

Principles and Policy Implications

November 2008

Executive Summary

The National Fund for Workforce Solutions is an approach to workforce development that better meets the needs of 21st Century workers, employers, and regions. It is built upon a set of principles that are grounded in over a decade of innovation, research, and evaluation. This policy brief summarizes these principles and policy implications in order to inform efforts to reform the U.S. workforce development system. Our recommendations are:

Build Public-Private Regional Funding Collaboratives

- Establish public-private regional funding collaboratives that:
 - Develop a shared vision for regional prosperity that builds on the strengths and resources, and addresses the developmental needs of their regions; and
 - Mobilize their aligned capital to strengthen and expand workforce partnerships or intermediaries in the region
- Recognize the value of the convening and aligning functions at the core of the collaboratives' work
- Encourage the participation of philanthropic and other “nontraditional” funding partners in regional collaboratives, thereby leveraging limited federal dollars and a broader set of solutions

Organize Workforce Partnerships Around Sector Strategies and a Dual Customer Focus

- Organize workforce development by key industry sectors, focusing on the needs of both employers and workers
- Support workforce partnerships that organize resources to prepare lower-skilled individuals to meet the skill requirements of employers
- Nurture meaningful employer participation in long-term sector-based workforce strategies, not just short-term transactional exchanges

- Adopt performance measures that reflect desired outcomes for both employers and workers
- Support employers that invest in education, training, and supports for lower-skilled adults

Build and Promote Career Pathways

- Fund the building of seamless career pathways through which job seekers and workers (especially lower-skilled adults and lower-wage workers) can progress to post-secondary education or training that prepare them for mid-skilled jobs, which make up almost half of the nation's employment opportunities
- Move away from “work first” and other rapid attachment approaches to workforce development when serving the least skilled individuals, and focus on longer-term career advancement solutions to employment and labor shortages
- Revamp performance measures among education and training programs to encourage the career pathways approach to education and training for incumbent workers, especially low-skilled, low-wage workers

Facilitate Alignment of Programs and Systems

- Encourage states and communities to develop a unified vision and purpose for their workforce and economic development systems
- Align programs and supports across multiple agencies at the federal level to encourage alignment at the state and local levels
- Encourage states and communities to align multiple programs and funding streams in ways that support their unified vision
- Revamp performance measures to encourage meaningful program integration and alignment ■

The National Fund for Workforce Solutions is a five-year, \$30 million effort to strengthen and expand high-impact workforce development initiatives around the country. The National Fund is a joint investment by leading national foundations, corporations, and the U.S. Department of Labor.

Responding to the Current Economic Challenge

The American economy faces a serious challenge. The dawn of the 21st century has been challenged by economic turbulence and churning labor markets. It is driven by a knowledge-based, global economy that demands more agile, skilled, and innovative workers. However, an alarmingly large segment of our workforce is not prepared for this new economic era because they lack the education and skills required in today's workplaces.

The U.S. Bureau of Labor Statistics projects that about 45 percent of all new jobs over the next decade will require a college degree or postsecondary credential¹ (Dohm and Shniper 2007). In fact, by 2014 it is estimated that 24 of the 30 fastest-growing occupations will require postsecondary education or training (Strawn 2007).

Yet experts predict a shortfall of 7 million workers with a college credential by 2012—and 14 million by 2020 (Carnevale and Desrochers 2003). In 2005, the National Assessment of Adult Literacy reported that 93 million adults over the age of 16 lack the literacy skills needed to enroll in the postsecondary education or job training programs that current and future jobs require² (Kutner et al 2005). More than 12 million adults without a high school credential are in the labor force today, and more than 1 million young adults drop out of high school each year. Compounding this challenge is the depletion of skills that will come as an aging labor force retires.

Simply put, the supply of educated workers is not keeping up with the demand. Workforce skills are critical to U.S. prosperity, especially in an increasingly global, competitive, and uncertain economic environment. Yet many sectors of our economy and communities face skill shortages, unfilled jobs, low productivity, threats to regional competitiveness, and increasing disparities between those with and those without education and skills.

Workforce partnerships are a new entity that has shown promise in addressing these tough workforce and economic challenges. They differ from traditional workforce development programs in several important ways. They have a dual customer orientation, engage employers and other partners in identifying workforce needs, align funding from various sources, and provide or broker services that address the needs. Their solutions extend beyond training or education programs into the ways in which services are provided, and they drive improvements to systems or policies. At their core, workforce partnerships are results-driven, entrepreneurial, and tend to elicit trust and engagement from both employers and workers.

Several national foundations launched the National Fund for Workforce Solutions in September 2007 to invest in workforce partnerships that would address regional workforce challenges. The National Fund will ultimately disburse \$30 million to strengthen and expand workforce partnerships through direct support of regional funding collaboratives; technical assistance, research, and evaluation; and policy advocacy. The National Fund currently co-invests with 21 regional funding collaboratives around the country and expects to increase that number to 30 by 2012. Interest in this model is gaining momentum; well over 30 regions across the country are in the process of developing this approach.

The National Fund for Workforce Solutions is driven by four major principles, derived from a decade of research and program experiences:

- Build **regional funding collaboratives** that align vision, strategies and resources toward regional prosperity;
- Organize workforce partnerships in key **industry sectors** using a dual customer approach that serves the needs of both employers and workers;
- Build **career pathways** that provide career advancement opportunities for lower-skilled workers and jobseekers through workforce partnerships; and
- Facilitate **alignment** across programs and systems involved in workforce development in the region.

This paper outlines policy recommendations for the U.S. workforce development system that have emerged from the National Fund and a decade of previous field experience and evidence of success.

Policy Implications of the National Fund Approach

In addition to informing the work of the National Fund and regional funding collaboratives, these principles also have important implications for national workforce policy:

1) Build Regional Funding Collaboratives

The workforce challenges confronting America are too massive, too complex, and too urgent for any one public or private entity to solve alone. To provide all workers—especially the lower-skilled—with the education and training they need to succeed in an increasingly demanding labor market, America needs an adequately resourced, comprehensive workforce development system.

In a growing number of communities, regional funding collaboratives have come together to align public and private resources in a joint effort to address problems beyond the scale of any single organization or agency. Regional funding collaboratives tend to be innovative, have the clout to implement their plans, and have flexible funding due to the infusion of philanthropic and other private funds. A key strength of a regional funding collaborative is its potential to move beyond a “one-size-fits-all” approach to workforce development.

The collaboratives in the National Fund convene community leaders with decision making authority over resources to:

- Develop a shared vision for regional prosperity that builds on the strengths and resources, and addresses the developmental needs of their regions; and
- Mobilize their aligned capital to strengthen and expand workforce partnerships or intermediaries in the region.

Policy Implications

The establishment of regional funding collaboratives is a fundamental principle of the National Fund. We urge that this principle be a central component in any reform of the nation’s workforce development system and that the convening and aligning functions at the core of the collaboratives’ work be incorporated into any workforce reforms. We especially urge that philanthropic and other “non-traditional” funding partners be encouraged to participate in such collaboratives—on equal footing with public-sector participants. Not only will these public/private funding collaboratives leverage limited federal dollars, they will broaden the base of support for far-reaching solutions to complex problems that may not be possible if solely funded with public monies.

2) Organize Workforce Partnerships Around Sector Strategies and Dual Customer Focus

Increasingly, states are developing sectoral strategies as important components of their workforce and economic development systems. States including Arkansas, Illinois, Iowa, Massachusetts, Michigan, Ohio, Pennsylvania, and

SkillWorks: Building a Regional Partnership in Boston

Before the launch of SkillWorks in Boston, local philanthropy was spending more on workforce programs than the training money available to the city through the Workforce Investment Act (WIA). However, the foundations’ scattered and uncoordinated programs were largely invisible, and funding from WIA alone was inadequate to meet the city’s training needs. In 2003, sixteen funders came together—

ten local and four national foundations, the City of Boston, and the Commonwealth of Massachusetts—in a collaborative effort to build the capacity of the Boston-area workforce development system to better meet the needs of low-income job seekers, incumbent workers, and employers.

With a common set of investment principles, the partnership has injected \$15 million

over five years into improving Boston’s workforce development system. Each investor has made multiyear commitments to the initiative, using a “mutual fund” approach: the funders—both private and public—pool their resources into a single fund. One philanthropic partner manages the funds, but all investors take equal part in investment decisions. Initiative funds are more flexible than public workforce funding, so they

can augment services provided through public systems and meet the needs of Boston residents and employers more effectively.

Through this joint venture, workforce efforts in Boston have significantly expanded, particularly for low-income job seekers and low-wage workers in search of family-supporting jobs. SkillWorks recently launched Phase II, set to progress over the next five years.

Washington have organized workforce efforts around industry sectors significant to regional labor markets. This is a key element of the National Fund's workforce partnership approach—to address employers' workforce needs in key industries as well as the training, employment, and career advancement needs of lower-skilled, low-wage workers in those industries. This dual customer focus responds to more complex industry requirements than traditional job matching and training services, and it aligns the resources and services of multiple agencies to respond effectively to critical industries.

Based on nearly a decade of implementation and evaluation, sector initiatives have shown great promise for workers, employers, and the regions in which they are carried out. For **workers**, sectoral initiatives:

- Increase the availability of education and training relevant to labor market demand;
- Improve access to jobs offering decent wages, benefits, and opportunities for advancement;
- Enhance working conditions; and
- Expand access to work supports for low-wage workers.

For **employers**, sectoral initiatives:

- Make it possible to share costs of skill training programs;
- Expand the availability of training that responds to the needs of targeted industries;
- Provide guidance on ways to improve human resource practices; and
- Increase workforce skill levels and reduce turnover.

For **regions**, these initiatives can:

- Close skill gaps in the labor market;
- Enhance a community's ability to attract and retain higher-wage employers;
- Support the retention and expansion of local industries;
- Address poverty and unemployment challenges;
- Increase community cooperation; and
- Use public resources more efficiently and effectively.

By focusing on targeted industries and occupations, these initiatives help to make the system more effective and efficient. They also increase the likelihood that workers and the unemployed will prepare for jobs with a future and that employers will be able to get the skilled workers they need.

Industry Partnerships in Pennsylvania

The Commonwealth of Pennsylvania is transforming its workforce development system through implementation of its Job Ready PA initiative, supporting nearly 100 regional industry partnerships over the last several years across the Commonwealth in high-priority sectors of the economy. The initiative is an integral component of Pennsylvania's strategy for economic development and its competitiveness in the global economy.

For example, the Advanced Manufacturing Industry Partnerships are comprised of a diverse set of firms, representing different industries with firms of varying sizes at different stages of the manufacturing supply chain. All have implemented activities to improve competitiveness and upgrade the skills of employees. The industry partnerships identified a shortage of skilled workers, especially those with the technology, math, science, and problem-solving skills,

which has a negative impact on productivity. In response, they have offered training on a variety of topics ranging from maintenance training to advanced manufacturing. One participating company reported a significant increase (10-12%) in uptime and throughput after training its maintenance workers.

Many partnerships have focused on networking and sharing best practices. For example, the Southwest Pennsylvania Manufacturing Industry Partnership hosted

meetings focused on System for Assessment and Group Evaluation (SAGE) and using competency-based evaluations and apprenticeships. Several partnerships have implemented career awareness activities, company tours, job shadowing, internships, and job fairs.

Since 2005, through the leadership of the Rendell Administration, the state has appropriated \$20 million annually to implement this approach.

Source: Pennsylvania Department of Labor and Industry

Advancement in Baltimore

The Baltimore Alliance for Careers in Healthcare, a sectoral workforce intermediary supported by the Baltimore Workforce Collaborative, uses a “career pathway” approach to help entry-level workers in healthcare advance to in-demand, higher-wage positions. BACH’s activities include: a

career mapping project for seven area hospitals to clarify how employees in lower-skilled positions can advance to higher-skilled, higher-paying jobs; career coaching in six hospitals to reduce employee turnover and help more than 400 entry-level workers advance; and pre-allied health bridge programs

to improve the pipeline of underrepresented populations into entry-level health care jobs.

The outcomes are impressive. A recent class of incumbent workers seeking advancement has moved from entry-level jobs such as environmental services and

nutrition aides to Certified Nurse Assistant positions. In 2007, career coaches served 585 low-income workers across 6 hospitals. Moreover, students in the first session of the bridge program raised their average on the Test of Adult Basic Skills by two levels.

Policy Implications

Based on documented positive outcomes in dual customer sectoral initiatives, a core principle of the National Fund is to organize workforce development efforts around industry sectors. The National Fund strongly recommends dual customer sectoral workforce partnerships be an important component of any workforce reform effort. A reformed workforce development system would also support effective workforce intermediaries to provide the important brokering and connecting function between workers and employers, essential if low-skilled workers are to succeed and progress in the new labor market and employers are to find the higher-skilled workers they need.

Sectoral, dual customer approaches work collaboratively with employers to develop and implement workforce systems that are relevant to their needs. They also encourage employers to invest more in education, training, and supports for lower-skilled adults by demonstrating how this approach contributes to their overall business success. Workforce systems that adopt this approach support and sustain it with appropriate performance measures that reflect the desired outcomes for employers, workers, and job seekers.

3) Build Career Pathways

Too often education and workforce programs focus on rapid attachment to employment rather than on building a pipeline of skilled human capital, prepared to fill jobs requiring a post-secondary credential for which there are severe skill shortages. Programs geared to lower-skilled adults (e.g., Adult Education, Workforce Investment Act, TANF, Food

Stamp Employment and Training) make it very difficult for the lowest-skilled individuals to access the education and skill development opportunities they need to qualify for jobs that pay family-sustaining wages—the mid-skilled jobs that employers have a hard time filling.

In recent years, a number of promising models have built seamless career pathways that make it far easier for adults—especially those with limited basic skills—to advance as quickly as possible through the education and training needed to gain skills of demonstrated value to employers. These comprehensive programs align adult education and literacy programs, postsecondary education and training (degree and non-degree technical certificate programs), workforce and supportive service activities with employers’ skill requirements.

Career pathways are an essential element of the National Fund’s strategy. Workforce partnerships work closely with employers in an industry sector to identify the competencies and skills expected in multiple job positions and plot them into career maps. These maps help job seekers and workers chart a career pathway for themselves, with reliable guidance on the requisite education and skills required along the way. Progress along a career pathway often involves navigating among multiple agencies and organizations that have inconsistent or overlapping entry and outcome standards. Workforce partnerships provide a valuable service in aligning these resources to make pathways much more transparent and seamless. Policies that support a “career pathway” approach to workforce development can contribute to the well-being of both employers and workers.

Alignment of Adult Basic Education in Rhode Island

Skill Up Rhode Island—a regional funding collaborative—aligns funding from multiple public and private funders to support workforce partnerships. Funders meet to coordinate their joint investments and collaborate on strategic outcomes expected through their mutual investments in workforce partnerships.

The initiative aims to produce both programmatic outcomes and to improve the effectiveness of Rhode Island workforce development systems.

In addition to direct grants to workforce partnerships, Skill Up Rhode Island advocates for public policies that strengthen the workforce development pipelines. For example, in 2007, the collaborative worked with the Office of Adult Education to stabilize adult literacy funding and foster the convergence of a wide range of adult education programs. One innovation was the release of a unified Request for Proposals (RFP) that aligned resources from multiple workforce programs

including: the Workforce Investment Act Title II funds, Temporary Assistance to Needy Families, Trade Adjustment Assistance Act, Even Start Family Literacy Programs, State General Revenue Adult Literacy and State Job Development Fund.

The unified RFP process provided a single unified large grant to providers instead of multiple small grants. It standardized reporting requirements and outcome standards for the multiple

funders. Most importantly, it clarified the state’s intent for all adult literacy investments: “All Rhode Island adults have the skills and credentials they need for upward mobility, for engaged citizenship, and for leading strong families.” This alignment improves adult literacy services to low-literate job seekers and workers, and improves Rhode Island employers’ access to a pool of workers with the skills they need to remain competitive.

Policy Implications

A fundamental principle behind the work of the National Fund is to organize the workforce development system to facilitate career advancement opportunities for workers, particularly lower-skilled, lower-wage workers, through “career pathway” approaches to education and training. These reform efforts move beyond the notion of “work first” and short-term fixes for lower-skilled workers and job seekers and replace them with longer-term solutions that focus on career pathways and advancement opportunities benefiting both workers and employers. Reform in this direction would replace the current patchwork of programs with an aligned system of career pathways, postsecondary education or training, and higher-skilled jobs.

4) Facilitate Alignment of Programs and Systems

America’s publicly funded workforce development system is composed of multiple programs ranging from targeted populations (e.g., Adult Education, Vocational Rehabilitation, Trade Adjustment Assistance, TANF Employment & Training; Food Stamps Employment and Training) to those designed to meet the needs of the general population and

employers (e.g., programs authorized under the Workforce Investment Act and the Higher Education Act). Too often, these programs are fragmented, siloed, diffused across a large workforce development infrastructure, and work at cross purposes. While the federal Workforce Investment Act was intended to integrate the design and delivery of workforce development services through its Workforce Investment Boards and One-Stop Career Centers, system integration has not proceeded far enough in most states and local communities.

With the overwhelming need for the education and skills development of America’s workforce—at the same time as federal and state funding deficits mount—it is vital that we make the most of limited public funding by reducing the regulatory barriers to dual enrollment, co-investment, and articulation among systems that will result in a comprehensive, high-quality workforce development system.

The regional funding collaboratives and the workforce partnerships using the National Fund model integrate disparate workforce development programs and funding streams into a holistic response to labor market challenges. Regional funding collaboratives work at a “system” level to facilitate shared planning across agencies, align the financial resources

of agencies and programs, and/or create shared performance measurement systems. Workforce partnerships work at a service delivery level to integrate education, training, placement, supportive, and other services at the point where job seekers and workers access them. Together, working from the top and the bottom, these entities make the workforce development system more effective and efficient.

Policy Implications

Any effective reform of the workforce development system will recognize that the “workforce development system” is broader than just those programs authorized under the Workforce Investment Act and the Wagner Peyser Act. Effective workforce development reform will coordinate improvements in Adult Education, Career and Technical Education, employment and training activities authorized under Temporary Assistance to Needy Families (TANF), training services provided under Trade Adjustment Assistance, Food Stamps Employment and Training, and postsecondary education for non-traditional students. It also will align these separate programs in ways that create a comprehensive workforce development system that is capable of preparing the agile, skilled, and innovative workers we need today and in the future. Federal leadership will be especially important since federal programs often drive state investments, and federal performance measures drive state and local programming.

In Summary

The National Fund for Workforce Solutions invests in workforce development efforts that work in a modern knowledge-driven economy shaped by globalization, economic turbulence, and rapidly evolving education and skill requirements. We have learned that effective efforts adhere to four main principles, and we share them in this brief to inform anticipated reforms of the U.S. workforce development system. Our goal is to help make the system better for workers, employers, and regions across the country. In summary, we recommend these reforms:

- Establish **regional funding collaboratives** that convene leaders with resources to identify, build support, and leverage resources for a shared strategic vision of developing a highly skilled workforce and a competitive regional economy;
- Support workforce partnerships that implement dual customer services in **industry sectors** that are of economic significance to their regional economies;
- Promote **career advancement** for all workers—especially low-wage workers and jobseekers—through career pathways education and training programs; and
- Facilitate **alignment** across programs and systems in support of a comprehensive, easily navigated workforce development system.

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Endnotes

- ¹ The Bureau of Labor Statistics characterizes a college degree to include two-year, four-year, and graduate diplomas. BLS describes a postsecondary credential as a certificate or award—but not a degree—awarded after a few weeks to more than one year in a vocational program.
- ² Thirty million adult Americans score at the “below basic” literacy level; another 63 million adults can only perform simple literacy tasks.



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