration, certification, and eventually licensing. The process of regulation across political jurisdictions often takes years or decades to achieve full licensure. Consequently, new occupations are often in varying stages of the regulatory process as they seek to become regulated by units of government. Since regulation mainly influences new entrants, it would take some time before the full effect of licensing would influence either the individuals in the occupation (in terms of wages and employment) or the consumers of their services. It usually takes some time for individuals who are grandfathered into the occupation, and have less measured human capital than newly regulated practitioners, to retire or leave the job. Occupations at a more mature stage of regulation would be more likely to have the benefits or advantages of the various stages of licensing than those that have recently sought or obtained regulation at different levels of government.

In the book *Stages of Occupational Regulation: Analysis of Case Studies*, I examine seven occupations at various stages of regulation generally moving from low to universal. A goal of the book is to examine a broad variety of occupations that include blue- and white-collar occupations at different stages of occupational regulation by government. The occupations examined