



OECD Local Economic and Employment Development (LEED)
Papers 2013/10

Local Job Creation: How
Employment and Training
Agencies Can Help, United
States

OECD

<https://dx.doi.org/10.1787/5k44zcpz25vg-en>



Released in June 2013

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The OECD Programme on Local Economic and Employment Development (LEED) has advised governments and communities since 1982 on how to respond to economic change and tackle complex problems in a fast-changing world. Its mission is to contribute to the creation of more and better quality jobs through more effective policy implementation, innovative practices, stronger capacities and integrated strategies at the local level. LEED draws on a comparative analysis of experience from the five continents in fostering economic growth, employment and inclusion.

ACKNOWLEDGEMENTS

This report has been written by the Local Economic and Employment Development (LEED) Programme of the Organisation for Economic Co-operation and Development (OECD) as part of the project on “Local Job Creation: How Employment and Training Agencies Can Help”. The report was prepared by Randall Eberts, W. E. Upjohn Institute for Employment Research. The Local Job Creation project is managed by Jonathan Barr, who also edited this report. The authors would like to acknowledge the valuable contributions of Francesca Froy for her feedback on the report and participation in the OECD study visit.

This project is part of the programme of work of the OECD LEED Division, under the leadership of Sylvain Giguère. The project has been conducted with the support of the California Workforce Association, Michigan Works, the W.E. Upjohn Institute for Employment Research and the U.S. Department of Labor. Michela Meghnagi, Lucy Pyne, Francois Iglesias, and Elisa Campestrin, as well as other colleagues in the LEED Programme, provided assistance with the preparation of this report.

An earlier version of this report was presented to officials from the Department of Labour, the Department of Education (Office of Vocational Education and Training), the Women’s Bureau, and the Small Business Administration on February 20, 2013 in Washington, D.C.

Special thanks should also be given to the representatives from the state and local authorities and institutions who participated in meetings and provided documentation and comments critical to the production of the report.

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ACRONYMS AND ABBREVIATIONS

This glossary does not include acronyms that are used only to reference entries in the bibliography. In such cases, see the first use of the acronym in the bibliography at the end of the report for the full wording.

| | |
|-----------------|--|
| ARRA | American Recovery and Reinvestment Act |
| BIC | Business Information Centres |
| CaJOBSSM | California Job Opening Browse System |
| CDCR | California Department of Corrections and Rehabilitation |
| EDD | Employment Development Department |
| ETA | Employment and Training Administration of the U.S. Department of Labor |
| ETP | Eligible Training Provider List |
| GAO | Government Accountability Office |
| ITAs | Individual Training Accounts |
| JTA | Job Training Automation |
| LWIA | Local Workforce Investment Area |
| NAA | National Apprenticeship Act |
| NoRTEC | Northern Rural and Training and Employment Consortium |
| OJT | On-the-job-training |
| SACTO | Sacramento Area Commerce & Trade Organisation |
| SETA | Sacramento Employment and Training Agency |
| SEMCA | Southeast Michigan Community Alliance |
| START | The Sacramento Training and Response Team |
| SWI | Sacramento Works, Inc. |
| TANF | Temporary Assistance for Needy Families |
| USDOL | United States Department of Labor |
| WIA | Workforce Investment Act |
| WIRED | Workforce Innovation in Regional Economic Development |
| WIB | Workforce Investment Board |
| WIN | Workforce Intelligence Network |

EXECUTIVE SUMMARY

Jobs and skills have become central policy issues across the OECD. The recent economic crisis had a significant impact on the United States and the jobs lost during this period have still not been recovered. Furthermore, growth remains fragile and there is the potential that skills mismatches could lead to missed opportunities and inefficient labour markets at both the national and local level. Employment and training agencies can play an integral role in strategies to boost job creation, facilitate restructuring and increase productivity but only if they are effectively integrated with economic development organisations and educational institutions.

The OECD Local Economic and Employment Development Programme (LEED) has developed an international comparative project, which examines the capacity of local employment services and training providers to contribute to a long-term strategy which strengthens the resiliency of the local economy, increases skills levels and job quality. In the United States, the study has looked at the range of institutions and bodies involved in workforce and skills development in two states – California and Michigan. In-depth fieldwork focused on four local Workforce Investment Boards in California and Michigan: the Sacramento Employment and Training Agency (SETA); the Northern Rural and Training and Employment Consortium (NoRTEC); the Southeast Michigan Community Alliance (SEMCA); and the Great Lakes Bay Michigan Works.

This study has found that the flexible approach to workforce development in the United States is an international best practice within the OECD. The four Workforce Investment Boards analysed as part of this study demonstrate in various ways how the decentralised structure of the U.S. workforce development system can facilitate the formation of partnerships, foster collaboration, and leverage and align resources in meeting the needs of customers who face different economic and social circumstances. The waiver system, which enables states actors to request particular flexibilities in the delivery of services is also a useful tool that could be replicated in other OECD countries. At the same time, however the Boards are working with limited capacities in terms of staffing and resources, which restricts the scale and breadth of their interventions and means that help may not be reaching all those who need it. Furthermore, the reliance on drawing down other types of funding locally takes considerable time and effort by staff members who are already operating under capacity.

A large share of the country's publicly provided employment and training services are under the auspices of two programmes: The Workforce Investment Act (WIA) which provides employment and training services, and Wagner-Peyser Employment Services which provides job search assistance. WIA is a partnership among federal, state, and local governments and entities, with nearly 600 local workforce investment areas across the United States providing services in more than 3,000 one-stop career centres. It provides a governance mechanism that enables local areas to adjust programmes and services to meet the needs of local customers—businesses and job seekers. Local Workforce Investment Boards provide a forum for collaboration and partnerships among local entities engaged in employment, economic development and vocational education and training activities. Their membership is made up of employers (at least 50% of the membership must be private businesses), unions, community colleges, and economic development officials.

The boards subcontract with local providers to deliver employment and training services, forming a network of organisations aligned with a common purpose. Local providers are accountable to the

Workforce Investment Boards, and the chain of accountability extends to the state workforce boards and then to the U.S. Department of Labour. These agencies are linked through federal regulations and guidelines, integrated strategic plans, and a system of common outcome-based performance measures.

While the governance structure provides for comprehensive networks to be formed, workforce development policy in the United States is in a state of flux as the Workforce Investment Act (WIA) of 1998 developed under the Clinton administration is still pending reauthorisation. The original authorising legislation expired in 2003, and WIA has been operating through temporary continuing appropriations since that time. Overall, local stakeholders consulted for this study indicated that the failure of Congress to reauthorise creates a perception that workforce development policy is not a national priority. They also expressed concern that failure to re-authorise creates uncertainty about future funding and whether the current decentralised structure will remain intact.

Employers are a critical partner in creating jobs and some local Workforce Investment Boards have recognised this by taking a demand-led approach to delivering employment programmes and services with employers seen as the principal customer. A potential concern with this approach is that large numbers of at-risk people who are not employment ready and need strong activation measures may be vulnerable to neglect at a time of limited resources. In both Michigan and California, it is clear that some population groups are at risk of high and intergenerational unemployment and poverty. As a way to provide services that are more accessible and more relevant to immigrant and ethnic minority groups, all four Workforce Investment Boards often deliver services through or in collaboration with local community organisations, mostly not-for-profits and some faith-based, whose missions are targeted at these population groups with culturally sensitive programmes.

One of the issues raised in this study is the cost of collaborating with organisations outside the mandatory partners in the One-Stop Centres and the local Workforce Investment Boards. Meaningful collaboration requires staff time and some out-of-pocket expenses to bring together stakeholders. Several states, including Michigan, implemented programmes to encourage collaboration and partnership formation among workforce development agencies, economic development organisations, and educational institutions by helping to address the cost of collaboration and other barriers to collaboration. Previously, the U.S. Department of Labor offered similar assistance through the WIRED (Workforce Innovation for Regional Economic Development) initiative, which provided competitive grants to self-formed partnerships. The funding for many of these programmes has expired but the need is still present.

Local stakeholders consulted for this study also expressed concern about the resources to effectively deliver employment services to the most vulnerable. Federal funding has steadily declined over recent years, reducing the capacities of local Workforce Investment Boards to help those who are not 'job-ready.' The capacity of local staff working with clients was also highlighted as declining budgets and an aging workforce has drained many local and state workforce agencies of the talented staff they need. This capacity concern has been compounded by near record high unemployment during the recent recession.

A local approach to economic development requires a system that can effectively build the supply and demand of skills. In the United States, community colleges often team with local economic development organisations and the local Workforce Investment Boards to undertake demand-led approaches around particular local industry clusters. In both California and Michigan, these partnerships galvanised local joined-up activities around health, new 'clean technologies' and renewable energy, to name a few which are areas of expected future job growth. These initiatives are critical in building a region's competitive advantage. However policy makers also need to preserve a broad diversity in the education and training system in order to avoid 'regional lock-in', and a narrowing of education and training around a limited number of economic activities. Such a narrowing in terms of local curricula may stifle future innovation while also failing to recognise the particular skills and aptitudes of local residents.

Community colleges provide a large share of job-specific training. The structure of the community colleges varies across states, but in most cases the schools have local decision-making boards with strong links to other stakeholders that enable them to respond to the needs of their local communities. In general, they exercise considerable autonomy in developing their own curricula. In the four areas analysed as part of this study, the local Workforce Investment Boards appear to be quite responsive to employer demand and have the ability to rapidly develop courses. They often use industry representatives with sector-specific knowledge as trainers; ensuring curriculum is geared to meet local demand, while also ensuring good relationships with employers. Yet, some community colleges struggle with fulfilling a dual purpose: providing traditional academic courses that lead to a two- or four-year degrees and responding to the short-term needs of businesses.

While building the supply of skills is critical for stimulating job creation and investment, it is equally important that policies are focused on whether employers are effectively utilising these skills. When determining the cause of skills shortages and mismatches, the ability of employers to use the skills of their existing workforce can be an issue. Some skills shortages are linked to weaknesses in management leading to high turnover and low productivity. In other cases the right matches would be better provided by adapting job roles and supporting internal progression rather than external recruitment or vocational training. While employment and training agencies give considerable attention to developing career ladders for individual workers through skill attainment, they generally do not consider it their responsibility to provide businesses with assistance in better organising their workplace to utilise the skills of existing workers.

The OECD LEED Programme has found, for example, that providing front line workers with greater discretion in the way that they carry out their job tasks can facilitate 'learning while doing' whilst also supporting incremental innovation. Further, by working with employers to create better employment progression, new jobs may be created for the lower-skilled. Local community colleges could potentially have an important role to play in working with firms to improve local skills utilisation and improve productivity through management training and the co-development and dissemination of relevant research and development (R&D), and product testing and technology transfer. Various mechanisms have been put to practice across the OECD in this domain.

Key Recommendations

- Reinforce the multi-level and flexible approach to workforce development which exists in the United States, encouraging policy coordination and integration at all levels of government. This would mean providing clearer strategic direction from the federal level to local WIBs and increasing capacities where needed so that local agencies are able to develop longer term strategies to support the hardest to reach, while at the same time being responsive to the needs of business;
- Continue to collect and share information and data about "what works" locally, including effective approaches to establish and maintain partnerships between local WIBs, employers, and training institutions. This could include further developing or establishing a user-friendly "one-stop" portal that provides guidance and tools to local stakeholders on these effective practices; It could also include providing financial assistance for data-sharing platforms and administrative costs;
- Ensure that community colleges are able to achieve the right balance between delivering responsive training programmes to local employers and offering a diverse local curricula that helps to build on the talents and aptitudes of local residents while investing in broader soft skills, including creativity, entrepreneurship and communication skills;

- Build capacities to work at the local level with employers on maximising effective work organisation, improving productivity and better utilising skills. Examine the role that community colleges can play in supporting and undertaking these initiatives;
- Ensure efforts taken to serve employers do not displace resources for the most vulnerable groups, such as minorities, youth, single mothers, the long-term unemployed and immigrants. This may require programmes that go across sectors and involve longer-term investment.

INTRODUCTION

Across the OECD, policy-makers are grappling with a critical question: how to create jobs? The recent financial crisis and economic downturn has had serious consequences across most OECD countries with rising unemployment rates and jobs being lost across many sectors. Indeed, for some countries, the effects the downturn brought with it are continuing, if not amplifying. Shrinking public budgets in some countries also mean that policy makers must now do more with less. In this context, it is necessary to think laterally about how actions in one area, such as employment and training, can have simultaneous benefits in others, such as creating new jobs and better supporting labour market inclusion.

To achieve a more co-ordinated approach, local stakeholders need to pool resources and reduce transaction costs by building effective partnerships on the ground. With the rising economic value of human resources and skills, employment and training agencies are now expected to play a greater role in local strategies to support new job creation, facilitate restructuring and increase productivity.

The OECD Local Economic and Employment Development (LEED) programme has developed an international comparative project to assess the contribution of labour market policy to boosting quality employment and productivity. The project involves a series of country reviews, in Australia, Belgium (Flanders), Canada (Ontario and Quebec), Czech Republic, France, Ireland, Israel, Italy (Autonomous Province of Trento), Korea, Sweden, United Kingdom (Northern Ireland) and the United States (California and Michigan). The key stages of each review are summarised in Box 1.

Box 1. Summary of the Local Job Creation Methodology

- Analyse available data to understand the key labour market challenges facing the country in the context of the economic recovery and apply an OECD LEED diagnostic tool which seeks to assess the balance between the supply and demand for skills at the local level;
- Map the current policy framework for local job creation in the country;
- Apply the local job creation dashboard, developed by the OECD LEED Programme to measure the relative strengths and weaknesses of local employment and training agencies to contribute to job creation;
- Conduct an OECD study visit, where local and national roundtables with a diverse range of stakeholders are held to discuss the results and refine the findings and recommendations;
- Contribute to policy development in the reviewed country by proposing policy options to overcome barriers, illustrated by selected good practice initiatives from other OECD countries.

While the economic crisis is the current focus of policy-makers, there is a need for both short-term and longer-term actions to ensure sustainable economic growth. In response to this issue, the OECD LEED Programme has developed a set of thematic areas on which local stakeholders and employment and training agencies can focus to build sustainable employment growth at the local level. These include:

1. **Better aligning policies and programmes to local economic development challenges and opportunities;**
2. **Adding value through skills** by creating an adaptable skilled labour force and supporting employment progression and skills upgrading;
3. **Targeting policy to local employment sectors and investing in quality jobs**, including gearing education and training to emerging local growth sectors and responding to global trends, working with employers on skills utilisation and productivity; and,
4. **Being inclusive**, so as to ensure that all actual and potential members of the labour force can participate in, and contribute to, future economic growth.

In some parts of the OECD, local stakeholders have the capacity and are well-prepared to tackle these issues; in other areas they are less so. As part of this project, the LEED Programme has drawn on its previous research to develop a set of best practice priorities in each thematic area, which is used to assess local practice through the local job creation dashboard. The dashboard enables national and local policy-makers to gain a stronger overview of the strengths and weaknesses of the current policy framework, whilst better prioritising future actions and resources.

The approach for the United States

This study has looked at the range of institutions and bodies involved in workforce and skills development in California and Michigan. In depth field work focused on four local Workforce Investment Boards (WIBs) in California and Michigan:

California

- Sacramento Employment and Training Agency (SETA); and
- Northern Rural and Training and Employment Consortium (NoRTEC).

Michigan

- Southeast Michigan Community Alliance (SEMCA); and
- Great Lakes Bay Michigan Works.

Interviews were conducted with a wide set of stakeholders within the employment, and training, and economic develop fields in each local area by a national expert. The OECD conducted a study visit to the United States in August 2012 to discuss the results and recommendations. A national roundtable was held in Washington in February 2012, which brought together the Department of Labour, the Department of Education (Office of Vocational Education and Training), the Women's Bureau, and the Small Business Administration.

The next section of the report provides an overview of key economic trends in the United States followed by a description of the workforce development system. The subsequent section presents the main results of the study for California and Michigan organised around the four thematic areas of the Local Job Creation dashboard. Drawing on these results, the final section of the report outlines the conclusions and recommendations emanating from the study for consideration by the Government.

BACKGROUND

Key Economic Trends in the United States¹

The primary challenge facing the U.S. economy in the aftermath of the recent recession is that it simply is not creating enough new jobs to get people back to work after the recession and to place the economy on a solid road to recovery. Despite the effort of a major stimulus package enacted near the end of the recession, the unemployment rate remains stubbornly high by U.S. standards, at 7.8% in December 2012 and with 12.5 million people still looking for work. The unemployment rate has been 7.8% or higher for four years, the longest duration of persistent high unemployment since 1947. All population groups have been adversely affected by the rise in joblessness, but as in past recessions, youth, minorities and the less educated are most vulnerable.

The U.S. economy continues to improve, but slowly. Since October 2010, the U.S. economy has generated employment gains for 27 consecutive months at an average monthly rate of 153,000. Yet the gains are barely sufficient to provide jobs for those entering the working age (16 years or older), and not enough to begin to bring down the number of unemployed to pre-recession levels. The inability to reduce the large overhang of unemployed is evident in the employment-to-population ratio. In the two-year period from December 2007 to December 2009, the ratio fell from 62.7% to 58.5%, the largest decline during any recession since World War II. Since then, it has barely budged, and in December 2012 stands at 58.6%. Less educated and otherwise vulnerable population groups find it even more difficult to find jobs. The employment-to-population ratio of African Americans is 52.6% and their unemployment rate is 14%. Youth have even greater difficulty, with only 29.1% of the population of 16-to-19 year olds employed, leading to an unemployment rate of 21.6%. The employment-to-population ratio and unemployment rate of African American youth are 14.9% and 40.5%, respectively.

The net employment change veils the actual job creation that takes place each month. The average net change of 153,000 per month during the past three years is the result of much greater changes in jobs gained and jobs lost. The net average monthly increase of 153,000 is the result of 2.3 million jobs gained and 2.1 million jobs lost on average each month. The jobs created, which come from the opening of new businesses and the expansion of existing ones, is roughly 6.2% of total employment.²

The diminished ability of the economy to create jobs appears to be more than a short-term cyclical problem. During the past several business cycles since the 1970s, the percentage increase in jobs generated per a one-percentage-point increase in GDP has declined by roughly half. For example, from March 2001 through December 2007, employment grew at an average annual rate of 0.9%, while GDP grew at an average annual rate of 2.6 %, yielding a ratio of 0.34. In contrast, during the November 1973 to January 1980 business cycle, total employment grew by an average annual rate of 3.4% and GDP growth averaged 4.5% during the same period, resulting in a ratio of 0.75.

1. Data for this section is gathered from the Bureau of Labor Statistics.

2. The Bureau of Labor Statistics compiles job gains and losses for the private sector only, whereas the net employment gain numbers include both the private and government sectors.

The decline in the economy's ability to create jobs is apparent in the trends in the rate of job creation. The ratio of jobs created to total employment has steadily declined during the past decade. The rate has fallen from 8% during the 1990s to 6% at the depth of the recent recession and then back up to 6.5% during the recovery. California and Michigan show similar trends of declining rates of job creation, as do two of the four case study areas.

One of several possible reasons for the decline in job creation is skill mismatch. Businesses increasingly complain that they cannot find qualified workers to fill their positions. The gap between openings and hires is consistent with the growing chorus of complaints. For some time now, many workforce intermediaries are partnering with businesses, economic development organisations and community colleges to identify skill gaps and fill them with customised courses to help equip workers with the skills employers need and that can lead to meaningful careers, which is the focus of this study.

The consequences of skills mismatch is just beginning to be explored. A recent study by the federal Research Bank of New York (2012) concluded that unemployment mismatch in general accounted for up to a third of the 5.4 percentage-point increase in the unemployment rate during the recession. The study found that persons looking for jobs in sectors and occupations where jobs were relatively scarce due to the recession resulted in a decline in hiring and thus a rise in unemployment. With construction and manufacturing accountable for half of the 7.5 million jobs lost during the recession, one can begin to understand the magnitude of the effect of skills mismatch on the economy. Displaced construction and manufacturing workers are less likely to have the skills to apply and qualify for jobs in sectors that were not severely affected by the recession, such as health care. Somewhat surprisingly given the role of the housing bubble in the recession, the study did not find any signs of geographic mismatch, which measures the ability of job applicants to accept positions in another area of the country. However, the study does find that the contribution of skills mismatch to the rise in the unemployment rate is almost twice as large for college graduates than for high school drop outs. A study by the Brookings Institution (2012) explicitly measured the education gap between job vacancies and the existing workforce and found that areas, as measured by metropolitan areas, with a higher education gap had higher unemployment rates and lower rates of job creation. This study does not establish a causal relationship, but the correlations are consistent with the effects of mismatch.

However, mismatch and other structural problems are not the only set of factors that contributed to the rise in the unemployment rate. Rothstein (2012) weighs the evidence on both the supply side and demand side of this current business cycle and finds evidence that structural, supply side factors are only part of the answer. He concludes that labour demand shortfalls are a primary determinant of the current labour market performance.

The findings of these first two studies underscore the challenge facing the U.S. employment and training system to identify the skill needs of employers, direct workers with the appropriate skills to the sectors of high demand and to train workers with the skills that will qualify them for high demand jobs. The third study highlights the need to raise aggregate labour demand at the national level and to strengthen the role of economic development at the state and local levels. Together, the three papers underscore the importance of alignment, flexibility, and collaboration among workforce development, economic development, and educational institutions.

Employment and Training Programmes in the United States

In the United States, the federal government and each state government provide a number of programmes to improve the skill levels and job readiness of job seekers and workers. Two federal programmes — Wagner-Peyser Employment Service and the Workforce Investment Act (WIA) (see Box

2) programmes — account for most of the publicly provided employment and training services.³ These two programmes, under the auspices of the U.S. Department of Labor (USDOL), together serve more than 27 million individuals with expenditures of nearly \$3.5 billion annually.⁴ The employment service provides assistance to any adult looking for work and to employers looking for qualified workers. Services to job seekers include assessment of skill levels, abilities, and aptitudes, career guidance when appropriate, job search workshops, and referral to jobs or training as appropriate. Services offered to employers include matching job requirements with job seeker experience, skills and other attributes, helping with special recruitment needs, assisting employers analyse hard-to-fill job orders, assisting with job restructuring and helping employers deal with layoffs.

Box 2. The Workforce Investment Act

The Workforce Investment Act (WIA) by statute establishes the structure through which most of the employment and training services are delivered. WIA is a partnership among the three levels of government: Federal, state, and local. The Employment and Training Administration (ETA) of the U.S. Department of Labor provides the funding, regulations and guidelines in using those funds through formula grants to the states. 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. The LWIAs use the WIA funding to subcontract with local organisations to provide employment and training services. All employment and training services are provided through One-Stop Career Centres. The LWIAs have the responsibility of establishing and maintaining the centres.

The WIA statute mandates that 16 different categories of programmes, administered by four federal agencies, provide services through the one-stop career centres (GAO-11-506T, p. 9). Included among the 16 programmes is the Wagner-Peyser Employment Service. Although a separate programme, it provides many of the same job search assistance services as the WIA programmes. In addition to the 16 programmes, many states voluntarily co-locate other services, such as services for low-income Temporary Assistance for Needy Families (TANF) recipients, at the one-stop career centres.

WIA was enacted in 1998 and operated under its authorizing legislation until the statute expired in September 2003. Since that time, WIA has been extended through temporary continuing appropriations while the administration has tried to find common ground with each new Congress to replace it with a new bill. Several proposals put forth by the administration have included consolidation of the employment service with WIA programme components and the use of personal employment accounts and Career Advancement Accounts. The Career Advancement Accounts used vouchers to provide training dollars to recipients with little or no assessment or counselling regarding the need or type of training.

Each local area must have at least one comprehensive one-stop career centre where core services for all mandatory programmes are accessible. WIA allows flexibility in the way these mandatory programme partners provide services through the one-stop system, allowing co-location, electronic linkages, or referrals.⁵ Mandatory partners are expected to share the costs of developing and operating One-Stop Centres. In addition to mandatory partners, One-Stop Centres have the flexibility to include other optional partners, such as the Temporary Assistance for Needy Families or the Food Stamp programme, in the one-stop system to better meet specific state and local workforce development needs (GAO-07-1096). The

3. A recent report by the Government Accountability Office (GAO) identified 47 federally funded employment and training programs administered across nine agencies. However, outside of the Employment Service and the WIA programs, these programs account for less than 25 percent of the total number of participants receiving services from all 47 programs. The GAO report is entitled “Workforce Investment Act: Labor Has Made Progress in Addressing.
4. The participation and expenditure figures are for Program Year 2012 and for Federal Fiscal year 2013, respectively.

number of participants and level of expenditures for each of the programmes at the national level are detailed in Table 1.

Table 1. Expenditures and number of participants of mandatory programmes in one-stop career centres

| Federal Agency | Mandatory Programmes | Federal Fiscal Year 2013 Appropriation (\$ millions) | Participants (4 quarters ending June 2012) |
|--|--|--|--|
| Department of Labor | WIA Adult | 770 | 6 979 125 |
| | WIA Dislocated Worker | 1 232 | 1 138 379 |
| | WIA Youth | 824 | 239 605 |
| | Employment Services (Wagner-Peyser) | 721 | 19 081 905 |
| | Trade Adjustment Assistance | 1 100 | 144 659 |
| | Veteran's Employment and Training Programme | 264 | 142 000 |
| | Unemployment Insurance | 3 236 | 9 171 467 |
| | Job Corps | 1 703 | 97 474 |
| | Senior Community Service Employment Programme | 448 | 76 864 |
| | Employment and Training for migrant and seasonal worker | 84 | 19 700 |
| | Employment and training for Native Americans | 47 | 38 822 |
| Department of Education | Vocational Rehabilitation | 3 200 | 979 409a |
| | Adult Education and Literacy | 595 | N/A |
| | Vocational Educational (Perkins) | 1 131 | N/A |
| Department of Health and Human Services | Community Services Block Grant | 677 | N/A |
| Department of Housing and Urban Development | HUD administered employment and training | N/A | N/A |

Source: GAO-09-396T.

Although the WIA statute requires that the 16 programmes be co-located in one-stop career centres, not all states have done so. A 2007 Government Accountability Office (GAO) study reported that 13 of the 16 mandatory programmes required under WIA were available at the majority of comprehensive One-Stop Centres. States reported that three key mandatory programmes—WIA Adult, WIA Dislocated Worker, and the Employment Service—continued to be available on-site at the majority of the One-Stop Centres. States also reported that the services of some programmes were available at One-Stop Centres electronically or through referral. These programmes included Job Corps, Senior Community Service Employment, and Adult Education and Literacy.

Table 2 illustrates how a few selected states, including California and Michigan, integrate the various programmes into their one-stop career centres. The results are from a survey administered by the GAO in 2007. Michigan integrated a few more programmes than California but not as many as Indiana or as few as New York, which are the two extreme cases among the 50 states at the time of the survey.

Table 2. Integrating Programmes into One-Stop Centres

| Federal Employment and Training Programmes available onsite at One-Stop Career Centres | Sample States | | | | Total number of states participating in the programme |
|--|---------------|----|----|----|---|
| | CA | MI | IN | NY | |
| WIA Adult | • | • | • | • | 50 |
| WIA Dislocated Worker | • | • | • | • | 50 |
| WIA Youth | • | • | • | • | 49 |
| Employment Service (Wagner-Peyser) | • | • | • | • | 48 |
| Trade Adjustment Assistance | • | • | • | • | 44 |
| Veteran's Employment and Training Programmes | • | • | • | • | 39 |
| Unemployment Insurance | | | • | | 36 |
| Vocational Rehabilitation | | | • | • | 36 |
| Job Corps | | | • | | 9 |
| Senior Community Service Employment Programme | | | • | | 22 |
| Migrant and Seasonal worker | | • | • | | 24 |
| Native American | | | • | | 4 |
| Temporary Assistance for Needy Families | • | • | • | | 30 |
| Food Stamp Employment and Training | | • | • | | 22 |
| Adult Education and Literacy | • | • | • | | 26 |
| Career and Technical Education | | | • | | 6 |
| Community Services Block Grant | | | • | | 1 |
| HUD administered employment and training | | | • | | 1 |

Source: (GAO-07-1096).

Local Workforce Investment Boards and One Stop Career Centers

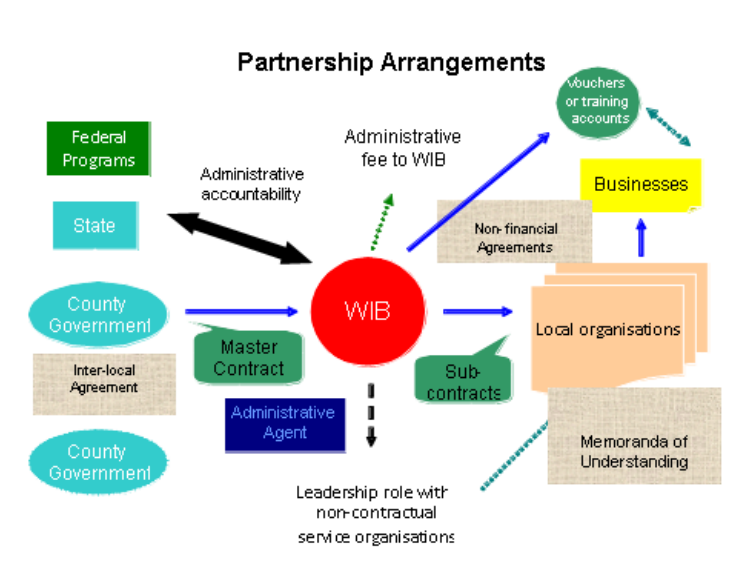
Under WIA, nearly 600 Local Workforce Investment Areas (LWIAs) and close to 3,000 one-stop career centres have been established. Each LWIA is governed by a local Workforce Investment Board (WIB), which is responsible for providing employment and training services within a specific geographic area. The number of LWIAs within each state varies by population, geographic size and a state's approach to providing services. California has the most LWIAs with 49, while Utah has only one LWIA, which encompasses the entire state. Michigan has 25 LWIAs. The local WIBs administer WIA services as designated by the Governor and within the regulations of the federal statute and U.S. Department of Labor guidelines. The Chief Elected Official (CEO) of each LWIA appoints a local Workforce Investment Board (WIB) with a local membership similar to the state Workforce Investment Board. The local WIB develops and submits a local area plan to the Governor, appoints local one-stop operators, and selects eligible organisations to provide services for youth and adults. In co-operation with the CEO, the local WIB appoints a Youth Council that helps establish youth policy on local education and job training policies. local WIBs are typically an extension of a local government unit, which in most cases is the county government and can include more than one government entity. They are not agencies of the federal or state governments, and the staff is not comprised of federal or state employees.

Local WIBs are governed not by the county board but by their own board, which is comprised of business and civic leaders and to a lesser extent representatives of social service, educational agencies and labour groups. WIA requires at least 50% of the board members to be business leaders so that the needs of businesses are readily taken into account in designing and delivering employment services. Under the master contract, federal and state funds for WIA programmes are funnelled through the county to the local WIB. The local WIB hires staff to administer the programmes. The actual delivery of services is contracted out to intermediaries, which include other public agencies (government agencies and educational institutions) and to non-government (non-profit and for-profit) organisations.

Figure 1 shows the web of relationships between local WIBs and both government and non-government entities. The left side of the figure depicts relationships among the various levels of government, along with the lines of accountability and the flows of funding. Most funds come from the federal government through the state to local governments. Each local WIB has a master contract with the sponsoring local government entity (in this case a county government) to administer the programmes. Local governments may form partnerships through inter-local agreements to have one local WIB serve an area covered by several government entities.

The right side of the figure displays the subcontracting of services by the local WIB to agencies and organisations. federal regulation states that local WIBs cannot provide direct services to customers, which opens up the field to a host of potential providers, including both private sector and not-for-profit agencies. Local WIBs contract with those organisations to provide job search assistance and training services to customers.

Figure 1. Partnership relationships with Local Workforce Investment Boards



Local WIBs are the nexus between the requirements imposed by the federal WIA system and the local consortium of intermediaries that provide employment services. As part of the WIA system, local WIBs are required to follow federal regulations and guidelines in providing these services and are subject to financial audits. As part of the local community, local WIBs and their staff monitor local conditions and customer needs and design programmes to meet those needs.

Eligibility

Participants receiving WIA services go through an intake eligibility process. Although the process may vary to some extent across local WIBs, in most cases the intake eligibility process begins with the WIA Orientation/Initial Screening. At this group meeting, staff share with candidates the services available at the One-Stop Centre and describe the centre's purpose and mission. The second step in this process is the official WIA Intake and Registration Appointment. Eligibility documents are collected and the eligibility items are verified against the available documentation. Once the second meeting with the candidate is completed, the paperwork is submitted and the eligibility is verified for accuracy again by a management information system department. Individuals that lack proper documentation to enter the WIA Adult, Dislocated Worker or Youth programmes are informed of the services available through WIA Core Services, which are generally self-assisted but have few if any eligibility requirements.

Service Contracts under the Local Workforce Investment Board (WIB)

Organisations under contract with the local WIB to provide employment and training services and to operate the One-Stop Career Centres may be local government agencies, such as public schools or community colleges or private and/or non-profit organisations. The local WIB selects organisations to provide these services under a competitive bidding process with fixed-term contracts that must be re-bid periodically. According to the contract, the provider must provide certain prescribed services that meet state and federal standards, serve a specified number of participants, and also must meet specified outcome-based performance targets. The contracts are typically three years and the performance targets and other performance criteria are set each year.

Memoranda of Understanding with One Stop Career Centre Partners

As previously mentioned, WIA requires the co-location of 16 programmes at the one stop career centres. Many local WIBs encourage other organisations to provide services at the centres as well. However, only those providing WIA-funded services have a formal contract with the respective local Workforce Investment Board. To ensure the effective and efficient delivery of all workforce services provided at the one stop centre, the WIA statute requires the local WIB to enter into a Memorandum of Understanding (MOU) with each of the partnering organisations. The MOU establishes joint processes and procedures that will enable partners to integrate the current service delivery system and resources, resulting in a seamless, comprehensive, and accessible array of education, human service, job training and other workforce development services. By executing an MOU, the parties agree to abide by the terms, conditions, goals, policies, principles and regulations of WIA. The goal is to provide an inclusive, "seamless" workforce delivery system to help job seekers achieve economic security and successfully compete in today's economy and to meet employer's current and future workforce needs. One-stop partners cover a share of the costs of the One-Stop Centres proportionate to the use of the system by individuals attributable to the partner programme.

According to a GAO report (GAO-11-506T, p. 12), One-Stop Centres provide an opportunity to coordinate the services among a broad array of federal employment and training programmes. The study points out that while co-location of services does not guarantee efficiency improvements or the elimination of duplication, it affords the potential for sharing resources, cross-training staff and may lead to the consolidation of administrative systems, such as management information systems.

Other Partners and Collaborators

In addition to engaging local organisations to provide services, local WIBs may act as facilitators to bring together various local entities – businesses, social agencies, educational institutions, and labour

groups – to help address workforce issues in their local areas. While local WIBs vary in the extent to which they assume this facilitating role, they can be significant catalysts for integrating employment services and in coordinating workforce development, economic development, and educational activities in their areas. Local WIBs face a tension between being an exclusive agent of the federal WIA programmes on the one hand and a member of the community on the other hand responding to local needs by tailoring programmes to meet the needs of its customers.

Accountability

Local and state Workforce Investment Boards are held accountable through common measures of performance for each of the three WIA programmes. For the two adult programs, the common measures are based on employment outcomes--the ability of the programme participant to find and retain a decent-paying job upon leaving the programme. For the youth program, the common measures record a participant's ability to attain educational degrees or certificates. WIA mandates the U.S. Department of Labor (USDOL) to set national-level targets for these three measures for each of the three programmes when submitting their annual budget to Congress. To set state-level targets for these programmes, each state negotiates with USDOL, and the states in turn set targets for each of their local WIBs for the same programmes. Targets may vary from year to year and across states and local WIBs. Failure to meet the performance outcomes may result in financial sanctions. Many of the other federal programmes, including Wagner-Peyser Employment Service, have national-level performance targets, but similar targets are not necessarily set at the state or local levels.

Strategic plans

WIA requires that the Governor of each state submit a WIA/Wagner-Peyser State Plan to USDOL that outlines a five-year strategy for its workforce investment system. USDOL must approve the state plan in order for the state to receive formula allotments under WIA or financial assistance under Wagner-Peyser (TEGL 21-11, March 27, 2012). WIA legislation requires state plans to include, among others, the following items:

- A description of the state-imposed requirements of the State-wide workforce investment system.
- A description of the state-wide performance accountability system including the negotiated performance targets as required by the Employment and Training Administration of the U.S. Department of Labor.
- Information describing:
 1. The needs of the state with regard to current and projected employment opportunities by occupation;
 2. The job skills necessary to obtain such employment opportunities;
 3. The skills and economic development needs of the state;
 4. The type and availability of workforce investment activities in the state (Section 112, Workforce Investment Act of 1998).

Each local WIB is also required to develop and submit a plan for the Governor's approval. The content of the plan is very similar to the state plan. As in the state plan, the local plan must include an analysis of the workforce investment needs of businesses, job seekers and workers in the area, the current

and projected employment opportunities in the local area, and the job skills necessary to obtain such employment opportunities. The local plan must also include a description of the activities it intends to pursue to meet the identified needs; the memoranda of understanding it has established between itself and each of its one-stop partners; and performance targets negotiated between the local board and the Governor.

The three sets of plans— USDOL, the states, and the local WIBs—are the foundation for the principles and regulations of the national workforce system and for documenting how states and local WIBs have identified and are addressing the needs of their local businesses and workers as well as responding to local economic conditions while still working within the overall federal framework.

In an attempt to foster more meaningful strategic alignment, the Employment and Training Administration (ETA) of USDOL has recently developed new Integrated Workforce Plan guidance, which is intended to facilitate cross-programme strategic planning. The new planning process supports ETA’s commitment to “fostering better alignment of federal investments in job training; improved models for delivering quality services across programmes at lower costs, and providing relevant information to workforce, education, and social service communities” (TEGL 21-11. p. 3).

ETA’s guidance also promotes alignment across programmes by encouraging states and local areas to develop comprehensive regional relationships that include workforce development agencies, economic development agencies and educational institutions. ETA asserts that such alignment will ensure that training and employment services support anticipated industry growth and corresponding employment opportunities and skill competencies.

Another area of emphasis is collaboration with the private sector, particularly engaging employers. For the system to be effective, ETA states that local WIBs must develop positive working relationships and partnerships with the business community. The system must understand the workforce needs of businesses and provide services that meet their needs (TEGL 21-11, p. 8). The guidance suggests that the system can meaningfully engage business by providing labour market information, conducting outreach, integrating employer needs into training strategies such as career pathways, brokering relationships with job connections, making services easy to access, and coordinating with partners to reduce duplication.

ETA guidance also emphasizes flexibility within programmes. ETA sees general statutory and regulatory waiver authority as providing increased flexibility to states and local areas, and as an opportunity for states and localities to organize services in ways that best meet the needs of the State, regional, and local economy (TEGL 8-08, p. 1). Waivers have been particularly important during the recession and into the recovery as a way for states to identify barriers that may stand in the way of innovative and effective responses to the needs of workers and businesses. Waivers have been routinely approved for:

- Transferring funds between WIA Adult and Dislocated Worker programmes of more than the 30% currently allowed through annual appropriations;
- Allowing states additional flexibility in targeting WIA funds;
- Targeting local funds for state-wide priority initiatives;
- Providing states with flexibility in providing training services to youth;
- Allowing states more flexibility in providing customised and on-the-job training by reducing costs to businesses of participating in these programmes.

Training provision

As previously highlighted, each of the nearly 600 local WIBs is responsible for administering the WIA programmes in their jurisdiction and in contracting with local organisations to provide services. For training provision, the local WIBs typically contract with local community colleges, local secondary school districts, and private companies to provide this function. According to a survey conducted by the U.S. General Accounting Office (2003) in the early years of WIA, 78% of the local WIBs used community or technical colleges to provide training. Half of that percentage reported that they used employer-provided training, and an equal percentage cited using vocational schools.

Training provision under WIA is offered at different skill levels. There is occupational-skills training available, which refers to training for a particular skill or for a set of skills necessary to qualify for an occupation. Community colleges and private-sector training providers typically deliver this type of training, which takes place outside the workplace and in a classroom setting. On-the-job training (OJT) is also available, which occurs in the workplace and provides job seekers with work experience and skills training that will help them qualify for and retain employment. The OJT programme pays the employer half the costs of training its workers who are selected for the programme. Another type of training is customised training, which is designed to upgrade the skills of incumbent (i.e. employed) workers in specific businesses. Businesses apply for the grants, and once approved the training is tailored to their needs and the services are provided either at the company or at community college training centres. Under this programme, the employer pays for at least half the cost of the training, but special waivers can be granted to reduce the cost. Some but by no means all customised training programmes are sector-specific. For example, the High Growth and Emerging Industries initiative, a federal programme, provides specific training for workers to qualify for energy efficiency and renewable energy jobs and for careers in the health care sector.

The length of time in training varies across programs and the type of skills sought. For example, the average length of time a WIA Adult participant spends in training is 35.6 weeks, with 25% of recipients in training for more than a year. Training under the WIA Dislocated Worker programme is somewhat longer: the average length of time in training is 44.5 weeks with 35% in training for more than a year. For both WIA Adult and WIA Dislocated Worker programmes, the most prevalent type of training is in managerial, professional, and technical occupations.⁵

WIA also provides general remedial instruction to economically disadvantaged workers, many of whom have received welfare assistance for some time and find that they do not have the work experience or the basic skills to qualify for even the most remedial jobs. Workers have access to job readiness and adult education and literacy training, which provides the basics needed to enter the workforce. Entrepreneurship training is also available, which focuses on helping employees own their own businesses. It offers the basics of starting and running a small business, including instruction on how to write a business plan and to obtain financing.

The Department of Labor is one of several federal agencies that provide training. Recently, Mikelson and Nightingale (2006) found that the Department funded approximately a third of the federal spending on job training. The Department of Education, on the other hand, through student grants, particularly Pell Grants, and other services, accounted for nearly 60% of federal job training expenditures. That same study found that only about 25% of the total Department of Labor budget for employment and training services is actually spent on training programmes. The result is not surprising in a universal access, one-stop environment in which the large majority of workers need only core and intensive services, not training.

5. Workforce Investment Act Standard Reporting Database (WIASRD), PY2011.

WIA requires that local WIBs provide access to training that “maximizes customer choice” (WIA Title 1.B.134). To achieve this requirement, WIA stipulates that local workforce areas provide training through Individual Training Accounts (ITAs) except in some limited circumstances. These exceptions include on-the-job training or customised training for incumbent (i.e. employed) workers provided by an employer or training provided by an organisation for special target populations, such as those facing multiple employment barriers. WIA also requires local workforce areas be held accountable to performance outcomes of the enrollees in terms of employment and earnings. However, the federal government authorised states and localities to determine the nature of ITAs along the continuum from free choice to informed or guided choice. To strike a balance between these two requirements of maximizing choice and getting participants into jobs, local areas predominantly followed a model of “informed customer choice.”⁶

D’Amico and Salzman (2005) conducted a study on the early implementation of WIA and found that the 57 sites studied had many aspects in common. Yet, the exact procedures varied by local workforce area and have changed over time. Case managers endeavoured to make sure that customers had ample information and assistance regarding training options, job prospects, and their own skill assessments.⁷ According to their study, nearly all areas required customers to undertake a formal assessment of their basic skills or occupational interests. Customers were required to research their training choices, and some areas asked customers to visit the training provider and interview former trainees or employers. Customers were assisted by the list of eligible training providers, compiled by each state and by an enhanced labour market information system that provided information on job openings and projections of demand for a long list of occupations.

Community colleges and technical schools provide much of the training and education for participants of the public workforce system. Most community colleges have open admission and tailor their courses to meet schedules and lifestyles of students who work during the day and to meet the needs of local employers. Community colleges typically partner with local WIBs to provide and coordinate training, although the integration of services and responsiveness to employer needs vary from college to college and across local workforce investment areas. Nearly 7.5 million students are enrolled in the 1,700 two-year institutions across the country (Census Bureau, Statistical Abstract of the United States, Table 278).

Apprenticeships

Workers also have the option to enrol in apprenticeship programmes. Apprenticeships are traditionally the way in which the trades have trained their workforce, through on-the-job training in the workplace with qualified workers or master craftsmen as instructors and mentors. Employers, business associations, and joint labour-management organisations, known collectively as apprenticeship sponsors, provide apprentices with instruction that reflects industry needs. Apprenticeship sponsors pay most of the training costs, and apprentices are paid during their training period. There are also partnerships with academic two- and four-year institutions that offer Associate and Bachelor’s degrees in conjunction with apprenticeship certificates.

The Employment and Training Administration’s Office of Apprenticeship administers the National Apprenticeship Act of 1937 (NAA), which established the foundation for developing and expanding the country’s skilled workforce through registered apprenticeship programmes and produces standards for

6. The ITA evaluation referred to this model as the “Guided Customer Choice” approach.

7. An early evaluation of the implementation of ITAs in WIA found that nearly all the sites studied followed this approach. See D’Amico and Salzman, 2005, “An Evaluation of the Individual Training Accounts/Eligible Training Provider Demonstration, ETA Occasional Paper 2005-02, Washington, D.C.: U.S. Department of Labor, Employment and Training Administration.

safeguarding the welfare of apprentices. The NAA created a comprehensive system of partnerships among business, labour, education, and government which have shaped skill training through registered apprenticeship for succeeding generations of American workers. Registered Apprenticeship is an employment-based training programme that offers job seekers and existing employees a pathway for developing the skills necessary to perform work at the highest level for industry-identified occupational skill sets. Registered Apprenticeship programmes often pay higher wages than other work-based training programmes. Upon completion, apprentices receive an industry-recognised credential, which can provide substantial credit toward a two- or four-year college degree.

Registered Apprenticeship programmes are developed through strategic partnerships among business and industry sponsors, the Office of Apprenticeship, approved state Apprenticeship Agencies, public and private education providers, the workforce development system, community-based organisations, and other stakeholders. These programmes are operated on a voluntary basis by individual employers, employer associations, or through joint labour/management agreements. Training is verified through a comprehensive training outline that includes requirements for paid on-the-job learning, job related education, progressive wage increases, supervision, and records maintenance. Across the United States, there are over 25,900 active registered apprenticeship programmes providing apprenticeship opportunities to 400,973 active apprentices (US DOL Budget in Brief, 2013). California has 199 programmes with more than 36,000 active participants; Michigan has 1,075 programmes with nearly 8,500 active participants.

Economic Development Policy

Economic development policy in the United States takes place primarily at the state and local levels. Each state has at least one economic development agency that provides assistance to businesses in an effort to attract new businesses or retain existing ones. Many types of assistance are available. A state may provide technical assistance to help businesses manage challenging situations. The state may offer assistance in meeting the administrative and regulatory requirements of exporting goods. States may also offer customised training to targeted firms, in which the state may pay all or a portion of the cost of training. A state may also extend economic incentives in the form of tax credits or abatements to businesses in order to entice them to move to the state or to remain and expand there. The federal government provides assistance to small businesses and to distressed areas, primarily through government-guaranteed loans to businesses and grants to targeted regions.

Local areas engage in similar economic development functions and work in partnership with state agencies. Local partnerships are formed primarily to find ways to use the state-provided assistance and tax advantages for businesses in their specific areas. Unlike state economic development agencies, which in most cases are government agencies, many local economic development organisations are private organisations supported with private funds from local businesses co-mingled with some government funds, primarily from city and county governments in the region.

Box 3. Local Economic Development in the Case Study Areas

Sacramento Area Commerce and Training Organisation (SACTO), one of the economic development organisations in the Sacramento region, is a private, non-profit, and member-supported organisation that serves six counties and 23 cities in and around Sacramento. Its mission is to attract quality business to the Sacramento region and create job-generating investment in the region. Nearly half of SACTO's annual revenue of \$2 million comes from its private sector members. About 10% comes from the public sector. About 70% of the budget is spent on marketing the region and outreach to its membership and the region. Much of this activity is to help businesses understand the assets of the region and to connect businesses with the financial incentives and assistance offered by federal, state, and local governments. Recently, SACTO took credit for attracting or retaining 10 businesses in 2010/11, which when fully operational will account for an additional 1,600 direct jobs, 3,300 total jobs, \$191 million in employment compensation and \$664 million in output in the region (SACTO Annual Report 2010/11, p. 9). SACTO's recent five-year plan expands the organisation's efforts toward attracting international companies and further positioning the area

as a player in the global economy. Another goal is to develop strategies to retain postsecondary talent in the region in order to strengthen its pool of qualified workers.

Similar economic development organisations are found in one of the two Michigan case study areas. The Great Lakes Bay Michigan Works! area has three private organisations: Saginaw Futures, Bay Futures, and Midland Tomorrow. Each pursues economic development in their respective parts of the Great Lakes Bay region and receives funding from a variety of sources, both private and public. In contrast, the South East Michigan Community Alliance (SEMCA, which is the other case study area in Michigan appears to work most closely with a Wayne county government agency—Economic Development Growth Engine (EDGE) — which strives to “become a driving force for jobs growth and business retention for our existing business community and new emerging industries” (EDGE Brochure, www.waynecounty.com/edge, p. 3).

Summary

This section of the report has given an overview of the key economic and labour market trends in the United States as well as an overview of the institutional and governance arrangements for employment, training, and economic development. Clearly, economic growth remains fragile in the U.S. and policy makers will be challenged to find ways of stimulating job creation and productivity, while also being sensitive to potential skills mismatches that can build up at the local level. The next section of the report provides an overview of the 4 Local Workforce Investment Areas that were analysed as part of this OECD study. This is followed by an overview of the dashboard findings for both Michigan and California and the conclusions and recommendations.

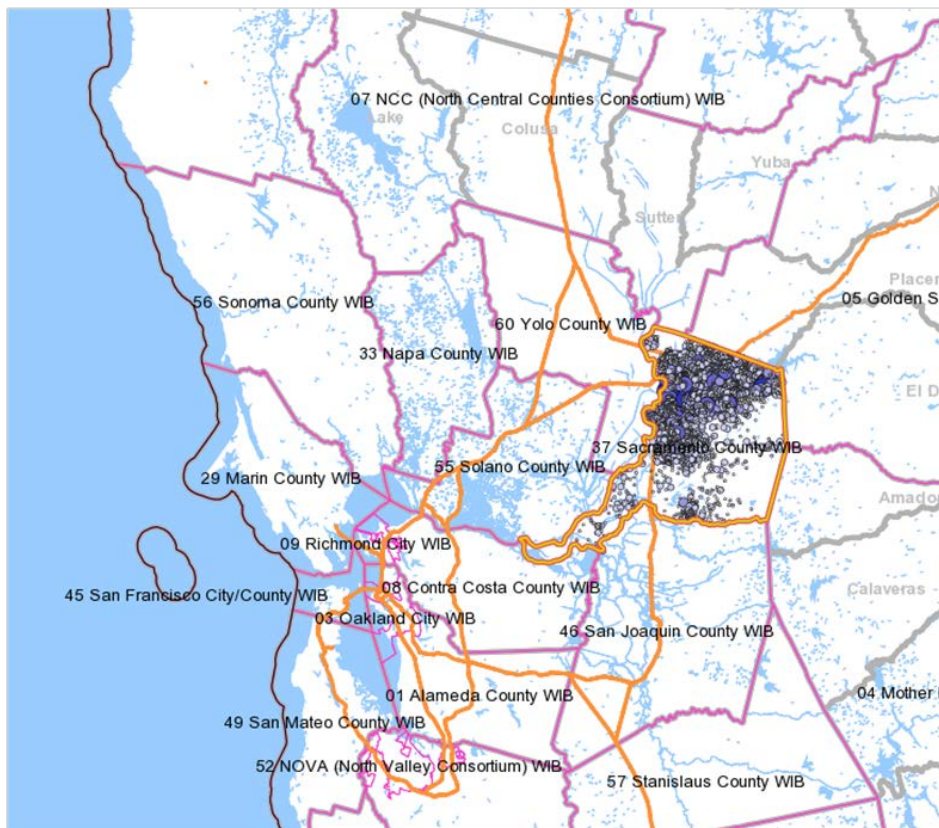
CALIFORNIA AND MICHIGAN: LOCAL CASE STUDIES

California

California is a large, diverse economy. It is the home of Silicon Valley, known for its cutting edge hi-tech firms that lead the world in software and computer development. It is also home of the Central Valley, which is arguably the most productive agricultural area in the world, growing almost anything from rice to olives to artichokes. If the state were compared with other countries, it would be the 8th largest economy in the world, with a Gross State Product (GSP) in 2011 of \$1.96 trillion dollars. That accounts for 13% of the Gross Domestic Product of the United States. The median household income of the state is \$61,632 (2011 USD) compared with the national level of \$52,762 (2011 USD). California is the most populous state in the country, being home to 37.7 million people in 2011. During the past decade, the state's population has grown at about the same pace as the national rate. From 2002 to 2011, California gained 3.8 million people, an increase of 11.3%. During the same period, the U.S. population grew 10.7%. The state's per capita real income grew 6.9% compared with a national gain of 4.7%, over that time period. This reflects a 15.5% increase in real GSP for the state and a 13.4% increase for the country. Despite outpacing the country in economic growth and staying on par with population growth, California's unemployment rate currently exceeds the national rate by two percentage points. At the end of 2012, California's unemployment rate was the third highest in the country, reaching 9.8% compared with the national rate of 7.8%.

Sacramento Employment and Training Agency (SETA)

Two local workforce investment areas in California were analysed for the study. One case study area is the Sacramento Employment and Training Agency (SETA), which is the administrative entity for the Sacramento County Workforce Investment Board. SETA is a joint powers agency of the City and County of Sacramento formed in 1978 to help connect people to jobs, business owners to quality employees, education and nutrition to children, and assistance to refugees. The service area for SETA is Sacramento County, which is located in the part of California's Central Valley region east and inland from the San Francisco Bay Area County (see Figure 2). Sacramento County, with a population of 1.4 million, is the largest of four counties comprising the Sacramento metropolitan area, with a population of 2.2 million. Sacramento County has the lowest median household income of the four counties included in the metropolitan area. Median household income in Sacramento County is \$56,500, compared with \$74,000 in Placer County, the wealthiest of the four counties. Sacramento County also has the lowest percentage of college graduates in the workplace, with 27.7% of the population 25 years or older with a BA degree or higher, compared with the metropolitan average of 30%. In Yolo County, one of the four counties in the metropolitan area, 39% of its population holds a BA degree or higher. Sacramento County's economy is largely dependent upon state government, with 20% of its employment in public administration. Most of the jobs are concentrated in and around the City of Sacramento (as indicated by the dots in Figure 2). Relatively few jobs are found in the largely agricultural areas in the lower southeast corner of the county and the southwest panhandle.

Figure 2. Sacramento County Workforce Investment Area

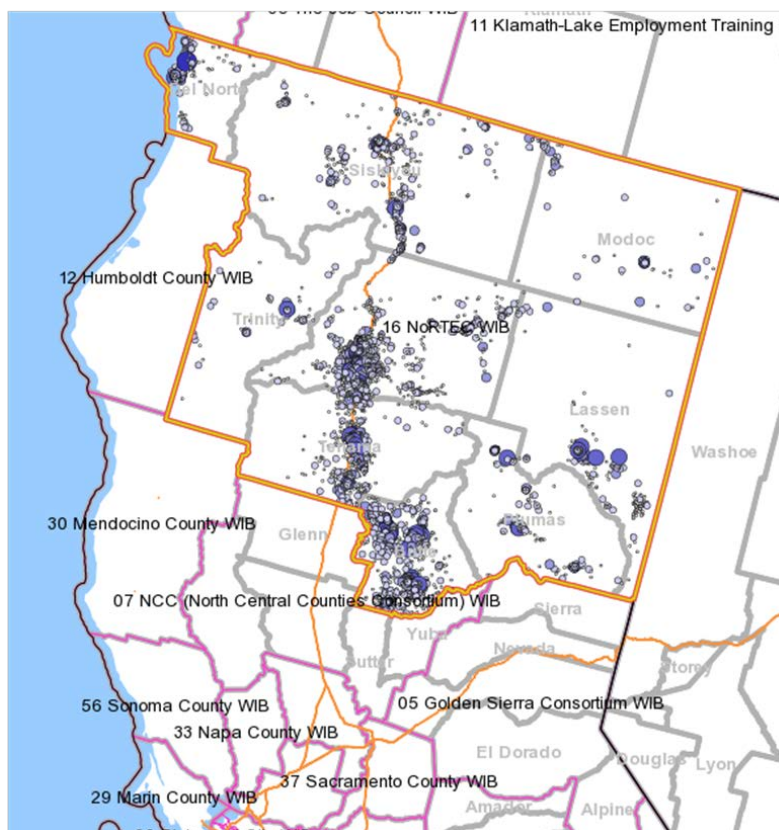
Source: U.S. Census, on the map.

Note: The dots on the map represent where the jobs are located within the Workforce Investment Area.

Northern Rural Training, and Employment Consortium

The second case study area in California is the Northern Rural Training and Employment Consortium (NoRTEC). It includes an eleven-county area in northern California with a population of 700,000. The size of the area is larger than several U.S. states. It spans most of northern California, which includes 20% of the state's land area, while accounting for only 2% of the state's population. As shown in Figure 3 on the next page, the striking feature of this area is the vast spaces between a few population centres, which themselves are not large. The dots in Figure 3 show that most of the jobs are strung along the north-south interstate highway. Few jobs are located away from the interstate, except in a few scattered towns. The population density of the region is 22 persons per square mile. In contrast, the state population density is 242 persons per square mile and Sacramento County's is 1,500. Furthermore, the population density of six of the 11 counties in NoRTEC is less than 10. The population is much less ethnically and racially diverse than that of the state and the education level, as measured by BA degrees or higher, is nearly 10 percentage points lower than the state average — 21.7% versus 30.2%. The region's economy has little employment in manufacturing or in technical or scientific services; its most prominent sector is health care and social assistance (See Table 6). The median household income for the service area is \$44,800, far below the state's median household income of \$61,632.

Figure 3. NoRTEC Workforce Investment Area



Source: U.S. Census, on the map.

Note: The dots on the map represent where the jobs are located within the Workforce Investment Area.

Michigan

Michigan's population of 9.9 million makes it the 8th most populous state in the United States, and its 96,716 square miles ranks it 11th in land area. The state's median household income is \$48,669, roughly \$5,000 below the national level. Known for the production of automobiles, Michigan is home to the top three domestically owned producers of automobiles. While auto assembly is concentrated in the southeast part of the state, the vast supply chain for these producers extends into other parts of the state and the broader Midwest region. In 2008, the Detroit Three automakers (e.g., General Motors, Ford, and Chrysler) along with foreign-based assemblers employed 190,700 workers nationally, while the country's motor vehicle parts manufacturers (primarily its first tier suppliers) employed 544,400 workers. Total employment would be even larger if the full range of industries that supply the auto sector, including second and third tier suppliers of everything from plastics to electronics, were included.

The auto sector in Michigan was hit harder during the recent recession than in the rest of the country. From 2008 to 2009, employment at the state's motor vehicle assemblers plunged 42.8% while its auto parts manufacturers cut 35.5% of their workers. Even before the recession, Michigan's auto industry was on a steady decline. Between 2000 and December 2007, Michigan lost 211,000 auto jobs, which is nearly three times the number of auto jobs lost during the recession. In 2000, Michigan's employment share of auto assemblers was around 33%; in 2009 it was below 25%. Auto parts employment in Michigan followed a

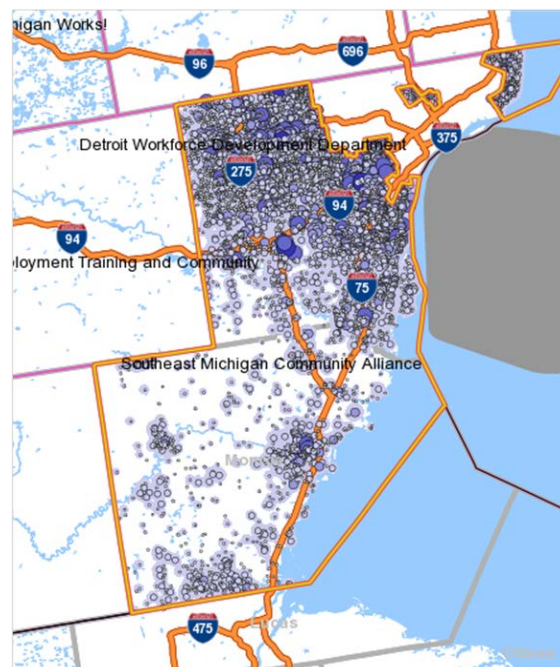
similar trend: its share fell from 27% in 2000 to below 20% in 2009. In recent years, Michigan's auto sector has stabilized and about 35,000 jobs have been restored, but the total number of auto jobs in the state is less than half the number in 2002. Consequently, many regions of the state, including the two case study areas, have suffered protracted employment losses due to structural changes in the auto industry.

South East Michigan Community Alliance

The two case study areas in Michigan are located in the eastern part of the state. The South East Michigan Community Alliance (SEMCA) is in the southeast corner, south and west of the City of Detroit. The service area includes Monroe County (population 151,000) and Wayne County except for the City of Detroit (population 1.1 million). The median household income of the service area is \$51,526. The region has historically depended upon the auto industry and has experienced significant losses during the past decade. Since 2002, SEMCA has lost 19% of its employment base. The number of jobs lost in manufacturing, particularly for SEMCA, has been difficult to replace. Between 2002 and 2011, SEMCA lost 44,000 of the 99,000 manufacturing jobs that were in the region in 2002. The health care sector, now equal in size to manufacturing, has gained only 3,800 jobs in the same time period. However, the average healthcare job is a poor replacement for manufacturing jobs in terms of incomes. Health care jobs pay on average only 60% of what the manufacturing jobs pay and many require more education than manufacturing jobs traditionally required. Even so, both regions still depend on manufacturing, although its share has declined over the decade.

As shown in Figure 4, the SEMCA Workforce Investment Area is west and southwest of the City of Detroit and within the Detroit Metropolitan Area. The jobs (as indicated by the dots on the map) within the service boundaries of the local WIB are concentrated in the west side of Wayne County and on the western side of the City of Detroit. Monroe County, south of Wayne County, has relatively few jobs.

Figure 4. SEMCA Workforce Investment Area



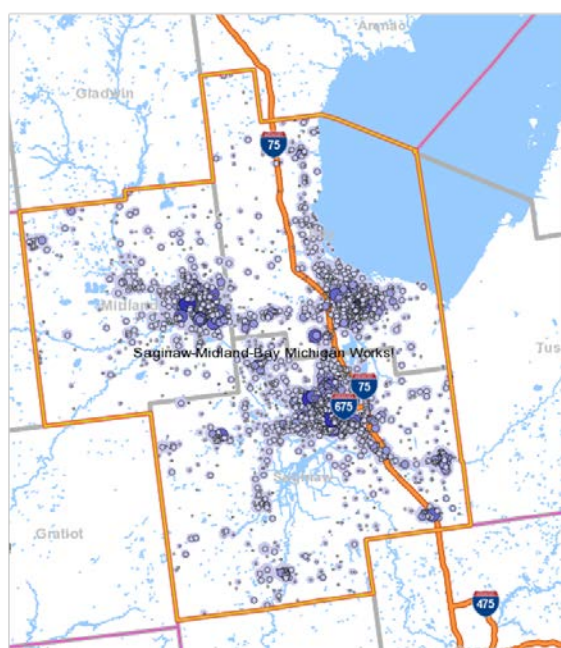
Source: U.S. Census, on the map.

Note: The dots on the map represent where the jobs are located within the Workforce Investment Area.

Great Lakes Bay Michigan Works

Great Lakes Bay Michigan Works (also known as Great Lakes Bay) is located near a bay on Lake Huron on the east side of the state, about 100 miles northwest of SEMCA. The service area includes the counties of Saginaw (population 200,000), Bay (population 107,000), and Midland (population 84,000), for a total population of 390,000. The area's median household income is \$46,000, nearly \$2,700 less than the state level. Jobs are located primarily in the three towns within the service boundaries of the local WIB: Bay City, Midland, and Saginaw. The three population centres are indicated in Figure 5 by the three clusters of dots, which represent jobs. Similar to SEMCA, this region depended heavily on the auto industry, and since 2002 total employment has fallen 8%. The region is also home to a large multi-national chemical company (Dow Corning), which has helped to stabilise employment in the area.

Figure 5. Great Lakes Bay Workforce Investment Area



Source: U.S. Census, on the map.

Note: The dots on the map represent where the jobs are located within the Workforce Investment Area.

Comparison across the four case study areas

Comparisons across the four local WIBs include demographics, labour force dynamics, commuting patterns, and industry structure. These four dimensions are important determinants of job creation. Personal characteristics and educational attainment are factors related to finding and retaining employment. A dynamic economy increases the creation of job opportunities and typically reflects a more resilient economy. Industry structure determinants a region's employment prospects and wage levels. This section also examines the characteristics and employment outcomes of participants enrolled in the WIA programmes within the four local WIBs. Finally, the results of an analysis of the relationship between skills supply and demand within the four study site areas are discussed.

Demographics

Residents of the four study areas vary in diversity and in educational attainment.

Table 3. Demographic Characteristics

| | California | SETA | NoRTEC | Michigan | SEMCA | Great Lakes Bay |
|----------------------------|------------|-----------|----------|-----------|-----------|-----------------|
| Population | 37 691 912 | 1 436 105 | 713 737 | 9 876 187 | 1 247 071 | 390 261 |
| <i>Of which:</i> | | | | | | |
| African American | 0.066 | 0.078 | 0.017 | 0.143 | 0.116 | 0.107 |
| Asian | 0.136 | 0.125 | 0.027 | 0.025 | 0.033 | 0.012 |
| Hispanic | 0.381 | 0.206 | 0.128 | 0.045 | 0.043 | 0.057 |
| High school or higher | 0.808 | 0.871 | 0.869 | 0.884 | 0.877 | 0.882 |
| BA or higher | 0.302 | 0.301 | 0.217 | 0.253 | 0.249 | 0.214 |
| Below poverty | 0.144 | 0.134 | 0.174 | 0.157 | 0.135 | 0.154 |
| Median Household Income | \$61 632 | \$56 500 | \$44 780 | \$48 669 | \$51 530 | \$45 980 |
| Land area (sq. miles) | 155 779 | 5092 | 31 743 | 56 538 | 3384 | 1758 |
| Population/sq. miles | 241 | 427 | 22 | 174 | 368 | 221 |
| Private nonfarm employment | 12 536 402 | 621 067 | 161 055 | 3 288 456 | 447 097 | 137 122 |

Source: U.S. Census.

SETA also has the most diverse population, with the three ethnic and racial population groups displayed in Table 3 accounting for 41% of the population. Hispanics comprise the highest proportion of the three groups, accounting for 20.6% of the total population and half of the three groups. Asians are the second largest of the groups, with 12.5% of the residents, which is the largest percentage of any of the four local WIBs. In contrast, the other three local WIBs have roughly the same proportion of the three groups, although the composition within the three groups varies. SEMCA and Great Lake Bay have the highest proportion of African Americans, and NoRTEC the lowest. Of the Michigan sites, Great Lake Bay has the highest proportion of Hispanics and the lowest proportion of Asians.

SETA has the most highly educated residents, according to the percentage with BA degrees or higher. 30% of SETA area adults have earned at least a BA compared with 21% for both NoRTEC and Great Lakes Bay. SEMCA registers a slightly higher proportion at 25%.

Commensurate with the education levels, SETA has the highest economic status, with a median household income of \$56,000 and a poverty rate of 13.4%. NoRTEC, on the other hand, has the lowest median household income and highest poverty rate, at \$44,780 and 17.4%, respectively. The two Michigan local WIBs are in between, with SEMCA closer to SETA and Great Lake Bay approaching NoRTEC.

Labour force dynamics

Labour force dynamics of regional economies run deeper than what can be measured simply by net employment change. A dynamic economy is one in which jobs are constantly created and destroyed, which may occur even when net employment changes very little. As shown in Table 4, even though each of the four local WIBs lost employment during the past decade and none has returned to the employment levels reached before the recession, jobs are still being created. For example, between 2007 and 2011, NoRTEC lost 10.1% of its employment, the largest decline of the four study sites. Yet, NoRTEC registered the highest job creation rate in 2011 of the four areas - 6.2%. The difference, of course, is the high rate of job separation (e.g. employment termination) as well. While experiencing the largest job loss, NoRTEC is the most dynamic of the four case study areas. SEMCA experienced the same job loss during the recession as NoRTEC, but its job creation rate is 1.6 percentage points lower than NoRTEC's. In contrast, Great Lakes Bay experienced the least job loss during the recession, only 3.5%, but its job creation rate of 4.8% is close to the lowest of the four local WIBs. Only SETA has a slightly lower rate at 4.6%. Measured by the turnover rate and the sum of job creation and separation rates, SETA was the least dynamic of the four sites in 2011 and NoRTEC was the most dynamic.

The four local WIBs reflect the national trend of a less dynamic economy coming out of the recession than going into it. The two state economies have similar dynamics in 2011 (not shown in the table). Both states lost the same percentage of jobs from 2007 to 2011—7.2%. Both had the same job creation rate in 2007—5.6%. However, by 2011 Michigan had a slightly higher job creation rate than California—5.9% versus 5.2%, whereas the separation rates were about the same, around 16.5%.

Table 4. Labour force dynamics of the four case study sites, 2007 and 2011

| | Number | | Share of total employment | |
|---|----------------|----------------|---------------------------|-------|
| | 2011 | 2007 | 2011 | 2007 |
| NoRTEC | | | | |
| Job Creation | 11 031 | 14 012 | 0.062 | 0.071 |
| New Hires | 24 001 | 34 493 | 0.136 | 0.175 |
| Job Separation | 31 471 | 44 826 | 0.178 | 0.228 |
| Turnover rate | 9.1 | 11 | | |
| Total employment | 176 943 | 196,867 | | |
| <i>% chg. in total employment 2007-2011</i> | <i>-0.101</i> | | | |
| SETA | | | | |
| Job Creation | 27 129 | 31 633 | 0.046 | 0.049 |
| New Hires | 80 686 | 101 506 | 0.137 | 0.158 |
| Job Separation | 89 760 | 117 275 | 0.153 | 0.182 |
| Turnover rate | 7.4 | 9.6 | | |
| Total employment | 587 427 | 642 977 | | |
| <i>% chg. in total employment 2007-2011</i> | <i>-0.086</i> | | | |
| Great Lakes Bay | | | | |
| Job Creation | 7 115 | 9 147 | 0.048 | 0.060 |
| New Hires | 17 312 | 21 297 | 0.117 | 0.139 |
| Job Separation | 24 063 | 27 169 | 0.162 | 0.177 |
| Turnover rate | 9.2 | 9.2 | | |
| Total employment | 148 257 | 153 617 | | |
| <i>% chg. In total employment 2007-2011</i> | <i>-0.035</i> | | | |

| | Number | | Share of total employment | |
|---|----------------|----------------|---------------------------|-------|
| | 2011 | 2007 | 2011 | 2007 |
| SEMCA | | | | |
| Job Creation | 28 039 | 29 466 | 0.059 | 0.056 |
| New Hires | 65 245 | 76 085 | 0.137 | 0.144 |
| Job Separation | 75 100 | 96 395 | 0.158 | 0.182 |
| Turnover rate | 8.8 | 9.5 | | |
| Total employment | 476 481 | 529 155 | | |
| <i>% chg. in total employment 2007-2011</i> | <i>-0.100</i> | | | |

Source: U.S. Census, Quarterly Workforce Indicators

Commuting patterns

Commuting patterns are important for at least two reasons. First, even though each local WIB has a specific geographic area it serves, the WIA programmes are available to anyone, regardless of where they live. Some participants may prefer to enrol in a programme that is close to home; others may prefer a programme close to work or former work site. Second, in working with local economic development organisations and educational institutions, the focus of the partnerships is attracting jobs and developing an adequate pool of talented workers. If the pool of workers is located predominantly outside the area and the jobs are within the local WIB region, or vice versa, then an effective partnership may need to include organisations from areas outside the local WIB region.

The commuting patterns for each of the four local WIBs are shown in Table 5. The information comes from a U.S. Census tool that records the location of work and home for everyone who is covered by the Unemployment Insurance system. The information included in the table and for most of the background data covers specifically the service delivery area of each of the local WIBs. The first entry in the table describes the number of employed people commuting into the region (these are people who work in the region but live outside it). The second entry is the number of people working and living in the region (non-commuters), and the third is the number of people commuting out of the region (people living in the region but working outside).

Table 5. Commuting patterns (inflows and outflows) of the four study sites, 2010

| | California | | Michigan | |
|---|-------------|------------|-----------------|-------------|
| | NoRTEC | SETA | Great Lakes Bay | SEMCA |
| Commuting into the region to work | 31 949 | 216 508 | 42 285 | 189 287 |
| Working and living in the region | 139 621 | 372 617 | 95 299 | 235 781 |
| Commuting out of the region to work | 41 952 | 188 472 | 41 379 | 251 468 |
| Total employed in region | 171 570 | 589 125 | 137 584 | 425 068 |
| Total living in region | 181 573 | 561 089 | 136 678 | 487 249 |
| <i>Share of total employed who are living and working in region</i> | <i>0.81</i> | <i>0.6</i> | <i>0.69</i> | <i>0.55</i> |

Source: U.S. Census, On the Map

With respect to commuting patterns, SEMCA and NoRTEC have more people living in the region than working there, whereas Great Lakes Bay and SETA have more people working in the region than

living there. Consequently, the first two could be considered “bedroom” regions while the latter two are considered “employment centres.” NoRTEC is the most self-contained local WIB of the four, with respect to the highest percentage of people employed and living within the region. This is to be expected because of the large area included in the NoRTEC region and the fact that the region does not border major metropolitan areas. SEMCA, on the other hand, has the lowest percentage of individuals working and living within its boundaries and consequently the highest percentage of commuters. SEMCA’s region is part of a large metropolitan area—Detroit—and thus many employment opportunities exist outside the area.

The implications of these commuting patterns are that a “bedroom region” such as SEMCA would benefit more by working closely with economic development organisations outside the region to help with job creation and retention, as well as or instead of working with other LWIAs in order to develop the pool of workers looking for jobs within the region. SEMCA works closely with a metropolitan-wide economic development agency. On the other hand, as a centre of regional employment, the SETA WIB would find more businesses and economic development agencies located directly within their service area, but they may need to reach out to surrounding local WIBs if people are more likely to visit one-stop career centres near where they live more so than where they work. SETA has informal but meaningful relationships with three neighbouring local WIBs as well as a partnership with the economic development organisation SACTO (as described earlier on pg. 30), which extends into four counties reflecting the broader metropolitan area.

Industry structure

Industry structure dictates the types of jobs in a region and the qualifications that workers must meet in finding employment. Table 6 shows that the four local WIBs differ in industrial structure. The Michigan local WIBs depend more on manufacturing than the California local WIBs. For example, nearly 20% of the jobs in the SEMCA region are in manufacturing, which is more than twice the national share. On the other hand, only 5% of the jobs in NoRTEC are in manufacturing, and SETA has an even lower percentage. With Sacramento the state capital, employment in SETA is heavily concentrated in public administration jobs. 20% of the jobs are directly related to state government and other local governments located in the region. This is the largest share by far of any of the four local WIBs. Retail trade and health care are the other two largest sectors for most of the local WIBs. While important sources of employment, jobs in these two sectors typically pay less than manufacturing jobs.

Table 6. Industry structure of the four study sites (share of total employment)

| | California | | Michigan | |
|---|------------|--------|-----------------|-------|
| | SETA | NoRTEC | Great Lakes Bay | SEMCA |
| Agriculture, Forestry, Fishing and Hunting | 0.4 | 3.2 | 0.3 | 0.5 |
| Mining, Quarrying, and Oil and Gas Extraction | 0.0 | 0.1 | 0.1 | 0.0 |
| Utilities | 0.9 | 0.8 | 0.5 | 0.3 |
| Construction | 4.0 | 3.0 | 3.9 | 2.9 |
| Manufacturing | 3.9 | 5.0 | 12.9 | 19.9 |
| Wholesale Trade | 2.7 | 2.3 | 2.8 | 4.2 |
| Retail Trade | 9.0 | 11.7 | 13.1 | 12.2 |
| Transportation and Warehousing | 2.1 | 2.4 | 1.6 | 2.8 |
| Information | 1.9 | 1.3 | 1.8 | 0.0 |
| Finance and Insurance | 4.3 | 2.7 | 3.7 | 2.8 |
| Real Estate and Rental and Leasing | 1.4 | 1.3 | 1.2 | 0.8 |

| | California | | Michigan | |
|--|------------|---------|-----------------|---------|
| | SETA | NoRTEC | Great Lakes Bay | SEMCA |
| Professional, Scientific, and Technical Services | 6.4 | 3.1 | 3.7 | 2.5 |
| Management of Companies and Enterprises | 1.6 | 0.8 | 2.2 | 0.7 |
| Administration & Support, Waste Management and Remediation | 6.0 | 3.1 | 6.7 | 5.5 |
| Educational Services | 8.7 | 12.5 | 8.1 | 9.8 |
| Health Care and Social Assistance | 11.9 | 17.7 | 19.7 | 14.2 |
| Arts, Entertainment, and Recreation | 1.5 | 3.0 | 1.0 | 1.6 |
| Accommodation and Food Services | 7.2 | 8.8 | 9.2 | 9.7 |
| Other Services (excluding Public Administration) | 6.2 | 6.5 | 3.8 | 3.1 |
| Public Administration | 20.0 | 10.7 | 3.8 | 5.5 |
| Total jobs | 583 416 | 185 098 | 146 463 | 449 467 |

Source: U.S. Census, on the map

Characteristics of the WIA programmes

As previously mentioned WIA is the largest publicly provided employment and training programme in the United States and establishes the structure for delivering these services throughout the state and local areas.⁸ Table 7 below provides the statistics on the number of programme participants, their personal characteristics, the primary services provided, and employment outcomes for the two WIA Adult programmes in the four case study areas. This table offers a snapshot of the characteristics and performance of programme participants in the four case study areas for programme year 2010. The number of participants in the two WIA adult programmes is proportional to the population of the regions, with some variation dependent upon local economic conditions and population characteristics. For all four regions, around 1% of the population participated in the two programmes. SETA has the highest percent for the WIA Adult programme, with 1.6% of the population in the programme, and SEMCA has the lowest at 0.07%. The number exiting the programme depends upon the ability of participants to find a successful outcome and the state's policy of when to exit from the programme when participants are unsuccessful. SETA has the highest exit rate at around 70% and Great Lakes Bay has the lowest at 33% for the WIA Adult programme. Similar differences are found for the WIA Dislocated Worker programme. With respect to services, SEMCA provided training to the highest percentage of participants (88.3% for WIA Adult and 65.6% for WIA Dislocated Worker). SETA provided training to the lowest percentage. In fact, both Michigan local WIBs provided training to a higher percentage of participants than the two California local WIBs. With respect to outcomes, the two California sites had lower entered employment rates and retention rates than the two Michigan sites. These rates, however, vary over time and depend upon local economic conditions and the qualifications of participants. Within SETA, African Americans are nearly four times more likely to participate in the WIA Adult programme and nearly three times more likely to participate in the WIA Dislocated Worker programme than their population share would suggest. Generally, the WIA Adult programmes enrol more economically disadvantaged individuals than the Dislocated Worker programme.

8. The Wagner-Peyser Employment Service enrolls far more people than the WIA programs but it provides only labor exchange services.

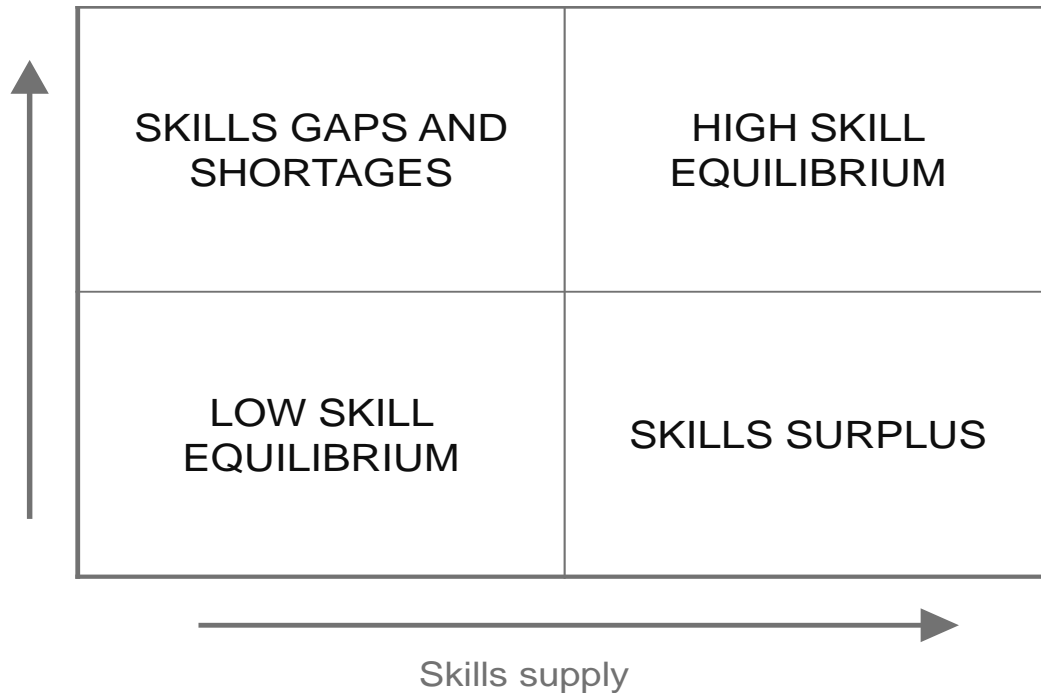
Table 7. Characteristics of WIA Adult programme participants and performance outcomes of the four study sites for programme, 2010

| | WIA Adult | | | | WIA Dislocated Worker | | | |
|--|-----------|----------|-----------------|----------|-----------------------|----------|-----------------|----------|
| | NoRTEC | SETA | Great Lakes Bay | SEMCA | NoRTEC | SETA | Great Lakes Bay | SEMCA |
| Number of participants | 1 345 | 9 826 | 1 539 | 2 553 | 1 249 | 4 002 | 1 294 | 3 735 |
| Number exiting the programme | 1 026 | 7 929 | 514 | 1 201 | 803 | 2 917 | 454 | 1 078 |
| Percentage of participants who are: | | | | | | | | |
| Female | 45.5 | 52.2 | 55.6 | 34.3 | 41.2 | 45.5 | 37.0 | 41.3 |
| White | 78.5 | 32.3 | 76.8 | 71.2 | 83.2 | 41.2 | 82.8 | 69.9 |
| Hispanic | 9.9 | 19.4 | 6.2 | 3.8 | 9.6 | 20.5 | 7.0 | 6.5 |
| African American | 1.9 | 34.0 | 14.2 | 18.2 | 0.9 | 24.6 | 7.9 | 20.1 |
| Asian | 3.4 | 9.4 | 0.2 | 4.7 | 2.9 | 10.3 | 0.2 | 1.4 |
| Less than high school | 10.6 | 14.4 | 2.2 | 1.1 | 6.4 | 9.3 | 1.1 | 1.4 |
| High school graduates | 54.0 | 47.7 | 24.3 | 32.6 | 56.7 | 45.4 | 30.8 | 44.5 |
| Some college education | 24.1 | 20.9 | 41.8 | 18.5 | 24.0 | 25.5 | 32.4 | 18.5 |
| BA or higher | 9.5 | 7.0 | 12.2 | 33.6 | 11.4 | 10.8 | 16.9 | 19.1 |
| Percentage receiving services | | | | | | | | |
| Intensive services | 63.8 | 99.9 | 79.2 | 93.1 | 89.7 | 99.9 | 96.5 | 80.4 |
| Training | 25.2 | 11.4 | 31.7 | 88.3 | 30.0 | 26.0 | 39.2 | 65.6 |
| Exiters' Outcomes | | | | | | | | |
| Entered employment rate | 76.7 | 40.5 | 97.9 | 91.9 | 80.0 | 44.4 | 99.2 | 95.0 |
| Retention rate | 78.3 | 75.6 | 90.7 | 91.2 | 77.6 | 76.2 | 96.7 | 95.3 |
| Average earnings | \$12 715 | \$11 870 | \$15 259 | \$13 558 | \$14 797 | \$13 934 | \$18 835 | \$18 625 |
| Local labour market characteristics | | | | | | | | |
| New hire earnings | \$7 277 | \$10 052 | \$7 997 | \$9 577 | \$7 277 | \$10 052 | \$7 997 | \$9 577 |
| Unemployment rate | 14.3 | 12.5 | 10.1 | 8.1 | 14.3 | 12.5 | 10.1 | 8.1 |

Source: WIASRD, PY 2010 and Quarterly Workforce Indicators, 2010Q3 through 2011Q2.

Balancing Skills Supply and Demand

Skills mismatches can build up at the local level, therefore it is important to looking at the balance between the supply and demand of skills. This is an important exercise for policy makers to determine what strategies are needed to attract future investment and growth. As part of its *Skills for Competitiveness* project, which was carried out in 2009, the OECD Local Economic and Employment Development (LEED) Programme developed a statistical tool to help understand the balance between skills supply and demand within local labour markets. According to this methodology, local economies can fall into four different categories: low skills equilibrium, skills gaps and shortages, skills surplus and high skills equilibrium.

Figure 6. Understanding the relationship between skills supply and demand

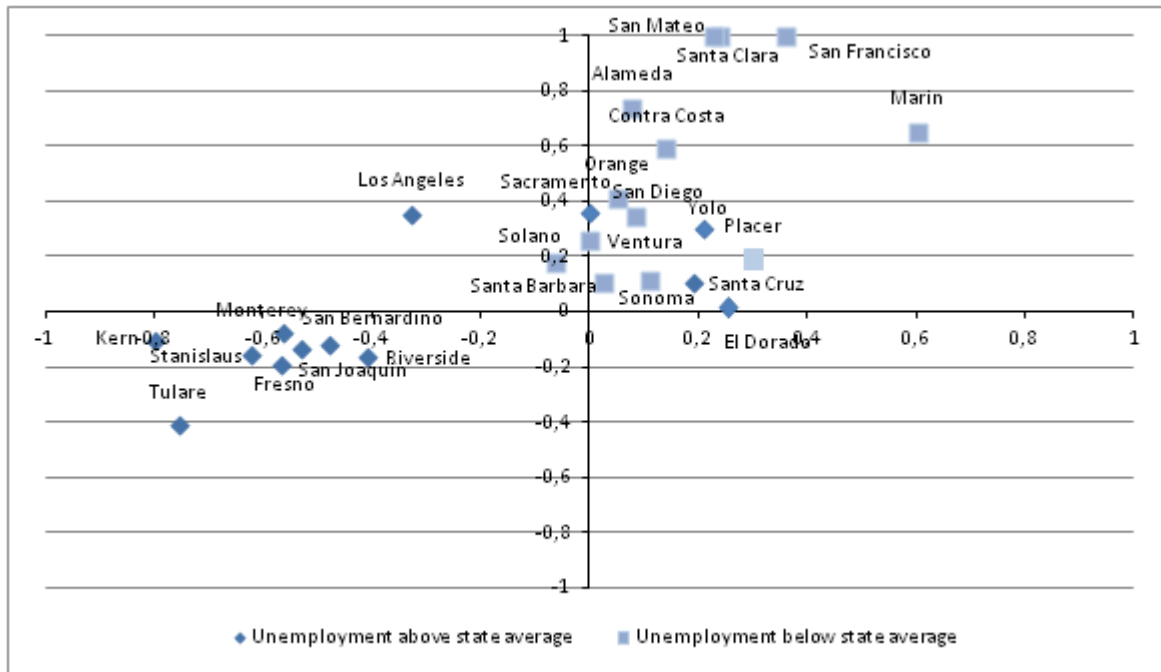
Source: Froy and Giguère, 2010.

As shown in the top-left corner (skills gaps and shortages) of Figure 6, demand for high skills is met by a supply of low skills, a situation that results in reported skills shortages. In the top-right corner, demand for high skills is met by an equal supply of high skills resulting in a high-skill equilibrium. This is the most desired destination of all high wage economies. At the bottom-left corner the demand for low skills is met by a supply of low skills resulting in a low-skill equilibrium. The challenge facing policymakers is to help move the local economy in a north-easterly direction towards the top-right corner. Lastly, in the bottom-right corner demand for low skills is met by a supply of high skills, resulting in an economy where what high skills are available are not utilised. This leads to the out-migration of talent, underemployment and attrition of human capital, all of which signal missed opportunities for creating economic growth.

Figures 7 through 10 show the relative performance of local counties in California and Michigan by metro and non-metro areas according to the relationship between skills supply (x axis) and demand (y axis) using the OECD LEED statistic diagnostic tool. The data used to populate the tool is from the U.S. Census and from the American Community Survey⁹. Counties are also mapped to the average state unemployment rate. Counties with an unemployment rate above the state average are marked with a diamond symbol, whereas counties with an unemployment rate below the state average are marked with a square.

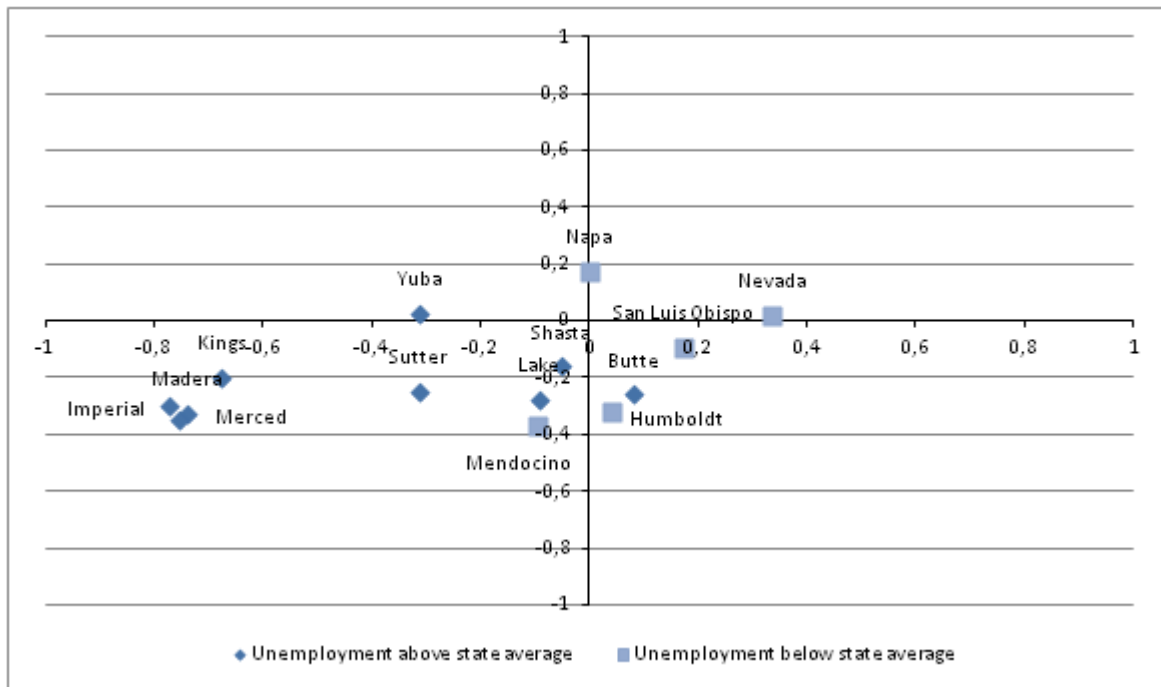
9. A detailed explanation of the methodology can be found in Froy, F., S. Giguère and M. Meghnagi/OECD (2012)

Figure 7. Skills Supply and Demand in California (Metro Areas), 2009



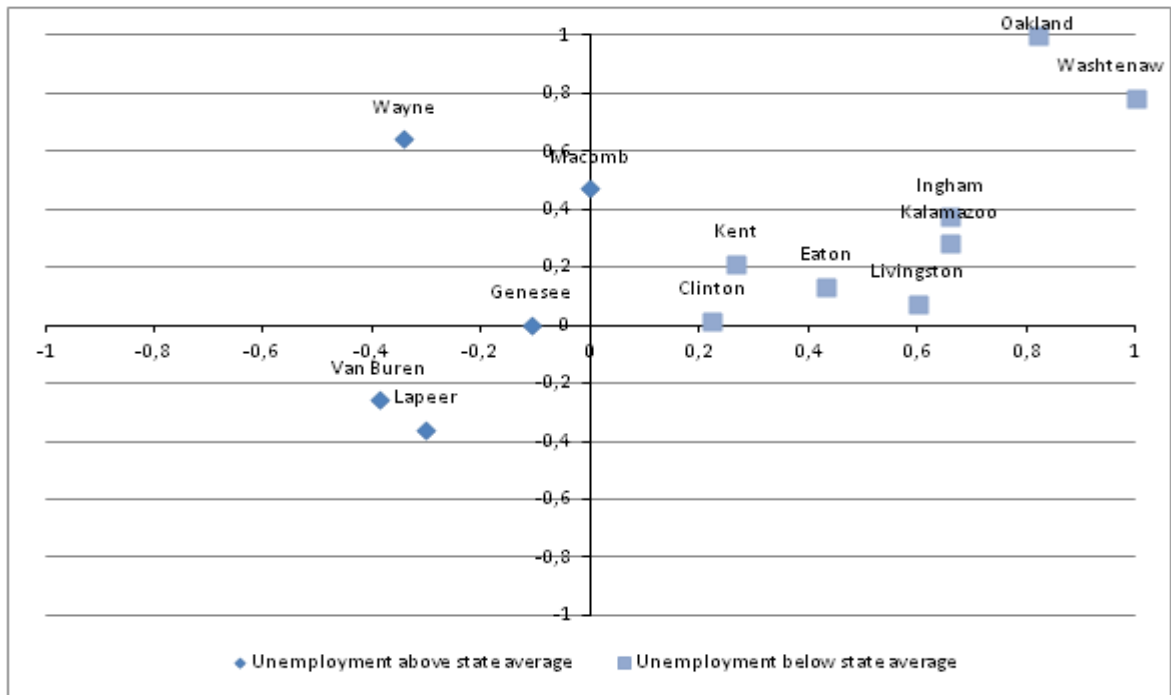
Source: analysis by the OECD LEED Programme, 2012.

Figure 8. Skills Supply and Demand in California (Non-metro Areas), 2009



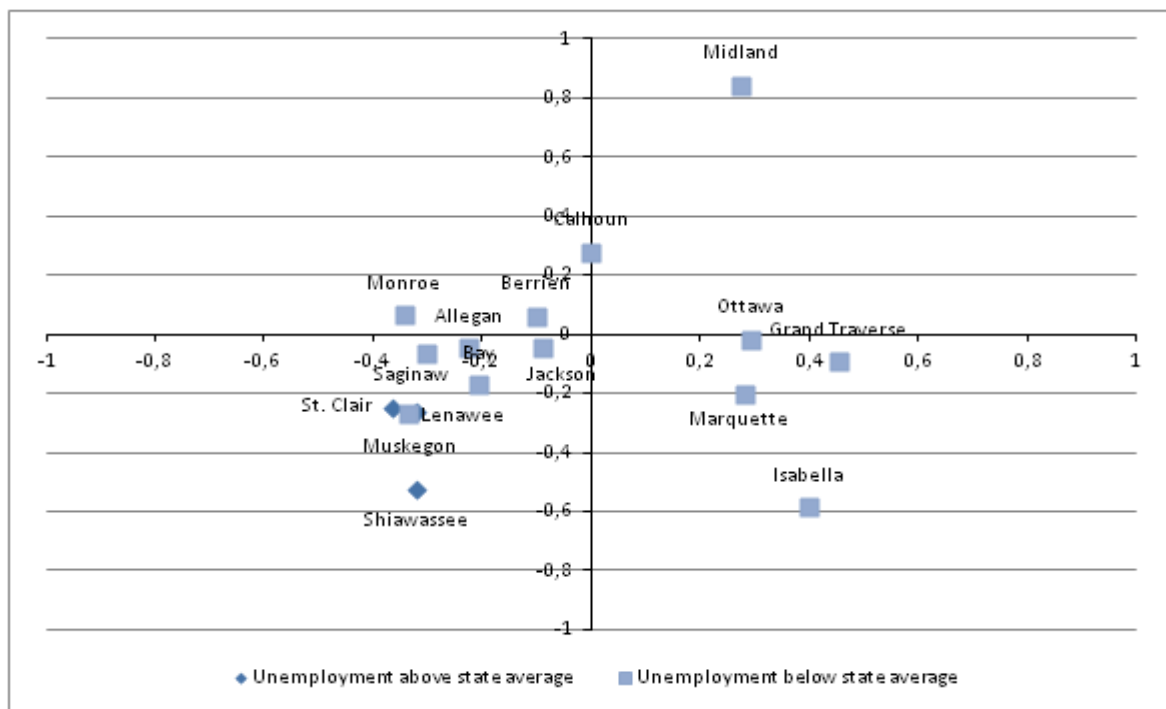
Source: analysis by the OECD LEED Programme, 2012.

Figure 9. Skills Supply and Demand in Michigan (Metro Areas), 2009



Source: analysis by the OECD LEED Programme, 2012.

Figure 10. Skills Supply and Demand in Michigan (Non-metro Areas), 2009



Source: analysis by the OECD LEED Programme, 2012.

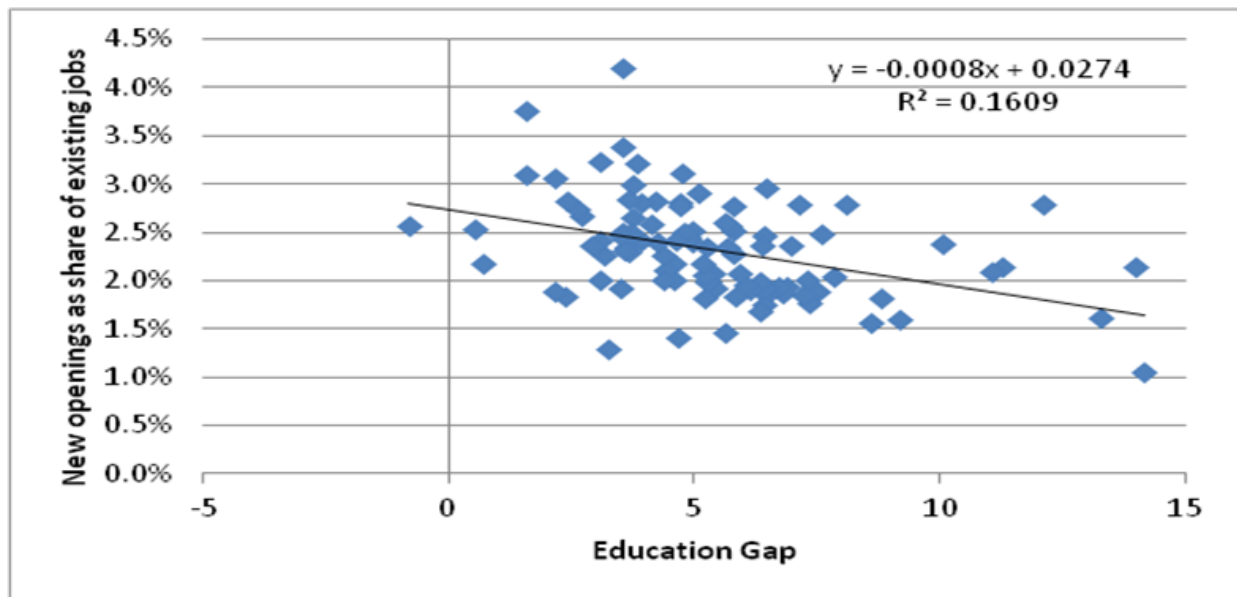
Applying this analysis to the four case study areas examined in this study, one can see that for SETA, there are four counties (El Dorado, Placer, Sacramento, and Yolo), which are located in the high-skills equilibrium quadrant, indicating that there is a relatively healthy fit between skills supply and demand. However, for Sutter and Yuba counties, they are positioned within the low-skills equilibrium quadrant, which indicates that there is a low supply of skills matched by a low demand from employers. For NoRTEC, this analysis has captured three of its eleven counties (Butte, Shasta, and Nevada). All three counties are trending towards the skills surplus quadrant, which indicates that there may be a higher supply of skills than demand for those skills from employers. Local areas in this quadrant need to look at opportunities to raise the demand for skills by working with employers to improve the utilisation of skills through greater work organisation and technology transfer, which will raise the quality of jobs in the region and ultimately its competitiveness.

For Michigan, the analysis shows that for SEMCA, both Monroe and Wayne counties are in the skills shortages quadrant, which would mean that there is a higher demand for skills by employers than supply. This may be attributable to the prevalence of manufacturing jobs within these communities and the job growth within the health care sector, which would require higher levels of skills. For Great Lakes Bay, Midland County is in the high-skills equilibrium quadrant, whereas both Saginaw and Bay counties are in the low-skills equilibrium quadrant.

The diagnostic tool also demonstrates that those regions in a high-skills equilibrium are less likely to have unemployment rates above the state average. While more analysis would be needed, this provides some evidence regarding the importance of aligning skills supply with demand for better economic outcomes. Other research on the issue of skills mismatch has been conducted in the United States. Similar to the findings in the OECD LEED diagnostic tool, a recent Brookings Institution report (2012) finds that regional skills gaps are associated with higher unemployment rates and lower job creation. The study measured the skills gap as the difference in the educational content of job openings and the educational content of employed workers in a region. According to this measure, metropolitan areas such as McAllen, Texas had the largest educational gap and Madison, Wisconsin the smallest.

Using data for 100 metropolitan areas for 2012 supplied by the Brookings study, it is evident from Figures 11 and 12 that the education gap is negatively correlated with job openings (as a share of total jobs) and positively correlated with the unemployment rate. The simple correlation between the education gap and job openings is -0.40 and between the education gap and unemployment is 0.68. Since this study examined only the largest 100 metropolitan areas in the U.S., only two of the four local WIBs (SETA and SEMCA) are included in the study, and they are included as part of their larger metropolitan areas. The Sacramento Metropolitan area had a measured gap of 6.4% and an unemployment rate of 10.4% at the time of the study. The Detroit Metropolitan area had an education gap of 5.8% and an unemployment rate of 9.9%. The job opening shares for the two metro areas were 1.9% for Sacramento and 2.3% for Detroit. For comparison, of the 100 metro areas, the highest job opening share is 4.2% (Ft. Myers, FL) and the lowest is 1.1% (McAllen, TX). Modesto, CA suffered the highest unemployment rate (15.6%, recorded May 2012), and Omaha, NE enjoyed the lowest (4.2%).

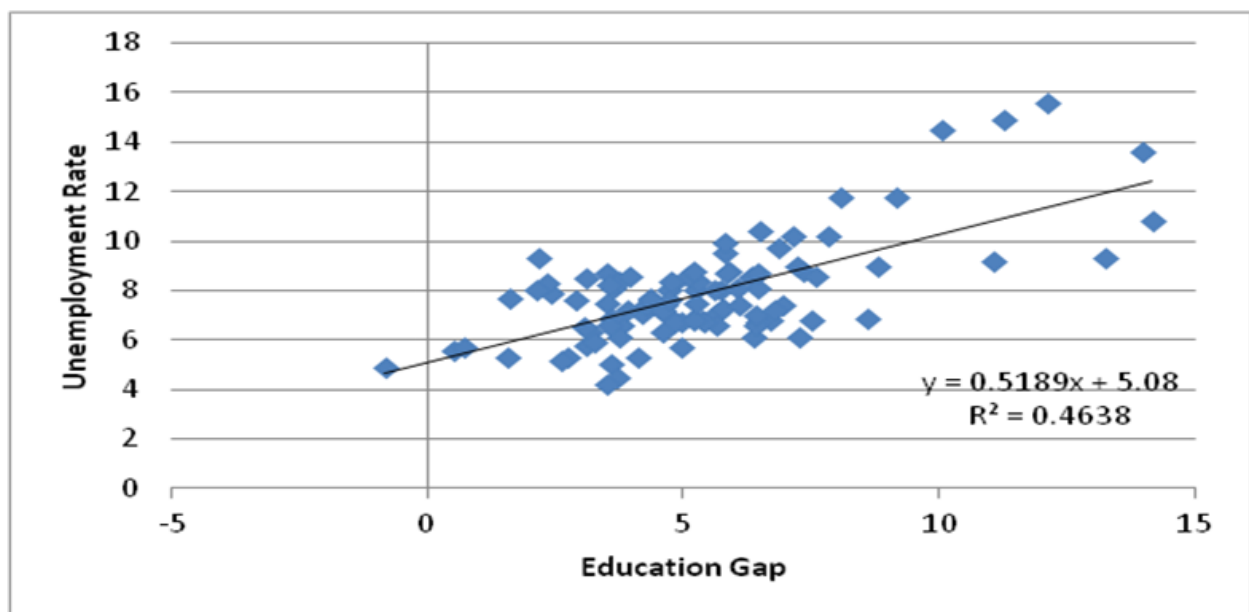
Figure 11. Correlation between the education gap and the share of new job openings among U.S. metropolitan areas



Note: Data are from 2011 and 2012 and the dots represent metropolitan areas. Only the largest 100 metropolitan areas are included.

Source: Author analysis of data supplied by Rothwell, 2012.

Figure 12. Correlation between the education gap and the unemployment rate among U.S. metropolitan areas



Note: Data are from 2011 and 2012 and the dots represent metropolitan areas. Only the largest 100 metropolitan areas are included.

Source: Author analysis of data supplied by Rothwell, 2012.

Summary

This section has provided information on the four local WIBs examined in California and Michigan. Within both states, the local WIBs face a number of challenges which have been brought on by the recent economic downturn – some of which already existed due to long-term sectoral changes but have been exacerbated by recent economic events. The purpose of this study is to examine the policy responses that have been put in place to help create quality jobs and to explore how key stakeholder organisations work within the structure of their policy and programmatic environment.

The next section of this report provides the key findings from the study in relation to the application of the Local Job Creation dashboard, which analyses the ability of the local level to contribute to sustainable job creation under four thematic areas: 1) Better aligning policies and programmes to local economic development; 2) adding value through skills; 3) targeting policy to local employment sectors and investing in quality jobs; and 4) inclusion.

LOCAL JOB CREATION DASHBOARD

This section of the report provides a brief overview of the Local Job Creation dashboard and methodology. After briefly describing the methodology, findings are discussed in relation to each thematic area of the study in both California and Michigan. As mentioned earlier in this report, the OECD LEED Programme has developed a set of thematic areas on which local stakeholders and employment and training agencies can focus to build sustainable employment growth at the local level. The Local Job Creation dashboard assesses the ability of the local level to contribute to local job creation along these identified thematic areas. Under each area, there are four priorities that are assessed (see Box 4 below).

Box 4. OECD LEED Local Job Creation Dashboard

1. Better aligning policies and programmes to local economic development
 - 1.1. Flexibility in the delivery of employment and vocational training policies
 - 1.2. Capacities within employment and VET sectors
 - 1.3. Policy co-ordination, policy integration and co-operation with other sectors
 - 1.4. Evidence based policy making
2. Adding value through skills
 - 2.1. Flexible training open to all in a broad range of sectors
 - 2.2. Working with employers on training
 - 2.3. Matching people to jobs and facilitating progression
 - 2.4. Joined up approaches to skills
3. Targeting policy to local employment sectors and investing in quality jobs
 - 3.1. Relevance of provision to important local employment sectors and global trends and challenges
 - 3.2. Work with employers on skills utilisation and productivity
 - 3.3. Promotion of skills for entrepreneurship
 - 3.4. Economic development promotes quality jobs for local people
4. Inclusion
 - 4.1. Employment and training programmes are geared to local “at-risk” groups
 - 4.2. Childcare and family friendly policies to support women’s participation in employment
 - 4.3. Tackling youth unemployment
 - 4.4. Openness to immigration

Methodology

The OECD LEED Programme developed a standardised methodology (Froy et al, 2010c), which included a range of policy and programme questions about local job creation policies across employment, vocational education, and economic development fields. Information was gathered by researching programme and policy documents as well as interviewing key local stakeholders. A national expert within the United States interviewed two sets of stakeholders: first, public officials working in employment, skills and economic development; second, representatives of the local social partners plus other key local informants.

From these various inputs, a value between 1 (low) to 5 (high) is assigned to each of the four priority areas (16 total) under the themes of the project. This value corresponds to the relative strengths and weaknesses of the local policy approaches based on OECD LEED research and best practices in other OECD countries.

The questions in the methodology relate to policy and programmatic issues as well as the capacity of employment and training agencies with respect to both staffing and funding resources. Responses to the policy and programmatic questions assess whether or not a policy or program is in place to address a particular need. They do not assess whether or not enough resources are available to provide services to everyone who needs assistance or is eligible for the services. For example, although publicly funded training is available through WIA and other programmes, this does not mean that there is sufficient capacity to provide training to everyone who could benefit from such intervention.

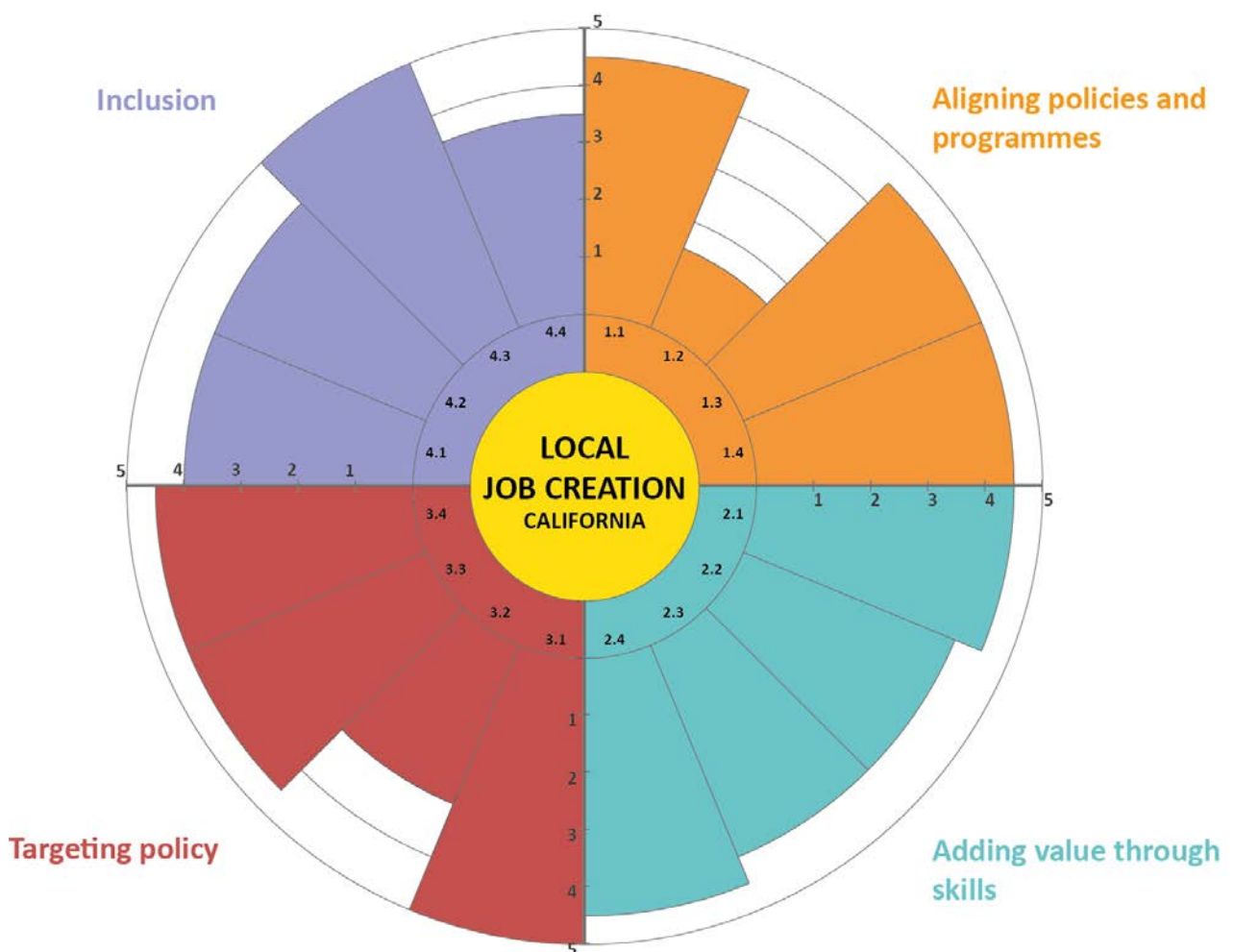
In the following sections on California and Michigan, each of the four priority areas within each theme is presented and discussed sequentially, accompanied by an explanation about the results. Results are presented graphically as a dashboard showing a value of 1-5 for each priority area that was assessed.

KEY DASHBOARD FINDINGS FOR CALIFORNIA

Overall Findings

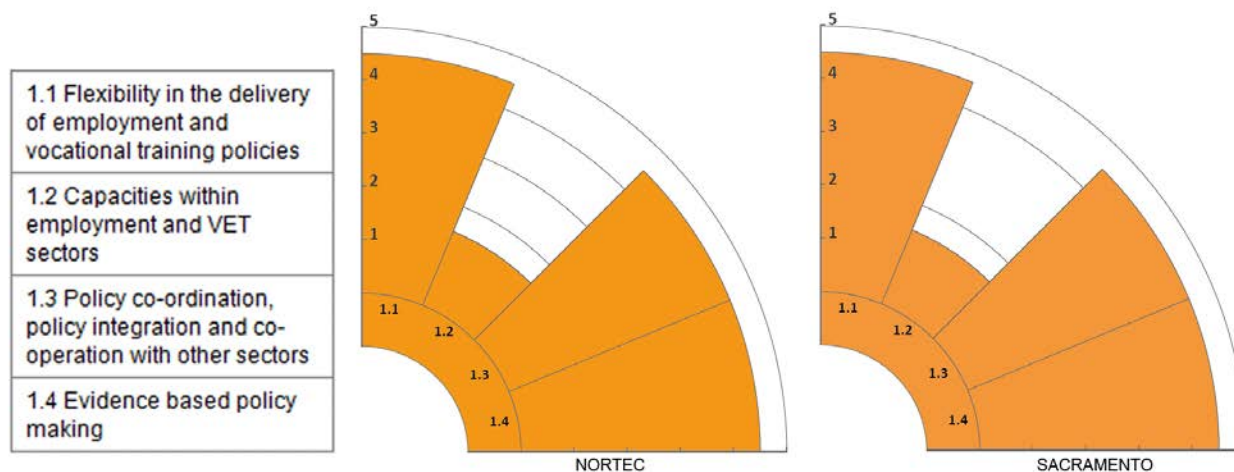
This section describes the key findings of the study in California. The findings are presented by each thematic area of the study and associated 16 priority areas. Figure 13 shows the overall dashboard for California based on the strengths and weaknesses of policy approaches taken to support sustainable job creation at the local level.

Figure 13. Local Job Creation Dashboard: California



Theme 1: Better aligning policies and programmes to local economic development

Figure 14. Dashboard Results for Theme 1: Better aligning policies and programmes to local economic development



Summary of findings: Better aligning policies and programmes to local economic development

- 1.1: The two local WIBs in California appeared to make good use of the flexibility afforded them through the structure of WIA and the waivers granted from the federal to the state level to increase local flexibility.
- 1.2: A challenge facing the two local WIBs is the lack of sufficient funding to meet the needs of job seekers and employers, especially after trying to serve the influx of participants during the recession. Local stakeholders consulted for this study agreed that the capacity of the workforce system, not only in the amount of services offered but also the quality of staff, has been reduced.
- 1.3: Both local WIBs saw their priority to be finding innovative and effective ways of meeting the needs of job seekers and businesses in their area with a “dual customer” approach. In addition to providing employment and training services, they demonstrated strong leadership in the community by forging partnerships with key stakeholders in order to align policies and practices and to leverage resources.
- 1.4: Both local WIBs relied heavily on data analysis to design and manage programmes. Moreover, they used data within the partnerships to hold each member accountable to the group and to have meaningful conversations about how success by one organisation can help other organisations within the partnership succeed. However, SETA (referred to as Sacramento in the graphic above) appeared to have better access to data and analysis than NoRTEC, primarily because of the greater resources in the Sacramento area.

1.1. Flexibility in the delivery of employment and vocational training policies

Both SETA and NoRTEC regions perform well with regard to flexibility. SETA is responsible for planning, policy, and oversight of a system of 11 one-stop career centres in the region. The 41-member volunteer local WIB submits a five-year plan for state approval, which outlines its strategies for addressing the needs of the local area, workers and employers. SETA works closely with more than 40 partners to provide resources and services to employers and job seekers in Sacramento County. SETA subcontracts all employment and training services to local organisations. Operations of each of the one stop career centres are also subcontracted to outside organisations. Individuals who are determined eligible for training are given individual training accounts to pay for training at any one of nearly 75 training providers in the

region, including community colleges and private training facilities. Funds are also available to help businesses defray the cost of providing training to their incumbent (i.e. employed) workers. These funds are available through at least two sources — WIA funding and the California Employment Training Panel. WIA funds require an employer match while the latter is a state-based initiative paid for out of a dedicated payroll tax that provides job training to update the skills of workers to ensure that California has the skilled workers they need to compete globally. Both programmes are customised to meet the needs of workers and businesses.

NoRTEC operates in a similar fashion. It is responsible for the operation of 18 one stop career centres throughout its vast and diverse 11-county region. NoRTEC delegates significant authority to the local one-stops, allowing them to make decisions in the design of programmes and delivery of services that best meet the needs of local customers. While coordination is challenging, the NoRTEC WIB and Governing Board provide planning and oversight and routinely communicate with the one-stops through emails and at least weekly phone calls. In addition, the local WIB director spends considerable time traveling to the various locations for face-to-face meetings. Despite the challenges related to distance, there appears to be close relationships between the local WIB director and the one-stop operators.

Flexibility in delivering employment and training programmes is enhanced through the use of state-level waivers (see Box 5). While waivers offer greater state-wide flexibility, some local WIBs indicated that state-imposed requirements impeded their ability to meet the needs of local workers. One such legislative action, SB 734, mandates that 30% of WIA funds should be spent on training. With tight budgets and the influx of workers needing job search assistance as a result of the recession, local officials have expressed concern that the more expensive training services crowd out services for others and reduce their capacity to serve their local constituents.

Box 5. Waivers through the U.S. Department of Labor

California at times requests waivers from the U.S Department of Labor (USDOL) on certain federal regulations regarding the administration of WIA that the state asserts hampers its ability to respond in effective and innovative ways to the needs of job seekers and employers. Once USDOL grants waivers to the state, local areas are implicitly granted these waivers as well. Currently, California has at least eight waivers in effect. These include, among others, allowing more flexibility in determining an employer's contribution for WIA incumbent (i.e. employed) training, permitting local areas to use a portion of WIA Adult and Dislocated Worker local funds for incumbent worker training, and increasing the allowable transfer amount between WIA Adult and WIA Dislocated Worker funding streams to a local area.

In addition to financial audit requirements, the accountability of the local workforce system is based upon performance outcomes. WIA mandates that performance outcomes reflect the employment outcomes of programme participants.¹⁰ Three measures are used: the percentage of programme leavers who find a job, the percentage who retain their jobs, and average earnings levels of those finding and retaining jobs. The inclusion of earnings as a third performance measure provides a way to determine the quality of the jobs. The U.S Department of Labor (USDOL) sets national goals and negotiates targets with each state for each of the three common performance measures. The state then negotiates targets with each local WIB in the state. These goals and metrics are used for decision making and accountability. The contracts with the service providers also include performance targets based on these three outcomes.

10 . WIA also requires performance outcomes related to credentialing and educational attainment.

1.2 Capacities within employment and VET sectors

The primary issue facing both SETA and NoRTEC is insufficient funds to meet the needs of those eligible for the workforce programmes. Since funds flow primarily from the federal workforce programmes, this is an issue facing most local WIBs. Even with funding from the American Recovery and Reinvestment Act (the federal stimulus programme from 2009 Q2 through 2011 Q2), expenditures per participant of the WIA Adult and Dislocated Worker programmes were much lower during that time than before the recession, and currently without the Recovery Act money, expenditures per participant are even lower.

While WIA and the Wagner-Peyser Employment Service provide universal access to employment and training services, funds are limited so not everyone receives the services that they may need. Funds received by the state from USDOL are allocated to local areas based on formulas reflecting local characteristics. For the WIA Adult programme, the formula considers the number of unemployed individuals in areas of substantial unemployment, the relative excess number of unemployed individuals, and the relative number of disadvantaged adults. For the WIA Dislocated Worker programme, the formula is based on unemployment insurance claims and the unemployment rate. Consequently, the funds are not tied to the number of people who are enrolled in the programme nor are the funds allocated so that a prescribed level of service per participant is guaranteed. This approach differs from that used to fund the Unemployment Insurance system, for example, in which all eligible claimants are entitled to a certain weekly benefit. Therefore, situations occur in which employment and training funds are not sufficient to meet demand.

The lack of capacity relates to the number and skill level of staff. Local stakeholders cited the need for more case workers as well as the perception that the quality of staff has been compromised because of lack of funding. For the most part, no additional funds are available to hire staff; local WIBs must take their administrative expenses out of the general allocation. This may provide local WIBs with more flexibility in allocating funds, but when funds are tight and priorities dictate using funds for services to job seekers and employers, other budget items are squeezed. The state actually requested and received a waiver from the USDOL that exempted the state from evaluating its workforce programmes so that all available funds could be used for activities deemed most essential to activities of the workforce system.

1.3 Policy coordination, policy integration and cooperation with other sectors

Cross-sector policy coordination takes place through the actions of local WIBs and their partnerships with local community colleges and economic development agencies. According to its mission statement and conversations with its staff, SETA asserts that partnering with the workforce community is critical to serving regional employment needs. The region benefits from several key organisations within the workforce, educational, and economic development arenas that work closely with one another. These include, but are not limited to, SACTO, Valley Vision, and the Los Rios College District. Key leaders from each organisation meet regularly, formally and informally, to discuss ways to collaborate and coordinate efforts. The establishment of personal relationships and trust among partner leaders means that organisations are only a telephone call or email message away. Particularly noteworthy is that four local WIBs came together to develop integrated plans for the broader Sacramento region. In addition, community colleges work closely with businesses in designing training curricula to meet the needs of business and are flexible in meeting the needs of non-traditional students.

NoRTEC also works closely with the regional community colleges in its service area to design training programmes. Collaboration with the private sector is facilitated by six staff members who continually call on businesses to inquire about the type of skills businesses require. Community colleges carry out specific surveys that assess workforce skills. They also conduct focus groups and pursue other

means to obtain and follow current local conditions. Policy integration among these organisations is based particularly around sector initiatives. The Alternative Fuel and Vehicle Sector Initiative is a recent example. It promotes the development and deployment of alternative fuels and vehicles and other products that directly reduce greenhouse gas emissions creating jobs and economic growth. Partners include the City of Chico, County of Butte, Butte College and the California State University, Chico, and several others. In addition to acting as a catalyst for forging local partnerships among existing organisations, NoRTEC also steps in to help facilitate activities in areas where the region may be lacking in capacity. For instance, the NoRTEC region does not have the same strength and capacity in providing economic development services as in found in the Sacramento region. Therefore, NoRTEC may directly provide such activities, when necessary, instead of partnering with organisations that provide such services. Stakeholders in the NoRTEC region expressed some frustration with the lack of alignment within the educational community, particularly between high schools and community colleges. More generally, NoRTEC has extensive experience in forging partnerships. It competed for and was chosen as one of 39 WIRED regions in the country. WIRED (see Box 6) was a programme of the U.S. Department of Labor that encouraged through financial support and technical assistance the formation of partnerships among key workforce development, economic development, and educational institutions in the region.

Box 6. WIRED

WIRED (Workforce Innovation in Regional Economic Development) was an initiative of the U.S. Department of Labor for the purpose of fostering collaboration among key stakeholders in designated regions and encouraging other activities in order to achieve the following goals:

- Regional Economic Development: fueling regional economic competitiveness
- Regional Collaboration: creating highly networked communities that are key to supporting innovation and the economic growth process
- Workforce System Transformation: Developing an integrated approach to workforce and economic development and education
- High-Skill High-Wage Jobs: expanding employment and advancement opportunities for workers and catalysing the creation of high-skill and high-wage opportunities
- Disadvantaged Populations: expanding opportunities to increase the work skills and work readiness of low-wage workers.

The U.S. Department of Labor selected 39 regions through a competitive grant process. Each successful region was given up to \$15 million over a three-year period with an overall outlay of \$325 million. Each WIRED region determined their own regional boundaries, set their own specific objectives, developed their own strategies and implemented initiatives to meet those objectives based upon their understanding of their assets, challenges and opportunities. Typically, WIRED regions chose specific objectives that aligned workforce investment, economic development, and educational initiatives. Each region could use the grant funding to support their initiatives, and they were expected to leverage those funds with other private and government sources. Local WIBs were central to the success of a WIRED region by acting as a catalysing agent for the initiatives. In addition, the engagement of businesses was also critical for success. The final report of the external evaluation of WIRED derived several lessons from the WIRED experience, three of which relate directly to the local WIBs:

- Local WIBs are important partners in regions that seek to integrate economic, education, and workforce systems, although in many cases local WIBs are in an early stage of understanding how to incorporate this role into their organisations' missions;
- Some of the leadership and management skills needed to manage the work of local WIBs and one-stops may be transferrable to coordinating the work of regional organizations; and

- The current array of performance measures used to assess the effectiveness of local WIBs and one-stops act as a disincentive for local WIBs to become fully engaged in capacity building and systems-building efforts because they do not acknowledge these activities.

Source: Workforce Innovation in Regional Economic Development, National Evaluation, Volume I: Cross-Generational Findings, Berkeley Policy Associates, Draft of August 16, 2011.

State-level policy and practice encourages and supports the pursuit of such coordination and collaboration. The 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. Many workforce issues outside the reach of WIA eligibility and funding require collaboration in support of employer-sponsored training. This collaboration is further enhanced through the state board's committee structure. Most of the California agencies involved in the public workforce system are within the Governor's administration, with the exception of the California Department of Education and the California Community Colleges Chancellor's Office. Members of the state board's committees include representatives from Local Workforce Investment Areas, business leaders, local and state partner entities, and key stakeholders that have a vested interest in workforce issues. The state board also expands on current efforts to assist in improving operational collaboration among state entities. Using the Governor's WIA 15% discretionary funds, the state board negotiates contracts with key state partner agencies in the workforce system, such as the California Department of Education and the Chancellor of California Community College Office. These joint agreements engage the educational system, including the Adult Education and Family Literacy Programme, as active participants in state and local WIA systems development, programme operations, and service delivery.

1.4 Evidence-based policy making

WIA requires state and local plans to include an analysis of local economic conditions and the needs of local customers. The Employment and Training Administration (ETA) of the U.S Department of Labor also requires that states include in their strategic plans a description of the economic conditions of the state in order to identify the critical businesses and industries, population and workforce trends, and the economic challenges facing the state (TEGL 21-11, March 27, 2012, p. 8). Furthermore, ETA expects states to carefully interpret economic information and not simply include a compilation of numerous data tables. Similar requirements are expected of local areas. SETA has met if not exceeded these requirements with rigorous analyses of various aspects of their local economy beyond what is easily obtained through the state's labour market information agency. For example, SETA utilizes the rigorous analysis conducted by the Sacramento Area Commerce and Trade Organisation's (SACTO) in-house research centre, the Centre for Strategic Economic Research. The Centre 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 analysis conducted by the community college system's Centres of Excellence, which support business and industry through its nationally recognized industry reports. The Centres' regional and local labour market research and data and their environmental scans and customised reports are used to access current, relevant labour market information about wages, career ladders and the offerings currently provided by community colleges.

The data are used in strategic planning and in helping customers make better informed decisions. Each year, SETA's board reviews the labour market projections provided by the California Employment Development Department's Labour Market Information Division, the Centre of Excellence at Los Rios Community College District, and SACTO's Centre for Strategic Economic Research to update the occupational content of the regional Critical Occupational Clusters list. This list provides guidance to job seekers and customers utilising the one stop career centres in their search for long-term, career oriented employment in the region. In addition, it provides education and training agencies, as well as local

employers with information on occupations that will provide the best employment opportunities in the region. The list also assists one stop staff in identifying relevant training programmes for those demand occupations that will, in turn, provide customers with scholarship training opportunities. Labour Market forecast information is made available to the public through CareerGPS.com, a website developed by SETA, which includes current, detailed information about which jobs are in high demand in the Sacramento Region, how much they pay, what type of education or training is recommended, and where the public can go to get it.

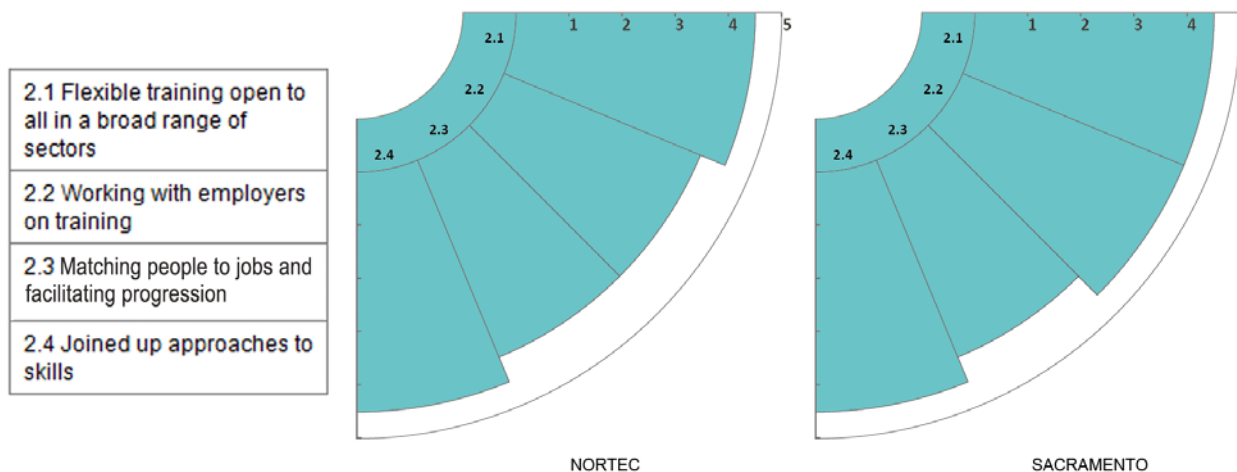
SETA also provides a Green jobs forecast to help monitor and inform its Green Workforce Initiatives and partnerships focused on providing unemployed and underemployed individuals with entry-level or advanced training to qualify for Green jobs. The Sacramento area is considered a leader in California's Green economy initiatives.

While perhaps not having access to the same level of analytical capabilities as found in Sacramento, NoRTEC is also data driven in its decision making. They have developed a sophisticated set of indicators to track their progress, including developing a return on investment (ROI) procedure and estimate. They even estimate the impact of filling job openings. Many of these studies and indicators are developed through contracts with the community college system's Center of Excellence and with outside consultants. NoRTEC sponsored a recent survey of health occupations in Northern California. The report is intended to assist community colleges in understanding the current challenges related to the supply and demand of health occupations in the Northern Coastal and Northern Inland regions. The study provides a detailed overview of the health care industry with a specific focus on high demand occupations and potential training gaps.

California manages client information for the WIA and Wagner-Peyser Programme through the California Job Opening Browse System (CalJOBSSM). This is the state tool for tracking and reporting universal access services. The WIA programme is managed through the state administered Job Training Automation (JTA) system. Use of the JTA system for compliance reporting is mandatory for all entities that receive WIA funds. Whether other partners exclusively use the JTA system is determined at the local level.

Theme 2: Adding value through skills

Figure 15. Dashboard Results for Theme 2: Adding value through skills



Summary of findings: Adding value through skills

- 2.1: The two local WIBs in California and their educational partners provide a wide range of training courses for both job seekers and incumbent (i.e. employed) workers, however, training is typically considered the last step in assisting someone that is experiencing difficulty finding a job.
- 2.2: Both local WIBs work closely with businesses, economic development organisations and community colleges to provide flexible training that meets the needs of local businesses. When comparing the two local WIBs, SETA has more economic development and community organisations than NoRTEC, which enables the local WIB to reach out to more businesses and work with community colleges to design appropriate training.
- 2.3: WIA provides incentives within the workforce system to match people to quality jobs. Two of the three common measures address quality jobs, as measured by the length of time employed and the earnings received while employed.
- 2.4: The vast and diverse region under NoRTEC makes it difficult at times to achieve the critical mass of people and organisations necessary to design and carry out effective economic development programmes. Nonetheless, local stakeholders in the NoRTEC region have the same strong commitment as those in the Sacramento area to retaining and attracting talent.

2.1. Flexible training open to all in a broad range of sectors

The two local WIBs and their educational partners provide a wide range of training courses for both job seekers and incumbent (i.e. employed) workers. WIA offers the opportunity for training to those who meet certain eligibility requirements. However, training is typically considered the last step in assisting someone in the programme that is experiencing difficulty finding a job. More specifically, a person is eligible for training if that individual has received at least one intensive service (which could include an individual employment assessment) and is determined unable to obtain employment through those services alone, has been determined by a one-stop staff person to be in need of training services and has the qualifications to successfully complete the training, select a programme that is directly linked to available employment in the area, and is unable to obtain grant assistance from other sources. Low-income and

disadvantaged workers along with veterans are given priority for training funds, unless the local WIB determines that funds are not limited, which is seldom the case.

Individual training accounts (ITAs) are established for those who are eligible for training. Prospective trainees can choose from an extensive list of eligible training providers, who qualify for that list after meeting specified eligibility requirements. These providers include community colleges and private training institutions. Most of the cost of training is covered by the ITA or by a WIA voucher. Classes are typically held at times that accommodate students' schedules. The training modules are often less than six months in duration, and most courses offer some type of certification or credential.

State-wide, California has 112 community colleges that serve over 2.4 million students annually. The Sacramento region is served by the Los Rios Community College District. More than 90,000 students are enrolled in its four two-year colleges offering degrees and certificates in more than 70 career fields. The NoRTEC region has five community colleges. These colleges offer a wide range of career fields but not as many as the colleges in Sacramento. However, the recent recession and accompanying fiscal crisis has reduced the capacity of community colleges to serve students and businesses. The Chancellor of the Community College system recently released a study that documents the effect of budget cuts on enrolment and access to classes. The study reported that enrolment has declined from 2.9 million to 2.4 million, and 470,000 students began the fall semester on waitlists, unable to get the courses they wanted. Local stakeholders in SETA expressed concern about the reduced capacity of community colleges to serve their local area because of the budget cutbacks.

Like most community colleges in the California system, the community colleges in the NoRTEC region have special programmes for businesses. Administered through the local community college's Office of Workforce and Economic Development, they provide customised training for businesses and individual courses for employees, with financial support coming from WIA funds as well as other sources. Businesses appear to work closely with the colleges and NoRTEC to tailor classes to meet their needs. NoRTEC has six business representatives that work with businesses to understand their needs and to function as a liaison between businesses and other organisations offering services in the region. One reason for reaching out to businesses directly and not partnering with other organisations to do so, an approach more prevalent in SETA is the smaller number of economic development organisations in the NoRTEC region.

SETA and the state offer several incumbent (i.e. employed) worker programmes, and the demand for such training appears to be increasing. On-the-job training (OJT) programmes are supported with WIA funding. To accommodate the increased demand, the state recently was granted waivers to offer up to 90% wage reimbursement to OJT employers, based on a sliding scale with higher reimbursements for smaller to medium sized companies. Local areas can use up to 10% of their WIA Adult and Dislocated Worker funds for incumbent worker training as part of a lay-off aversion strategy. In addition, WIA permits a portion of Rapid Response funds to be used for incumbent worker training, and SETA has decided to use up to 20% of its Rapid Response funds for incumbent worker training as a part of a lay-off aversion strategy.

The California Employment Training Panel provides employers with matching funds for training their existing workers. Its purpose is to retain and attract businesses and to provide workers with secure jobs that pay good wages and have opportunities for advancement. It thus works closely with businesses to customise curricula. The programme is funded by the Employment Training Tax paid by California employers. In essence, the California Employment Training Panel redistributes the tax revenue received from all businesses to targeted businesses that the state has determined could use additional financial and other assistance to upgrade the skills of their workers.

2.2. Working with employers on training

Both local workforce investment areas work closely with business partners in identifying the training needs of businesses and in working with both businesses and educational institutions in designing training curricula. The State has helped in several ways with reaching out to and maintaining contact with businesses. Through the state Employment Development Department (EDD), which administers the Wagner-Peyser Job Service, Unemployment Insurance, Disability Insurance, WIA, and Welfare-to-Work programmes, a subsystem of the state-wide information system (CalJOBS) was developed and made available to all One-Stop Centre partners so that the EDD and all partners could record contacts made with employers as a method of coordinating those contacts.

California has also made significant strides to increase the accessibility of federal tax credits to employers. The Sacramento Training and Response Team (START), for example, is a partnership of regional economic development, business, education, labour, and government organisations dedicated to meeting the needs of businesses in the greater Sacramento Metropolitan Area. The START team provides businesses with one-stop services, including labour 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 Packard Bell's facility in the Bay Area was destroyed by an earthquake, START found space in a shuttered military facility and recruited and trained 4,000 employees within eight months.

A key partner in working with employers in the Sacramento area is the Sacramento Area Commerce and Trade Organisation (SACTO), a lead organisation to retain and attract businesses in the region (see Box 7).

Box 7. Sacramento Area Commerce and Trade Organisation (SACTO)

SACTO works closely with businesses to assist in relocation decisions by connecting them with the resources necessary when evaluating, planning, and implementing a site location and expansion in the Sacramento region. An illustration of the collaborative nature of workforce development, economic development, and educational pursuits in the region is the interconnected directorates of the various organisations. For example, majority membership on the 41-member SETA board is comprised of business leaders in the region. In addition, the board members include leaders of several regional economic development organisations, including SACTO, public school districts and the community college district. In turn, several of these organisations are members of economic development boards. For example, the president of the community college district was board president of SACTO.

SACTO has been involved in several regional collaborations. Two are mentioned here. The Green Capital Alliance (GCA) is an outgrowth of Partnership for Prosperity's (PFP) Clean Energy Action Team. SACTO was instrumental in launching PFP and remains actively involved in GCA to develop strategies to promote the region's clean energy assets, coordinate regional efforts, and make the region a leader in sustainability. Another example is Greenwise. The Green Capital Alliance and SACTO are part of a strategic partnership with the City of Sacramento to transform the Sacramento area into the greenest region in the country and a hub for clean technology. Greenwise convenes, coordinates, and aligns regional leaders and educate the region to be benefits of a greener economy.

Los Rios Community College district in the Sacramento area develops and provides responsive programmes through collaborations with business, labour and educational partners in the region. An example is a large auto parts manufacturer that needed specialised welders. Within a month, the company had worked with the community college to develop curricula to train students to meet the company's specific needs. More academically oriented courses take longer to develop and implement. For courses that are part of a degree, new courses must go through an accreditation process which can take up to a year. Courses leading to a certification may take less time, depending upon the organisation that offers the certifications. The accreditation process is typically the responsibility of private organisations. The

government—federal or state-- does not approve degree or certification granting courses, except in cases in which the occupation is licensed, such as nursing. Even in such cases, the state works closely with the professional organisations in establishing requirements for licensing.

Los Rios also has nine workforce and economic development centres that work collaboratively with businesses and community organisations to tailor training to the needs of business and industry in the region. These centres are part of a system of 51 centres within the state-wide community college system. The Los Rios centres focus on 10 priority areas that include advanced manufacturing, a biotechnology initiative, and a health care initiative among others. A recent addition to the Economic and Workforce Development programme has been the state-wide effort to bolster entrepreneurship through the Business and Entrepreneurship Centres.

The District's Next Skills Institute addresses the soft and employability skills deficiencies among individuals in the area. It provides certification of proficiency in employability skills and offers an interactive curriculum that attempts to fill these gaps and measure students' progress towards the certification.

The Sacramento Region has apprenticeship programmes for nearly 50 occupations. Many are in the construction trades but others are in manufacturing, offering training as machinists, and in the public sector, providing training for jobs as fire fighters. The number of apprentices depends on the health of the economy and jobs available. During the recession, the number of apprenticeship jobs in the region was cut dramatically, but as the economy recovers apprenticeship opportunities are on the rise. Apprenticeship programmes in the NoRTEC region are less numerous. Each county has only a handful of registered sponsors offering training in a limited number of occupations.

2.3 Matching people to jobs and facilitating progression

WIA provides incentives within the workforce system programmes to match people to quality jobs. Two of the three common measures address quality jobs, as measured by the length of time employed and the earnings received while employed. However, these measures could be more directly related to a specific job. As currently measured, job retention and earnings relate to all jobs held during a specific period of time, and not to one specific job. Nonetheless, the measures reflect the average earnings and duration of employment during a specific time period. Performance incentives for promoting entrepreneurship are much less developed. The WIA measures do not capture self-employment directly. Local stakeholders also inferred that the performance targets may not be sufficiently challenging to make a difference in their operations. One official remarked that they could meet targets at the beginning of the quarter and then focus on harder-to-serve participants thereafter.

The state and local WIBs emphasize the need to prepare workers for jobs in high-demand occupations. The state has offered assistance in analysing the regional economies and identifying the key sectors that drive those economies. In the Sacramento region, SETA has identified nine critical occupation clusters that cut across the region's key industries. These include administrative and support services, architecture and engineering, construction, healthcare and supports, human services, information technology, hospitality, installation and repair, and transportation and production. SETA has initiated several partnerships with business and community colleges to provide customised training to meet those needs (see Box 8).

Box 8. Partnerships with employers and vocational education institutes to provide training

SETA partners with Los Rios Community College District to provide training for careers in high growth health-care sector jobs. The HealthForce project, building on strong partnerships among regional healthcare providers, SETA, and Los Rios, focuses on nursing, long-term care, high demand allied health jobs in ultrasound technology and medical laboratory technology, and assistance for incumbent (i.e. employed) workers to transition to computerised medical records. The Nurse Education Initiative, also a partnership between SETA, Los Rios Community College District and major health care providers in the Sacramento region, expands the existing nursing programmes at American River College and Sacramento City College.

The Green Workforce Initiatives focuses on providing un/underemployed individuals (and other targeted populations), with entry-level or advanced training for jobs in the expanding Green sector. The Sacramento region has been developing a Clean Energy Sector Strategy since 2006, when the Sacramento Metropolitan Chamber of Commerce, Valley Vision, and the Sacramento Area Commerce and Trade Organisation (SACTO) initiated Partnerships for Prosperity (PFP). In conjunction with PFP, SETA offers training in energy auditing, solar panel installation, and pre-apprenticeship training in clean energy construction.

The state community college system, in compliance with state legislation, has instituted a career pathways programme that allows high school students to take community college courses and receive credit toward degrees. At the core of this programme are articulation agreements between high schools and community colleges in which specific requirements and conditions are established. This allows students, while still in high school, to understand the requirements for various careers, and gives them the opportunity to begin preparing for those occupations before entering college. In addition, SETA integrated a service learning component into the WIA Youth programme. Service learning is a teaching strategy that integrates meaningful community service with instruction and reflection to enrich the learning experience, teach civic responsibility, and strengthen communities.

A more complete partnership would include businesses offering internships or other means of providing employment for students. SETA's youth career pathways programme prepared students for part-time employment while in college, but it was not clear whether SETA partnered with businesses to help place students nor was it clear as to the breadth of enrolment in the programme. NoRTEC received substantial funding from the federal government to administer the Pathways Out of Poverty programme (see Box 9).

Box 9. Pathways Out of Poverty Programme

The purpose of the Pathways Out of Poverty Programme is to teach workers the skills required in emerging energy efficiency and renewable energy industries. Training programmes prepare individuals for careers in any of seven energy efficiency and renewable energy industries:

- The energy-efficient building, construction, and retrofit industries
- The renewable electric power industry
- The energy efficient and advanced drive train vehicle industry
- The biofuels industry
- The deconstruction and materials use industries
- The energy efficiency assessment industry serving residential, commercial, or industrial sectors

- Manufacturers that produce sustainable products using environmentally sustainable processes and materials.

The programme is open to low-income adults with skills deficiencies, which includes unemployed individuals, high school dropouts, individuals with criminal records, and disadvantaged individuals within areas of high poverty. Services include occupational training, apprenticeships, on-the-job training, and customised training. Training is intended only for occupations that are in high demand.

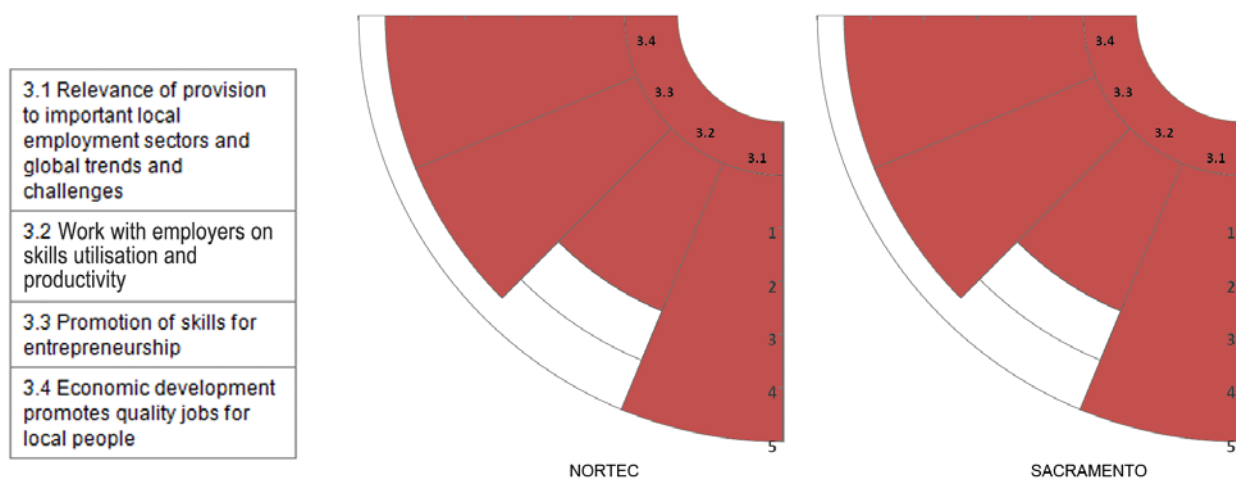
Source: NoRTEC Policy Statement, Pathways Out of Poverty.

2.4. Joined up approaches to skills

Local stakeholders demonstrated that they understand the importance of retaining and attracting talent by excelling in collective action. SETA is ready to embark on a new strategic plan for the region that focuses on the goals of supporting innovation and entrepreneurship, diversifying the regional economy, and improving the business climate for economic growth. It was led by Next Economy, which is a business-led, volunteer-driven initiative to help Sacramento's sluggish economy get back on track. One of the key objectives of the plan is to "grow and maintain a world class talent base" (New Economy Executive Summary, p. 4). To accomplish this, they propose to "create mechanisms to attract new talent and retain existing talent... and to align training and educational pathways to increase economic prosperity for businesses and workers" (New Economy Executive Summary, p. 4). Workforce development figures into these efforts by developing critical career pathways that align with core business clusters across all education and training levels and addressing critical gaps in workforce supply and demand across core business clusters. As planned, the initiative proposes to involve key stakeholders, including many non-profit organisations, through formal agreements, alignment of strategies, endorsements, and an information system that can track the progress of all involved, individually and collectively. NoRTEC, while committed to joined-up approaches to skills, has more limited opportunities to develop training courses because of fewer large businesses in the region and a smaller industrial base. Furthermore, the NoRTEC region does not have the economic development organisations found in Sacramento, which pushes more of the business outreach function directly on NoRTEC, which they have embraced.

Theme 3: Targeting policy to local employment sectors and investing in quality jobs

Figure 16. Dashboard Results for Theme 3: Targeting policy to local employment sectors and investing in quality jobs



Summary of findings: Targeting policy to local employment sectors and investing in quality jobs

- 3.1: WIA mandates that state and local WIBs identify sectors of regional growth. Each local WIB has identified viable clusters around which training efforts and business support is provided.
- 3.2: Working with employers on skills utilisation and productivity is considered the responsibility of the private sector and no role has been defined for employment and training organisations. Therefore, these types of initiatives are not a high priority for either local WIB.
- 3.3: Several programmes are available, which support entrepreneurship however, entrepreneurship training did not appear to be viewed as a key route for assisting individuals to re-enter the labour market
- 3.4: Both local WIBs undertake efforts to retain and attract high value jobs into their regions. They make comprehensive efforts to reach out to local businesses to assist them with investment and expansion plans.

3.1. Relevance of provision to important local employment sectors and global trends and challenges

WIA mandates that the state and local WIBs analyse and identify the driving forces in their regional economies. Organisations in the Sacramento region excel in this area. SETA utilizes the research of the state labour market information and that of SACTO and the local community colleges in assessing the strengths and weaknesses of the various sectors in their region. As mentioned previously, SACTO's in-house Centre for Strategic Research provides assessments of worker skills, location advantages, and market outlooks. The community colleges' Centre of Excellence provides in-depth analyses of industrial sectors and its research has been the basis for several initiatives. Research performed by Valley Vision identified additional viable clusters, around which additional training efforts and business support will be provided. In addition to clean energy technology, the clusters include advanced manufacturing, agriculture and food, and life sciences and health services, to name three more out of the total of seven.

Through in-depth analysis, the region has identified green technologies as an important emerging sector and has over the past several years become a leader within the state in encouraging business formation in that sector and preparing workers to meet the future needs of businesses. While there has been coordination among the agencies and organisations in identifying key sectors, different organisations have identified different sectors. This diversity of opinion may be helpful in promoting a diversified economy instead of focusing attention and resources in a few sectors, which may or may not turn out to be the key sectors driving future growth.

3.2. Work with employers on skill utilisation and productivity

Skills utilisation approaches look at how the workforce is structured and the relationship between an individual's skills and the needs of business. Skills utilisation approaches focus on how well employers are utilising the skills of their employees, which can improve productivity and profitability, and individuals also gain from the better utilisation of their skills through greater job satisfaction and autonomy. This approach avoids supply-side or 'provider driven' training solutions, which may not address the breadth of an enterprise's organisational context. Instead, providers are encouraged to take on a workforce development role while the funding goes directly to employers (Froy, Giguère and Meghnagi, 2012).

There does not appear to be a concerted effort to provide such assistance in the local WIBs in California, although local stakeholders in NoRTEC appeared to be more aware of its potential benefits. Public agencies provide little assistance with improving the internal operations of a specific company, such as improving a business's work organisation. The general view of local stakeholders is that this is an area where the private sector should take the lead.

Some community colleges have taken ad hoc actions, such as the Small Business Development Centre, an initiative to grow California business through the delivery of one-on-one counselling, seminars, workshops, conferences and other technical activities. Small business services include human resource management, along with many other areas of expertise. It is part of a national effort carried out by the Small Business Administration.

3.3. Promotion of skills for entrepreneurship

Several programmes are available in the region to support entrepreneurship; however, entrepreneurship training did not appear to be at the forefront of regional initiatives. Los Rio Community College district offers a business management/entrepreneurship certificate, which offers the basic skills for starting a business. The Sacramento Entrepreneurship Academy is a private organisation that offers an eight-week programme on Saturday mornings for those interested in starting their own business. It offers the basics of starting and running a small business, including instruction on how to write a business plan and to obtain financing. The community college system has developed the Small Business Development Centre, which provides support to those who are interested in starting a business. The public workforce programmes focus more on getting people into jobs offered by existing businesses. However, a few states allow Unemployment Insurance beneficiaries to use their weekly benefits to start their own business, but California is not one of those states. Sacramento Works' Business Information Centres (BIC) help start-ups and small businesses access the information, tools and guidance they need to be successful. All of Sacramento Works' BIC services are low cost or free.

One of the challenges facing a rural region, such as the one NoRTEC serves, is the relatively small number of medium size and large employers. Compared with the Sacramento region, NoRTEC does not have the same potential to engage key business partners as does SETA. Furthermore, because the demand by businesses for services is not as high, the NoRTEC region does not have the network of business service providers. In response to this gap, NoRTEC has attempted to promote more entrepreneurship. When it was

operating the WIRED grant from the U.S. Department of Labor, NoRTEC initiated several programmes to encourage business start-ups. Actually, entrepreneurship was a primary focus of NoRTEC's WIRED effort. In talking with local officials, it appears that the area is still struggling to establish a culture of entrepreneurship that can sustain a healthy environment for start-ups.

Nonetheless, entrepreneurship efforts still continue. In one of NoRTEC's counties, the Rural Human Services, working with local economic development partners, initiated a programme to acquaint youth with entrepreneurship. It partnered with the Arcata Economic Development Corporation to sponsor locally a country-wide event that teaches youth the skills they need to be successful, such as developing a business plan, establishing a budget, seeking out potential investors, and providing quality customer service. However, this is a short-term programme with the primary purpose of exposing students to the requirements of setting up a business rather than providing the actual training.

3.4. Economic development promotes quality jobs for local people

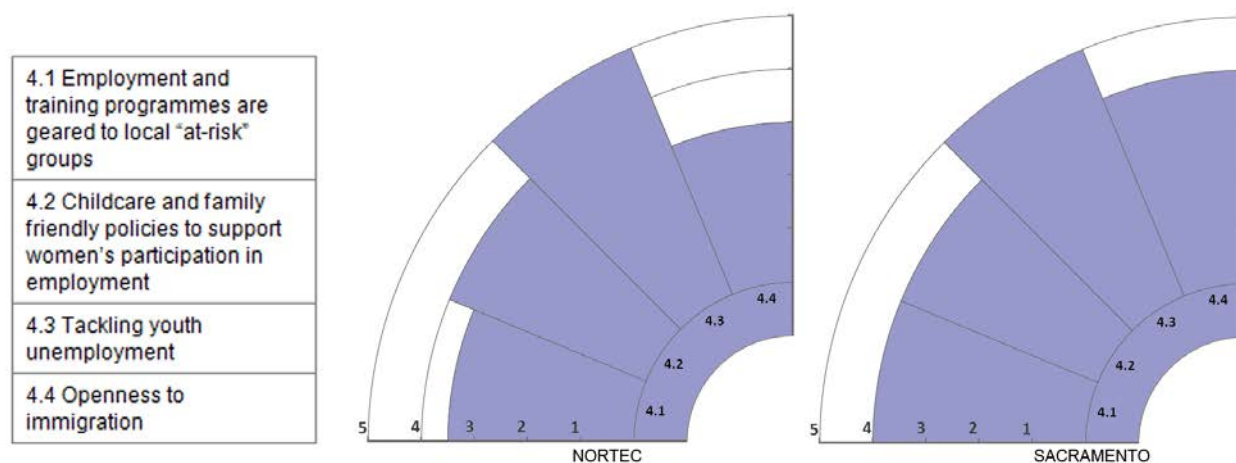
One of the top three priorities in California's state plan is to invest in high-wage, high-growth jobs. Local stakeholders in the Sacramento region share this vision. For example, SACTO's stated mission is to recruit and grow high-value jobs and investment for the region. It actively markets the labour force to businesses considering locating in the region and helps with brokering recruitment and training of workers for those businesses. SETA recognises the need to train workers to qualify for those high-wage jobs, but also understands that not everyone has the qualifications and funds are not available to provide sufficient training to prepare people for such jobs. Therefore, the workforce system, while attempting to meet the needs of businesses, must also find job matches for those who are less qualified.

In Sacramento, SACTO, the leading business retention organisation in the region, is committed to retaining and attracting high value jobs in the region. It works with SETA and the community colleges in order to assure that the workforce needs of businesses are being met through recruitment and job training. START, a programme of SETA, provides one-stop services to businesses. These services include recruiting, screening, and referring qualified employees.

One of NoRTEC's stated goals is to maintain a "Business First" system that assists local business with retention and expansion efforts, but it has a more difficult time in achieving it. Its industrial sector is based more on resource extraction, which may be higher paying than others, but does not necessarily entail high-value operations that can lead to additional value-added activities. When the supply of natural resources has been depleted, little remains to support high-paying jobs. NoRTEC has identified this challenge and has pursued efforts to promote the development of alternative energy sectors, help the agricultural sector continue to find ways to improve productivity and operational efficiency, and encourage the expansion of potential growth industries such as the healthcare industry.

Theme 4: Inclusion

Figure 17. Dashboard Results for Theme 4: Inclusion



Summary of findings: Inclusion

- 4.1: WIA requires that “at-risk” groups be identified and many services are directed towards these groups through federal funding, which is administered by the local WIBs. Local agencies also partner with the state to target services to “at-risk” groups.
- 4.2: While not required by law or specifically promoted by either of the two local WIBs, many employers and their businesses associations promoted best practices for providing a family friendly environment with paid leave, child care, and concierge programmes and services.
- 4.3: The federal government provides two major programmes (WIA Youth Programme and Job Corps) to help tackle youth unemployment. SETA has also worked with local partners to address youth gang-related issues.
- 4.4: The Sacramento WIB (SETA) has a much more diverse population than NoRTEC and consequently their response to the need for inclusion is proportionately greater. SETA has identified target populations for which to prioritise services. They subcontract with minority-focused organisations to run several of their one-stop career centres located in ethnically predominant neighbourhoods.

4.1. Employment and training programmes are geared to local “at-risk” groups

WIA requires that “at risk” population groups be identified. The U.S. Department of Labor Employment and Training Administration has identified 11 groups: disconnected disadvantaged youth; ex-offenders; homeless; Indian and Native Americans; migrant and seasonal farm workers; older, disabled veterans; older persons; persons with disabilities; persons in need of English as a second language and with literacy and basic skills deficiencies; Temporary Assistance for Needy Families recipients; veterans; and youth in the foster care and juvenile justice system. Many of the services directed toward “at risk” or disadvantaged populations are provided through federal programmes administered at the local level. In brief, these include training and remedial education for disadvantaged youth through the WIA programme and Job Corps and for disadvantaged adults through WIA. Federal programmes for immigrants, migrants

and farm workers are also available. Local agencies have also partnered with the state to target services to “at risk” groups.

For example, SETA’s New Start programme is a partnership with the California Department of Corrections and Rehabilitation (CDCR) along with five Sacramento Work Career Centres to enhance the employability of parolees and their access to local employment opportunities upon release from prison. Services offered are similar to the more intensive services delivered under WIA and include in-depth, employment-related assessments, access to support services and training opportunities, job search, resume preparation, labour market information, and life skills workshops, and job referrals, but also include tax credits, employment incentives, bonding, and pre-employment/job retention services.

4.2 Childcare and family friendly policies to support women’s participation in employment

The priority area that was difficult to assess given the focus of the organisations included in the interviews was related to child care and family friendly policies to support women’s participation in the employment and the workplace. Employers throughout the state are governed by state and federal labour laws that provide maternity leave and other provisions for mothers or caregivers. Employers and their business associations promote best practices for providing a family friendly environment for mothers (and fathers) with paid leave, child care, concierge service, and so forth. Many of these provisions are not required by law but are seen as good business practice to maintain a quality workforce and to promote proper balance between home and work. Child care, and to a lesser extent, elder care are provided through government programmes along with private providers. SETA, in fact, administers the federal Head Start programme in the Sacramento region (see Box 10).

Box 10. Head Start Programme

Head Start provides educational programmes for nearly 6,200 pre-school children in poverty. The programme provides educational and special educational services, health, dental, mental health, social and nutritional services. Parent involvement in programme planning, parent education and site operation, is an essential part of the programme. High-growth, high-value added businesses recognise the need to maintain a family friendly workforce environment in order to attract qualified workers. While the Sacramento region houses businesses that pursue these policies and supports government programmes that provide these services, it is difficult to say how widespread the practice and programmes reach in the area.

4.3. Tackling youth unemployment

The federal government provides two major programmes to help tackle youth unemployment. The WIA Youth programme provides an array of services to prepare low-income youth (ages 14-21) for postsecondary educational and employment opportunities. Services include tutoring, alternative secondary school offerings, summer employment opportunities linked to academic and occupational learning, paid and unpaid work experiences, occupational skill training, leadership development opportunities, supportive services, mentoring, follow-up services, and comprehensive guidance and counselling. The summer youth employment programme was revitalised during the recession with American Recovery and Re-investment Act funds and has provided work experience for hundreds of youth in the area.

Another more intensive federal programme targeted at low-income youth with multiple employment barriers is Job Corps. Job Corps is a residential programme, in most cases, that employs a holistic career development training approach which integrates the teaching of academic, vocational, employability skills and social competencies through a combination of classroom, practical-based learning experiences to prepare youth for stable, long-term, high-paying jobs. There are 125 Job Corps centres across the country, and the Sacramento region houses one of the centres. Space is limited; the Sacramento centre has a

capacity for 477 students. The NoRTEC region does not have a Job Corps centre, making access much more difficult. In addition to the services received while enrolled at a centre, centre staff helps students find living accommodations, transportation, and family support services needed to continue working. The Centres also stay in contact with students up to a year after they leave the programme. The WIA youth programme and Job Corps are considered mainstream and well-established programmes, but not nearly enough funds are available to reach all youth who need the services.

SETA has also partnered with the Youth Council and the City of Sacramento to provide services to youth involved in gang activities. SETA also cultivates partners and strengthens the capacity of Career Centre staff in providing services and support to job seekers with disabilities. While programmes may target various at-risk populations, funds are not sufficient to meet their needs. Furthermore, officials expressed frustration that the multitude of independent programmes and the categorical funding process makes it difficult to serve the hardest to reach groups. SETA also has a strong focus on helping local disadvantaged neighbourhoods, partnering with the City of Sacramento on two projects to reduce gang involvement and juvenile crime (see Box 11).

Box 11. Supporting Disadvantaged Neighbourhoods in Sacramento

Youth Violence Recidivism Reduction Project

This project provides case management, social services, and employment opportunities to 50 adjudicated youth in a high-crime target area who are re-entering the public school system. The youth are validated gang members or have gang indicators. Due to their previous criminal records and delinquent behaviour, socio-economic factors, neighborhood environments, and family backgrounds, the target youth are at high-risk for participating in gang-related criminal activities and committing gun violence. The project primarily focuses on a combination of recidivism prevention, school re-entry and education, job training, and community service, including referrals to employment, substance abuse and mental health services.

Sacramento Works CalGRIP Programme

This programme is designed to serve 100 youth involved in gangs or at-risk of gang involvement. The Sacramento CalGRIP program partners with the City and County of Sacramento, police, parole and probation departments, community-based organisations and local congregations to address the gang issue in Sacramento County. The program provides the target youth with employment, academic and social services to direct them towards a positive lifestyle. By developing linkages and having access to resources in the community, the at-risk youth will have increased academic, vocational and employment success.

4.4. Openness to immigration

The state recognises that demographic diversity is among its greatest assets, yet it also understands that such diversity presents unique challenges that often result in barriers that may exclude many segments of the population from achieving self-sufficiency. SETA has a large immigrant population representing multiple diverse ethnic groups. To accommodate their needs, WIA services are offered in various languages and in cultural-sensitive manners. WIA offers English-as-a-second-language courses, in addition to the standard employment and training services. In addition, SETA partners with numerous local organisations that reach out to ethnic groups. The staff of many of these groups is co-located in the one-stop career centres. For example, the Sacramento Chinese Community Service Centre, whose purpose is to assist new immigrants, refugees and other underserved individuals in the greater Sacramento area to achieve economic self-sufficiency, social empowerment, and cultural appreciation, has staff at nearly half of the one-stop career centres in the region. The Centre also provides its own services, including educational, vocational, human services and health programmes to those individuals. In the past few years the Centre has expanded its programmes to help other disadvantaged groups and non-Chinese immigrants

including the Hmong, Mien, Vietnamese, Ukrainian and others. While these programmes are readily accessible to many ethnic groups, and the facilities are often located in their neighbourhoods, it is oftentimes difficult for ethnic workers, even when properly trained, to leave their neighbourhoods for jobs elsewhere in the region, exacerbating the problem of job mismatch.

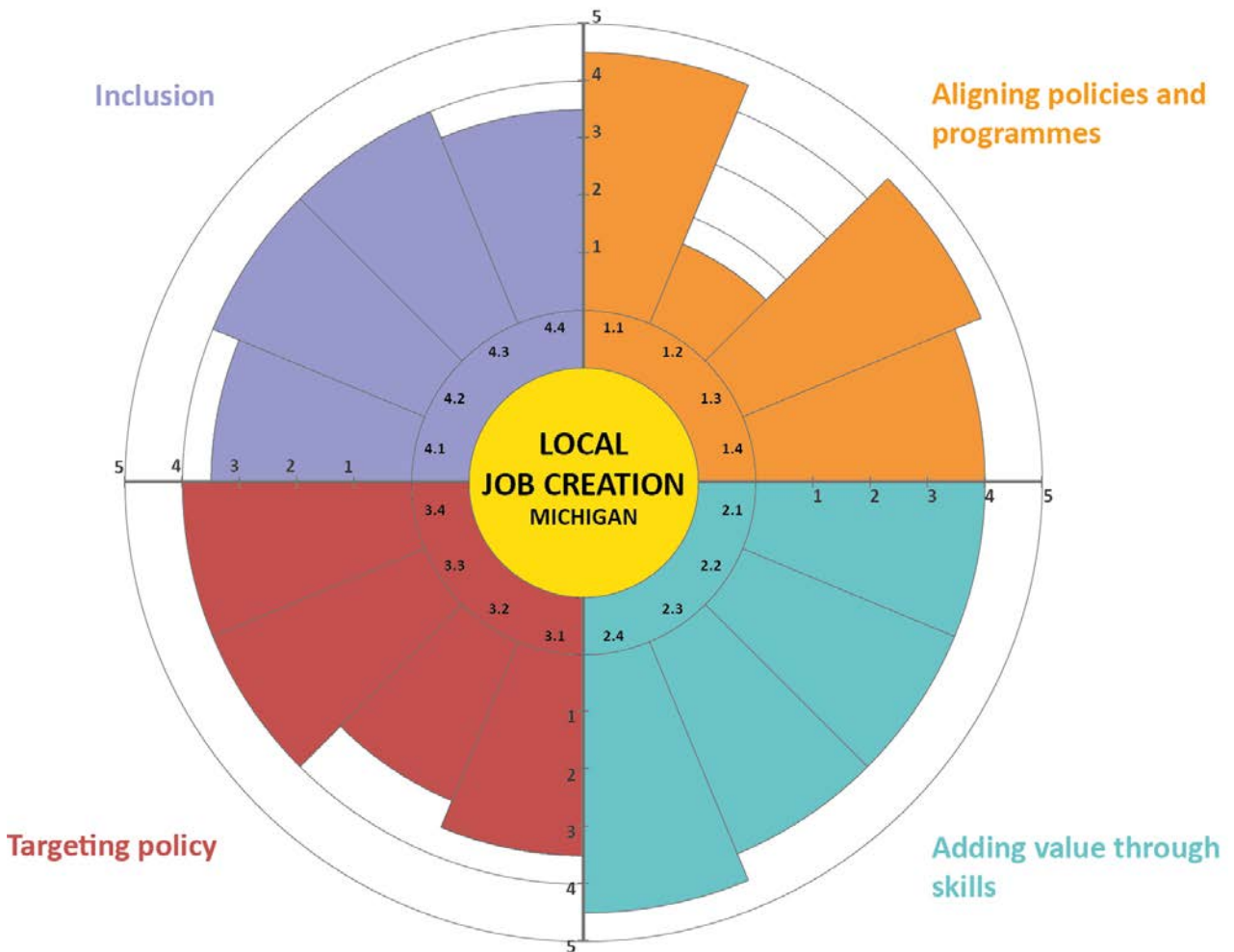
Organisations that represent minority groups also engage in collaborative activities. Several of the one-stop career centres in the Sacramento area are operated by organisations that reach out to various ethnic groups, such as Latinos and Asians. Two sites are operated by Asian Resources, Inc. (ARI), for example, a non-profit community-based organisation dedicated to empowering disenfranchised communities by assisting them in becoming proactive citizens and achieving self-sufficiency. ARI is committed to providing a wide spectrum of social services to the low-income and limited English speaking youth, immigrant and refugee communities in Sacramento, as well as re-entry clients. NoRTEC serves a predominantly rural area, with a large number of farm workers from ethnic groups, particularly Hispanics. In some respects, most agriculture jobs are somewhat sheltered in the sense that Hispanics work with other Hispanics and are not required to be mainstreamed into a white-dominated workforce. The One-Stop Centres offer services to help ethnic minorities transition into other occupations.

DASHBOARD FINDINGS FOR MICHIGAN

Overall Findings

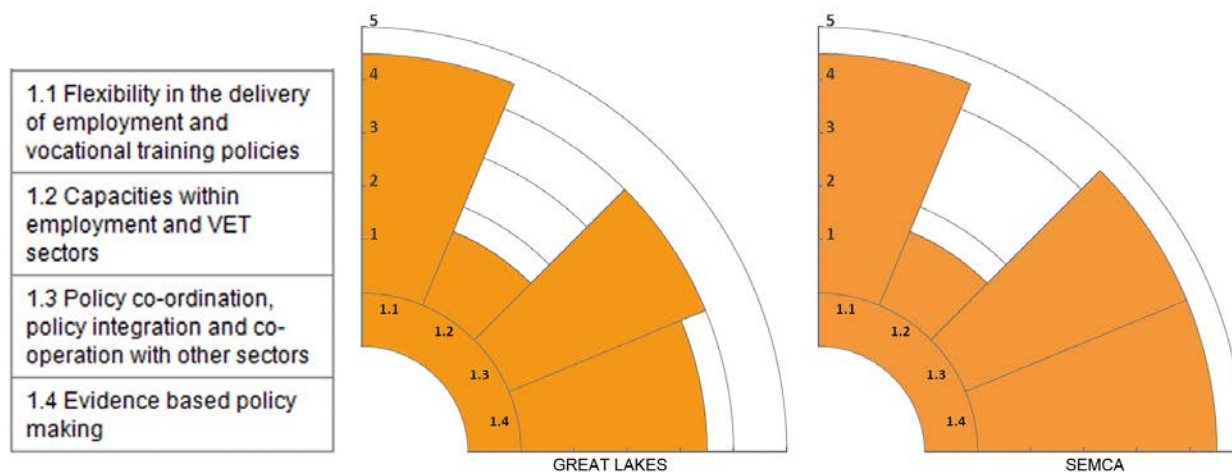
This section describes the key findings of the study in Michigan. The findings are presented by each thematic area of the study. Figure 18 shows the overall dashboard for Michigan based on the strengths and weaknesses of policy approaches taken to support sustainable job creation at the local level.

Figure 18. Local Job Creation Dashboard Petal Diagram: Michigan



Theme 1: Better aligning policy and programmes to local economic development

Figure 19. Dashboard Results for Theme 1: Better aligning policies and programmes to local economic development



Summary of findings: Better aligning policies and programmes to local economic development

- 1.1: Similar to California, both local WIBs in Michigan have a high-degree of flexibility in the management of employment and training programmes. This flexibility is enhanced through the use of waivers from federal regulations regarding the use of WIA funding.
- 1.2: The state of Michigan faces financial constraints leaving little capacity to augment federal funds. A few local WIBs have turned to non-government sources for funding.
- 1.3: Both local WIBs actively pursue and maintain partnerships among key regional stakeholders. Both have strong relationships with local economic development organisations and educational institutions.
- 1.4: Both local WIBs use the WIA-mandated performance measures to track progress toward outcomes, but SEMCA appears to use the measures for management decisions and strategic planning purposes more so than Great Lakes Bay. Furthermore, SEMCA is part of the Workforce Intelligence Network, which provides high quality analysis of workforce trends, real-time job demand, and cluster analysis. Both local WIBs expressed concern about the limited funding to meet the needs of businesses and job seekers.

1.1. Flexibility in the delivery of employment and vocational training policies

Similar to the case study areas in California, both the SEMCA and Great Lakes Bay regions have a high level of flexibility and coordination, specifically in working with businesses. Most workforce development programmes are provided through a federal-state-local partnership in which the federal government sets eligibility requirements and programme guidelines and local entities design and provide the services. Under WIA, up to 16 employment and training services are delivered through one-stop career centres. The centres are administered by a local WIB, which is comprised of local business leaders, educational leaders, and other key stakeholders. SEMCA, for example, has established six Michigan Works! One-Stop Service Centres and one satellite centre in addition to one central intake assessment and referral centre. Great Lakes Bay has three One-Stop Service Centres and two satellite centres.

To enhance flexibility, the state has requested and was granted 10 waivers from federal regulations regarding the use of WIA funds. Several are similar to the waivers received by California, such as removing the 50% reimbursement limit for on-the-job training expenses, allowing out-of-school youth to use individual training accounts, and removing the time limit on eligibility for training. Michigan also received a waiver that bases the reimbursement for on-the-job training on the length of time a worker has been displaced from their previous job. Other waivers allow more flexibility in the use of WIA and Rapid Response funds for incumbent (i.e. employed) worker training. The state asserts that as federal funds continue to decline, the state and local WIBs must be granted greater flexibility to use the remaining funds more effectively and to leverage them by partnering with other funding sources and service delivery organisations. Officials from both local WIBs argued they have considerable flexibility in planning and delivering services. Great Lakes Bay uses its flexibility to focus much of its efforts and resources on the needs of businesses.

1.2. Capacities with employment and VET sectors

Like the situation in California and throughout most of the United States, funds are not sufficient to meet the needs of workers in Michigan. Also, similar to California, the state of Michigan faces financial constraints leaving little capacity for the state to augment federal funds. A few local workforce investment areas have turned to non-government sources for funding. For example, SEMCA has received some funds from an initiative within the Detroit metropolitan area to improve the local economy. The funding comes from a consortium of several foundations, and in the case of SEMCA, the funds are used to support a region-wide data collection and dissemination effort, among other activities. The limited resources are forcing collaborations for the purpose of leveraging local resources and improving prospects of competing for outside funds. While the consensus view is that financial resources were insufficient to meet the needs of job seekers and employers in the region, they believe that they have been able to maintain a high quality staff.

Box 12. Non-government sources for financing

An example of leveraging non-government sources of financing with government programmes is the New Economy Initiative (NEI) in the Detroit Metropolitan Area. NEI is a consortium of charitable foundations in Michigan which have collaborated to target their resources on key workforce and economic development initiatives in the Detroit area with the primary purpose of jumpstarting the Detroit economy. Most of the resources are focused on activities within the City of Detroit but some, such as the Workforce Intelligence Network (WIN) extend outside the city. In addition to WIN, NEI has started and funded Techtown, an incubator for entrepreneurial activity and new start-ups within the City of Detroit. NEI has also identified key clusters for workforce development efforts.

1.3. Policy Coordination, policy integration and cooperation with other sectors

Michigan recently reorganised its workforce investment system to better align Michigan's talent and economic development activities (Five-Year Strategic State Workforce Plan, 2012-2017, p. 9). The realignment supports the Governor's agenda of strengthening regional economic relationships, leveraging the state's assets and improving the flow of communications between the local WIBs and their partners. The state's workforce system is committed to increasing the competitive advantage of businesses and offers a variety of coordinated services and programmes designed to fit the needs of employers and workers.

Box 13. Integrating Workforce Development and Economic Development

One approach pursued by the state is to combine workforce development agencies with economic development agencies at the state level. This has been done in the past, and after being separate for a few years, the two have once again been combined. The Michigan Economic Development Corporation, the state's economic development leader, and the Workforce Development Agency, the state's workforce development leader, now work in unison to enhance the talent of citizens and fuel Michigan's economic engine under a single coordinated talent enhancement strategy. The integration among these state agencies enables better coordination of workforce development, economic development, and education at the local level.

Another approach the state has pursued to achieve this goal of alignment and coordination is its cluster strategy. This strategy assists in the development of industry-based partnerships that promote the economic health and welfare of regional area businesses and workers through the engagement of local employers to provide direct information on jobs in-demand, skill sets required, training programme requirements and candidate assessment factors to improve successful transitions from training to long-term employment.

In an attempt to achieve better alignment, the state of Michigan has recently organised around 10 economic development regions in an effort to prioritize limited state-level staff and funding resources. Each region has a designated "champion" which assists with targeted programmes and resources to the industries which are seen as most relevant to local regional economies. The state's objective is to create talent districts that align completely with the economic development districts. Some officials expressed concern that this is an artificial attempt at alignment, which could eventually lead to less collaboration since regions need to be flexible to form partnerships as circumstances change and opportunities arise. Creating boundaries risks the outbreak of turf battles among the "champions" within these districts.

SEMCA and Great Lakes Bay actively pursue and maintain partnerships among key regional stakeholders. Both have strong relationships with local economic development organisations and educational institutions. As partners in the One-Stop Career Centres, both local WIBs have Memoranda of Understanding (MOU) with these and other organisations. They have also forged relationships that go beyond the MOUs. Great Lakes Bay works closely with Delta College and local businesses to develop courses that meet the workforce needs of employers. The two economic development organisations—Saginaw Futures and CEO Bay Futures—are key partners in identifying skill needs in the area and working with businesses in recruiting and training workers. Great Lakes Bay also reaches beyond its service area to communicate and collaborate with neighbouring local WIBs.

SEMCA has similar partnerships with local organisations and also reaches beyond its service area. It is a partner in the Workforce Intelligence Network (WIN), a nine-county consortium that includes seven local WIBs, eight community colleges, and numerous economic development organisations (see Box 14 on the next page). SEMCA is also a member of the Southeast Michigan Work Agency Council (SEMWAC), a network of six local WIBs in the metropolitan area and the Detroit Chamber of Commerce. The purpose of SEMWAC is to bring local WIBs and their business, economic, and educational partners together to secure resources and collaborate on projects to successfully address critical workforce issues as a region. A Memorandum of Understanding among the members establishes joint processes that enable the local WIBs to support regional initiatives. Since the group was formed 15 years ago, it has brought in nearly \$25 million in grants to the area in addition to the annual WIA funding the local WIBs administer. They also engage in joint staff training and advocacy for the workforce development system.

1.4. Evidence-based policy making

The state and the two local WIBs comply with WIA requirements to analyse local economic conditions and identify the needs of local customers. This analysis includes information and an examination of Michigan's industry structure, growth industries and occupations, high-demand critical

sectors, the demographic changes occurring in the state labour pool, and the skill sets needed for jobs expected to drive future Michigan employment expansion.

The state's data collection system has the capability to track and report performance on various groups, including Temporary Assistance for Needy Families recipients, Veterans, and Trade Act participants. The state is also embarking on a project to enhance its current system by developing a longitudinal data system. With a \$1 million grant from the U.S. Department of Labor, Employment and Training Administration, it plans to create a Workforce Longitudinal Data System that can follow individuals from kindergarten through post-secondary education and into the labour force. To do this, the Workforce Development Agency has established partnerships and data-sharing agreements with the state's Bureau of Labor Market Information and Strategic Initiatives, Centre for Educational Performance and Information, and the Unemployment Insurance Agency. One example is SEMCA's involvement in the Workforce Intelligence Network (WIN).

Box 14. Workforce Intelligence Network (WIN)

WIN provides opportunities for coordination, efficiencies, and innovation across partners, by delivering real-time, actionable marketplace intelligence to support better, more efficient solutions for employers. This information helps consortium members, particularly community colleges, make better "real time" decisions regarding skill gaps. One of the tools used by WIN is a methodology to search the internet for job openings and resumes. This information, combined with data from the state's labor market information and special surveys, are incorporated in strategic plans and operational decisions. For example, SEMCA has been able to act upon this focused information and is currently working to create a talent pool for Computerized Numerical Control (CNC) and Welding. SEMCA also relies on WIN for detailed analysis of specific industries and occupations. Each year it completes a "Region Top Jobs" report, which includes the availability of current and projected opportunities by occupation, with the number of openings, and the rates of pay.

Within the advanced manufacturing sector, WIN connects with various organisations and associations and is leading important initiatives to better align the talent system with talent needs. WIN serves as project lead and fiscal agent for InnoState, a new coalition among WIN, the Detroit Regional Chamber's Connection Point, the Michigan Manufacturing Technology Center (MMTC), the National Center for Manufacturing Sciences (NCMS), the Business Accelerators of Southeast Michigan (BANSEM) and the Society of Manufacturing Engineers (SME). Backed by funding from the Michigan Economic Development Corporation and various federal government agencies, InnoState is focused on expanding the New Product Contract Manufacturing Cluster of firms to increase their business and compete globally. WIN also convenes the skilled trades taskforce, which addresses employer talent needs through ongoing dialogue between the talent system and employers looking for skilled trades talent.

In the area of information technology, which are some of the fastest growing in the region, WIN's cluster strategy includes the convening of an employer-led, multi-industry council, which has come to be known as the Tech Council of Southeast Michigan. The Council is convened to raise awareness of and shape community responses to regional talent needs. This group meets routinely and has two primary focuses:

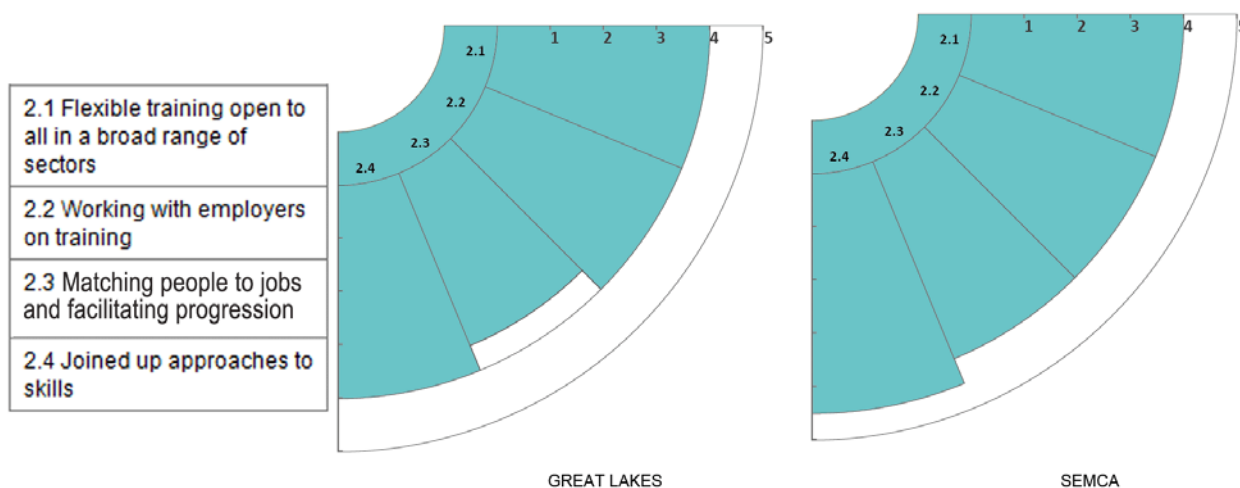
- talent attraction and development; and
- marketing and branding Southeast Michigan as a technology hub.

The Council is comprised of more than 30 employers who have a significant need for information technology talent and is open to any additional company who may be interested in participating. WIN is directly involved with company-led training initiatives like "IT in the D" and serves as a communication conduit for the region's various talent partners. WIN is also working closely with the Michigan Economic Development Corporation, the state of Michigan, business accelerators, and many others to collaborate and help drive their efforts and programs aimed at closing the IT talent gap in Southeast Michigan.

Source: Workforce Intelligence Network (2013), available at <http://win-semich.org/>.

Theme 2: Adding value through skills

Figure 20. Dashboard Results for Theme 2: Adding value through skills



Summary of findings: Adding value through skills

- 2.1: Both local WIBs have community colleges, which respond to the training needs of employers through flexible training courses, which take into account employers' input and are offered at convenient times for students.
- 2.2: In pursuing the dual-customer mandate of WIA, Great Lakes Bay appears to focus more on meeting the needs of employers, whereas SEMCA places a greater emphasis on improving the skills of less-trained individuals to better prepare them for work.
- 2.3: It appears that career pathways programmes could be better developed. There is some articulation between high schools and community colleges, but a more complete approach would have included businesses offering internships. Both provide services that match job seekers to jobs, but Great Lakes Bay has pursued a stricter approach to demand-driven services than SEMCA.
- 2.4: Both local WIBs undertake comprehensive efforts to retain, attract, and develop skills. Great Lakes Bay has a strong relationship with the three economic development organisations in the area, and SEMCA is an active member of two economic development networks within the Detroit Metropolitan area.

2.1. Flexible training open to all in a broad range of sectors

The two local WIBs and their educational partners provide a wide range of training courses for both job seekers and incumbent (i.e. employed) workers. Most of the funding comes through WIA programmes, and training for the most part takes place at community colleges. The state has a total of 28 community colleges with a total enrolment of nearly 500,000, of which 300,000 are enrolled in credit granting programmes. Nearly two-thirds of the students are enrolled part time. About 23,000 associate degrees and 10,000 certificates are granted each year. Unlike California, Michigan's community colleges do not have a state-wide coordinating body. Each community college district has its own governing board and operating funds come primarily from their local tax base. Community colleges vary in their outreach and responsiveness to business. The Michigan Community College Association, a non-governmental membership organisation, provides leadership on issues affecting member colleges. In addition to

providing legislative and government advocacy for its members, the association provides opportunities for collaboration among colleges, which can result in more efficient and effective programmes.

The community colleges serving the two workforce development regions work closely with local businesses and the workforce development agencies, as described in the next section. The Great Lakes Bay region is served by one community college—Delta College. Delta College is set up to offer “just-in-time” training within four weeks. The courses are not tied to academic semesters, and they hire qualified trainers from outside the college when faculty are not willing or able to teach the courses. SEMCA is served by four community colleges in their two-county service area. They work with employers to help identify training needs and then offer courses that are available almost 24 hours a day, through distance learning and evening courses. The colleges have also developed modular courses, which while not necessarily leading to certification, are stackable and can be cumulated toward a degree

Michigan plans to establish a programme similar to California’s Employment Training Panel. The current state strategic plan describes the proposed Cluster Training Fund, which will be created from employer, philanthropic and governmental sources. A partnership with the Workforce Development Agency, the Michigan Economic Development Corporation, and the Michigan Works! Agencies, the fund will provide flexible funds for businesses to train prospective and current employees and will bridge the current training and funding gaps. In addition, the Cluster Training Fund can provide funding for innovative strategies, not allowable under the WIA. The state currently has a programme that focuses on training workers for new jobs.

2.2 Working with employers on training

Michigan also has an active apprenticeship programme. state-wide, it has over 1,000 programmes with 8,400 active participants. In Monroe County, which is served by SEMCA, apprenticeships cover 113 occupations with 1,700 registered sponsors. However, SEMCA officials offered that apprenticeships were not well utilised because employers want qualified persons immediately and are reluctant to wait for them to finish training. In Saginaw and Midland counties, two of the three counties served by the Great Lakes Bay WIB, apprenticeships cover nearly 50 occupations with 140 registered sponsors.

A demand-driven workforce system is the state of Michigan’s primary workforce development strategy, focusing on aligning all efforts – initiatives, programmes and funding – around industry clusters. Therefore, engaging business in the development of training for its workforce is central to this effort. The Michigan Industry Cluster Approach delivers workforce training and services that meet the needs of targeted business sectors and employers, especially those in high-demand occupations. This can encompass new and emerging occupations, as well as low wage occupations that are within a dominant sector of a geographic region that has significant training needs (see Box 15).

Box 15. The importance of clusters and customisation in Michigan

The Industry Cluster Approach focuses on five broad clusters: agriculture, energy, healthcare, information technology, and manufacturing. The five clusters were selected based on 14 economic measures, including current employment performance, future expectations, employment concentration; wage and salary impact; and human capital and skills.

Michigan’s Cluster Strategy approach assists in the development of industry-based partnerships through the engagement of local employers to provide direct information on jobs in-demand, skill sets required, training programme requirements and candidate assessment factors to improve successful transitions from training to long-term employment.

Customised training within the Great Lakes Bay region is built around FAST START, a partnership between Delta College, Michigan Works and area advanced chemical, solar and battery manufacturers. Fast Start supplies employers

who are creating or expanding product lines with employees who have industry-specific technical, critical thinking, team work and communication skills. The economic development partners initially meet with employers. The employer establishes the hiring criteria and skill sets required. The duration of the training is from 12 weeks to nine months. The employer sets the entry level criteria and develops the curricula jointly with Delta College. The local workforce development agency refers clients to Delta College which in turn selects participants for training. Fast Start is designed for individuals who can make a full-time, 30 hour per week classroom/training commitment (and an additional 15-20 hours per week outside of class). Because it is an accelerated class, the "best fit" candidates will have good pre-test scores, a college degree or completed coursework in a technical area preferred, and work or military experience in a technical/mechanical field.

2.3 Matching people to jobs and facilitating progression

Similar to California, WIA requires that the state and local WIBs meet performance targets based on employment outcomes for adult participants and educational attainment for youth participants.. The three measures used for adult participants are: the percentage of programme leavers who found a job, the percentage who retained their jobs, and their earnings level.¹¹ The earnings level is used to measure the quality of the job. For youth, the measures are the percentage receiving credentials and degrees and numeracy and literacy competency. Michigan negotiates the targets with the U.S. Department of Labor, and the local WIBs then negotiate with state officials. Therefore, each of the 25 local WIBs in Michigan are accountable for meeting these targets. Similar to California, failure to meet targets may lead to financial sanctions. To expand the measures to include employer outcomes, the state proposes to include additional performance measures such as percentage of job openings filled and percentage of placements prepared for demand jobs, but these have not yet been implemented. The state would also like to impose more stringent penalties on those local WIBs that fail to meet their targets.

Many community colleges have instituted career pathways programmes. Delta College, for example, offers students from area school districts the opportunity to interact with professionals from nearly 200 careers. The professionals share information about the employment outlook for their occupations and education, training or skills needed for success in their respective fields. The programme covers six occupations: arts and communications; business, management, marketing and technology; engineering/manufacturing and industrial technology, health sciences, human services, and natural resources and agriculture. Since 2009, the state has provided a career transition programme for mid-level professionals (see Box 16).

Box 16. Supporting Career Transitions

Michigan Shifting Gears is a career-transition programme designed to help seasoned professionals from large corporations develop the skills and training to transition into small company work environments. Initiated by the state of Michigan, it responds to the downsizing of many large corporations in the state, the elimination of professional jobs, and the need to increase entrepreneurship in the state. This programme includes an assessment, comprehensive classroom training, mentorship, coaching, small business simulation and internship with a startup within a three-month window. By the end of this training the seasoned professional is transformed into a more adaptable professional with experiences, knowledge and skills that are desirable by small, growing and innovative companies.

While the incentives are in place and some colleges have pursued career pathways, the attempts do not appear to be as well established as one might expect. The federal government has encouraged states and local WIBs to develop such programmes with competitive grants, but programmes appear to be somewhat limited. The Delta College programme is more an information exchange between students and professionals, whereas the Henry Ford Community College approach is to improve the training

11 . WIA also mandates measures based on credentialing and educational attainment.

programme. While these initiatives may be responding to different needs and priorities within their respective regions, the unmet need for more information and assistance in career planning is apparent.

Workforce talent development is one of the pillars of the state's strategic plan. From the state's perspective, the strategy is achieved by providing support to employers through a demand-driven, industry-cluster strategy approach and by developing talent through retraining the current workforce and offering training and education services. The state's strategic plan describes one of its objectives as "matching an exceptional talent base with guidance based on the needs of Michigan's employers" (Five-Year Strategic State Workforce Investment Plan, Executive Summary). The two local workforce development regions appeared to place a difference emphasis on the demand-driven approach and perhaps what "guidance" means.

Great Lakes Bay appears to subscribe to a strict demand-driven approach in which the workforce needs of businesses are prioritised. Its strategic plan clearly states that its goal is to meet the needs of regional businesses, and the FAST START programme illustrates the priority of meeting the needs of business by training the most qualified workers first. The Great Lakes Bay officials justified this approach by asserting that businesses who are satisfied customers of the workforce system are more willing to consider less qualified workers. SEMCA, on the other hand, appears to put more emphasis on providing training to those with the greatest skill deficiencies. This priority is consistent with federal guidelines for WIA training funds that give priority to low-income individuals and those with significant barriers to employment. Another difference between the two local WIBs with respect to their approach to demand-driven talent development is Great Lakes Bay's greater emphasis on meeting the needs of specific individual employers compared with SEMCA's concentration on the broader needs of industry sectors. The SEMCA approach is also consistent with state priorities, which are to fund training for unemployed, under-employed, and incumbent (i.e. employed) workers in support of local high-demand occupations and corresponding recruitment and training plans.

SEMCA, like many other local WIBs, has emphasized the importance of soft skills in qualifying workers for jobs. It includes training on what they refer to as the "A-game," attendance and appearance. One tool used by local one-stop career centres to help match talent to job requirements is an assessment tool called WorkKeys.

Box 17. WorkKeys

The WorkKeys® Assessment System is a comprehensive system for measuring, communicating and improving the common skills required for success in the workplace. It allows these skills to be quantitatively assessed in both individual persons and in actual jobs. The major components of the WorkKeys System include:

- Job Profiling - Determining the basic skills required for individual jobs and occupational careers.
- Assessment - Measuring the basic skills that individuals can apply to workplace situations.
- Training - Curriculum guidelines from ACT and curriculum from ACT Level 1 publishers designed to improve an individual's skills so that they can be successful in jobs of their choice.

WorkKeys deals with the foundation skills required by all jobs, such as reading, mathematics, teamwork and others. The WorkKeys System does not deal with job-specific training. In addition, the state has implemented Talent Connect, a new, web-based talent connector that brings together employers, educators, and talent. It provides strategic tools for employers to help them identify and develop their talent base and give job seekers the opportunity to create a personalized plan to help them more effectively navigate career decisions. This is available at the one-stop career centres. One drawback of Talent Connect is that it is not a national tool, whereas WorkKeys is used in all 50 states.

2.4 Joined up approach to skills

As previously mentioned, a primary objective of the state’s strategic plan is to retain, attract, and develop talent for Michigan’s businesses. To do this, the state encourages the formation of public-private partnerships at the local level. Many such partnerships have been formed across the state. One example is Saginaw Futures, Inc., which serves the Great Lakes Bay region (see Box 18).

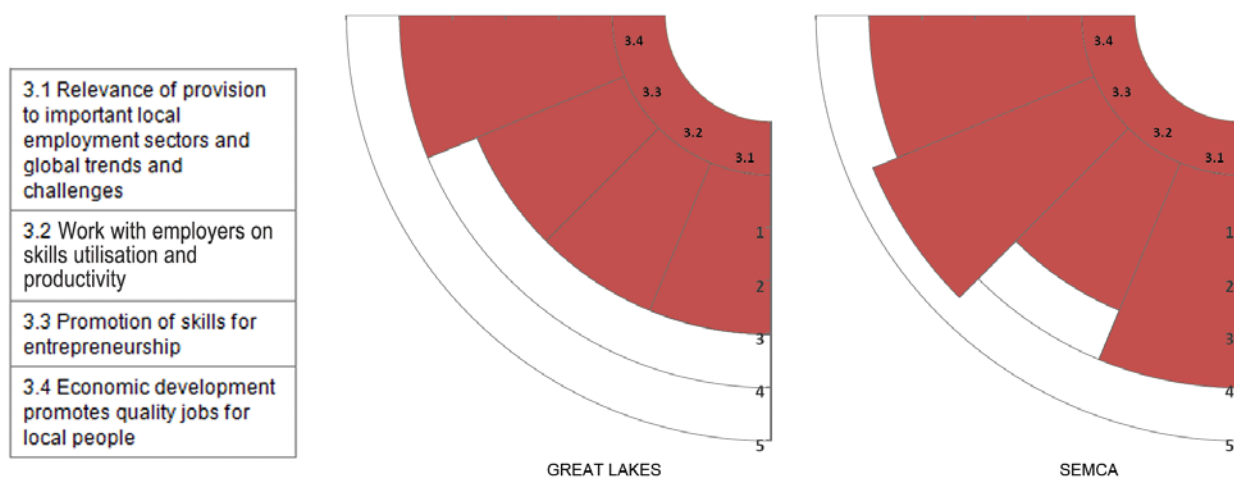
Box 18. Saginaw Futures Inc. (SFI)

SFI is a public-private alliance of local businesses, the County of Saginaw, City of Saginaw, 14 local municipalities and the Saginaw County Chamber of Commerce. SFI’s strategic partners also include education, labour and government. SFI is dedicated to fostering quality job creation through expansion of local industry and attraction of new business projects to the community. SFI’s approach is cluster based and focuses its efforts in five industries—advanced manufacturing, medical technology, renewable energy, hi-tech industries and professional services. Half of SFI’s \$1.15 million budget is funded through private donations and the other half comes from public funds.

SEMCA partners with the Economic Development Growth Engine (EDGE) of Wayne County. EDGE is different from Saginaw Futures in that it is an arm of the Wayne County government and is supported by tax dollars. However, to carry out its mission of fostering economic growth and creating jobs in Wayne County, EDGE works with public, private and educational sectors in the region. Wayne County did create a private, not-for-profit entity with the purpose of reducing the County’s financial burden of promoting economic growth. That entity, the Wayne County Business Development Corporation, was a membership organisation of local businesses and supported itself with membership dues. The operation of this organisation is currently suspended.

Theme 3: Targeting policy to local employment sectors and investing in quality jobs

Figure 21. Dashboard Results for Theme 3: Targeting policy to local employment sectors and investing in quality jobs



Summary of findings: Targeting policy to local employment sectors and investing in quality jobs

- 3.1: The two local WIBs in Michigan have focused on cluster approaches to economic development and have identified sectors that they believe will transform their formerly auto-dominated economies into regions with more cutting edge and globally competitive industries. Great Lakes Bay and SEMCA are helping

displaced workers acquire the skills necessary to transition into these emerging industries.

- 3.2: Both local WIBs do not focus on helping businesses better utilise the skills of their employees. Direct technical assistance to businesses to help better organise their workplaces is generally considered a private sector responsibility and not one the local WIBs should provide or fund.
- 3.3: Several colleges have relationships with local innovation centres, which assist budding entrepreneurs and new start-ups with space, counseling, and connections to financing. Great Lakes Bay did not prioritise entrepreneurship as a workforce system service, preferring to focus on existing businesses.
- 3.4: The state has identified high-wage and high-growth sectors and has encouraged local WIBs to develop training for these occupational categories.

3.1 Relevance of provision to important local employment sectors and global trends and challenges

WIA mandates that states and their local WIBs analyse and identify the driving forces in their regional economies. According to Michigan's state strategic plan, the state's analysis of current conditions and future trends of the economy form the foundation for the strategic plan. The designated industry clusters are agriculture, energy, healthcare, information technology, and manufacturing. The state identifies high-demand occupations within those industries, which are then used to prioritise training.

The two local WIBs also pursue a cluster approach, but the clusters are different from those identified by the state. This is consistent with each regional WIB responding to its own local industrial structure. For example, using analysis provided by WIN, SEMCA has identified Computerised Numerical Control and Welding as two occupations that are in high demand and yet demonstrate a shortage of workers, now and into the future. The Great Lakes Bay region is focusing on alternative energy sectors, advanced chemical, solar and battery manufacturers.

Recognizing the effect of global forces on Michigan's economy and the importance of attracting talent worldwide, Michigan has embarked on a programme to retain talented international students who attend Michigan's universities. More generally, Michigan's MichAGAIN programme attempts to engage talented individuals with ties to Michigan but who currently live outside the state in order to encourage them to return, and/or invest in Michigan. The programme enlists universities, businesses, and economic development partners to promote opportunities for these individuals to return home to Michigan.

3.2 Work with employers on assuring decent work and skills utilisation

Similar to California, neither of the local WIBs analysed in Michigan appears to have a strong emphasis on issues related to skills utilisation, although local stakeholders were more aware of this issue in Great Lakes Bay. There is little public action to provide technical assistance to businesses in reorganising their workplaces, as this is considered a private sector responsibility.

However, WIA and other federal programmes and initiatives are focused on developing the skills of individuals. For example, USDOL recently granted \$15 million to Henry Ford Community College, which is located in the SEMCA region to create partnerships between community colleges and local employers, with the intent of encouraging skills development and employment opportunities in fields such as transportation, health care, advanced manufacturing, science, math, technology and engineering. The programme aims to use a competency-based model to develop new and modified industry-driven manufacturing curricula and credentials; transform instructional design and delivery systems to accelerate and contextualize learning; redesign student support, success and placement strategies to increase credential attainment; and develop administrative structures to support instructional redesign.

3.3 Promotion of skills for entrepreneurship

Michigan recognises entrepreneurship as vital to an innovative and growing economy. While the state has a few programmes, most of this effort, particularly in encouraging start-ups, takes place at the local level through innovation centres. For training entrepreneurs, Michigan has placed a special emphasis on entrepreneurship in career and technical training through community colleges. Yet, each community college determines its own programmes and curricula. Delta College offers an entrepreneurship/small business management certificate degree. The entrepreneurship certificate is an 18-credit programme designed to assist students in developing core business strategies, and increase financial and legal literacy. On the other hand, Great Lakes Bay placed greater emphasis in working with existing businesses than in promoting entrepreneurship.

In the SEMCA region, Henry Ford Community College offers a 31-credit certificate programme in small business management and entrepreneurship. This programme is focused on increasing the financial, marketing, and management proficiencies of students. Monroe County Community College (MCCC) currently offers one course in small business and entrepreneurship. This course integrates guest speakers throughout the semester and covers topics including business plan development and implementation and internet-based businesses. These three institutions identified limited financial resources as a challenge to the success of their programmes. One college also included the inflexibility of a traditional academic programme as another challenge, making it difficult to adjust quickly to changing marketplace demands or to provide practical experience for students to learn to cope with the uncertainties and risk of entrepreneurship.

Several colleges have relationships with local innovation centres, which assist budding entrepreneurs and new start-ups with space, counselling, and connections to financing. Workforce development programmes have limited resources for entrepreneurs. To address this issue, Michigan policy makers recently introduced legislation to allow displaced workers to use their Unemployment Insurance (UI) benefits to start a small business. Currently, Michigan state law requires that UI beneficiaries search for work, which precludes them from devoting the necessary time to start a business. Only five states have self-employment assistance programmes of this kind. The state is also promoting youth entrepreneurship by ensuring that each middle school and high school has a youth entrepreneurship-related programme, but this is voluntary on the part of the school and the student.

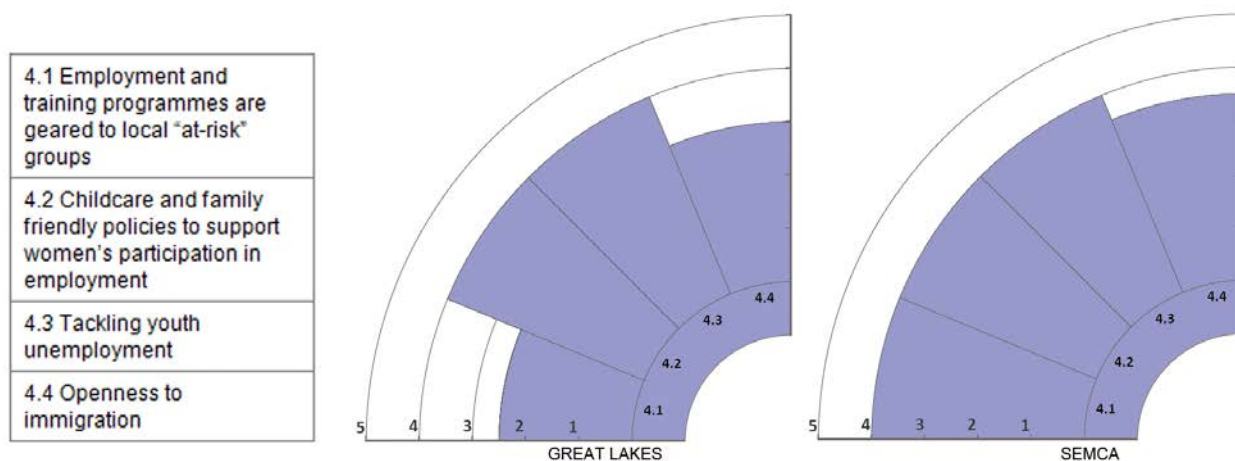
3.4 Economic development promotes quality jobs for local people

The state recognises, through its labour market analysis, that many of Michigan's high-demand, high-wage occupations are concentrated in a handful of occupational categories. Whereas in the past high wages were attainable with relatively little formal education, today education levels are the most powerful determinant of a worker's earning and income levels. Therefore, the focus is providing workers with a firm foundation of basic skills, problem solving, critical thinking skills, and specific occupational skills. The state has identified high wage sectors and has encouraged local WIBs to develop training for these occupational categories.

Through a waiver from the U.S. Department of Labor, the state has also increased the availability of customised training for high-growth, leading edge companies. The waiver allows for a sliding scale in reimbursement for customised training, which creates more incentive for employers to participate in customised training that is in high-skill, high-demand and/or high wage positions.

Theme 4: Inclusion

Figure 22. Dashboard Results for Theme 4: Inclusion



Summary of findings: Inclusion

- 4.1: WIA requires less advantaged individuals to be given priority for services (if services are limited). Local WIBs appear to implement this requirement in different ways. SEMCA enrolled a greater share of “at-risk” groups into the two Adult WIA programmes than Great Lakes Bay. Great Lakes Bay places a larger weight on serving the needs of employers.
- 4.2: Both regions are home to large employers that have been recognised for their family-friendly policies. Furthermore, each region has a number of facilities and programmes, provided through federal programmes or local initiatives that address family friendly policies, such as child care and elder care.
- 4.3: Similar to California, funding for programmes which address youth unemployment are provided through Job Corps and the WIA Youth programme.
- 4.4: SEMCA partners with local organisations that focus on services to ethnic groups, such as Arab Americans, to help with providing services to those who have difficulty with English and may experience cultural-related employment barriers.

4.1. Employment and training programmes are geared to local “at risk” groups

WIA requires that “at risk” population groups be identified and that many of these groups receive prioritised services. The state of Michigan has identified 13 target groups in its strategic plan. The provision of services to targeted populations requires that the state’s Workforce Development Agency works closely with its partners to align investments around effective practices and to leverage funding around key initiatives, which otherwise might not be possible. According to federal regulations, low-income individuals with multiple employment barriers are supposed to be given priority in accessing WIA Adult services, particularly training, unless there are sufficient resources to serve everyone. Adherence to this rule for this programme and others appears to vary more in Michigan than in California, at least as practiced in the areas included in the study. For example, as noted earlier, the Great Lakes Bay region places a large weight on the demand-driven approach of serving the needs of businesses. The justification

is that the approach has little if any negative impacts on services to targeted population groups, and good rapport with businesses, achieved by meeting their needs, opens doors for less qualified workers.

However, the programme “Earn and Learn” (see Box 19) uses public funds and philanthropic investments to create and fund immediate subsidised job opportunities that are structured to provide incentives for concurrent participant involvement in related education and training programmes.

Box 19. Earn and Learn

Earn and Learn prioritises employment and training services to low-income, disconnected, at-risk youth (18-24) especially young minority males, ex-offenders re-entering the workforce, and chronically unemployed adults in select urban areas. Earn and Learn programmes are offered in several Michigan communities. The programme in Saginaw partners with a charitable foundation to target services to young minority males (including former prisoners re-entering the workforce) and chronically unemployed adults in the Saginaw area. The initiative is designed to spark immediate, entry-level work opportunities, while simultaneously increasing workers' skills and helping them manage barriers to success.

4.2 Childcare and family friendly policies to support women's participation in employment

Childcare is provided by both private and public organisations. As mentioned in the previous sections for California, Head Start, a federal programme for low-income families, reaches more pre-schoolers than any of the other programmes. The Head Start programme provides grants to local public and private non-profit and for-profit agencies to provide comprehensive child development services to economically disadvantaged children and families, with a special focus on helping preschoolers develop the early reading and math skills they need to be successful in school. SEMCA is the administrative agent for Head Start in Southeast Michigan area. In addition, WIA offers support services for eligible low-income participants, which include support for child care services on a short-term basis.

Employers throughout the state are governed by state and federal laws that provide maternity leave and other provisions for mothers and caregivers. Employers and their business associations promote best practices for providing a family friendly environment for mothers (and fathers) with paid leave, child care, concierge services, and so forth. The two local WIBs included in the study are home to several large corporations, and these organisations typically set the standards for a family friendly workplace, which other local companies must follow in order to attract talented workers in the area. For example, Dow Corning recently won a national award for its family friendly policies. *Working Mothers Magazine* cited Dow Corning for giving mothers paid time off to help their children weather medical problems or deal with challenging situations. Mothers are also able to flex their hours, work from home or telecommute if needed. The magazine also placed a SEMCA company in the top 100 for family friendly policies. Vlassis Communications was praised for several policies, one of which is the attended on-site family rooms where mothers could bring children on short notice. These programmes and policies are the result of company policy, not necessarily influenced by local government policies or programmes.

At the state level, the Governor has made early years childcare a priority in order to help to prevent future disadvantage, developing a ‘P20 cradle to career’ approach which follows children from their early years until they have they have graduated or moved into a job. Michigan has developed a Great Start scheme, led by the Early Childhood Investment Corporation, which is responsible for the state’s federal child care quality efforts on behalf of the Michigan Department of Human Services. The Governor appointed 15 influential leaders from business, philanthropy, communities and state government to serve as the Executive Committee for the Early Childhood Investment Corporation. There is also a strong emphasis given to local leadership, with local collaborative partnerships called Great Start Collaboratives (GSCs)

being established in each county (or in some cases combinations of counties) to bring together relevant stakeholders and support effective delivery.

4.3 Tackling youth unemployment

As highlighted in the key findings section on California, there are two federal programmes that address youth unemployment. The WIA Youth programme provides an array of services to prepare low-income youth (ages 14-21) for postsecondary educational and employment opportunities. Job Corps is a more intensive training programme targeting low-income youth. It addresses multiple employment barriers by implementing a holistic career development training approach which integrates the teaching of academic, vocational, employability skills and social competencies through a combination of classroom, practical and context-based learning experiences to prepare youth for stable, long-term, high paying jobs. These two programmes are integrated into One-Stop Career Centres. Two Job Corps centers are within driving distance of the two local WIBs.

Career and technical education programmes are offered in local high schools and these programmes are required to collaborate with their local WIBs. Each of the 25 local WIBs has an Education Advisory Group comprised of high-level educators and administrators to advise the local WIBs on the educational needs within their regions. In addition, all high school career and technical education programmes must have a local industry advisory group to validate industry standards within their programme curricula and instructional equipment updates. For example, the intermediate school district in the Great Lakes Bay region offers two dozen vocational programmes, ranging from welding to small engine repair. Most of these programmes offer an industry-recognised certification.

4.4 Openness to immigration

Michigan sees foreign immigrants as important to expanding the pool of talented workers. Under the Global Michigan Initiative, the state initiated a state-wide collaborative effort to retain foreign, advanced degree, and entrepreneurial talent in the state. To attract more foreign immigrants, the governor has charged various state agencies with finding ways to change regulations so that highly educated immigrants with advanced degrees will find Michigan an inviting place to work and live. One aspect of this initiative is to retain foreign students who graduate from the state's universities. Targeted initiatives include: 1) developing on-going relationships with participating universities, international students, and international organisations, 2) marketing the region to international students from the moment of first contact to graduation, and 3) engage federal and regional partners and stakeholders to remove some aspects of immigration laws that impede immigration.

The state is also concerned about low-wage migrant workers. Michigan's Interagency Migrant Resource Committee meets monthly to coordinate the delivery of services for migrant and seasonal farm workers and to serve as a clearinghouse for the exchange of views, problems and solutions between all parties concerned with migrant and seasonal farm labour.

In addition, the local WIBs work closely with a variety of organisations that have specialised and culturally specific services for various ethnic groups to help them convert their skills and successfully integrate into the labour market. Some groups are partners in the One Stop Service Centres. For example, SEMCA works with a local non-profit Arab American organisation to better serve the Arab American population in its service area, particularly those who are recent immigrants.

CONCLUSIONS AND RECOMMENDATIONS

This study has looked at local activities to support employment and job creation across four local WIBs in California and Michigan. Overall, there appears to be a comprehensive range of initiatives locally designed to enhance employment, skills, and job creation. The analysis in the previous sections, which was based on research and interviews with federal, state, and local stakeholders, highlights a number of strengths and weaknesses within workforce development policies in the United States.

In many ways, the workforce development system in the United States is relatively efficient by OECD standards given many of the outcomes achieved for both individuals and employers. However, workforce development policy in the United States is in a state of flux with the Workforce Investment Act (WIA) developed under the Clinton administration still pending reauthorisation. Local stakeholders consulted for this study indicated that this lack of reauthorisation creates a perception that workforce development policy is not a priority at the federal level. Therefore, until a new workforce programme is legislated, which takes into consideration current workforce and business needs and policy thinking, the workforce system must work within the constructs and regulations of WIA.

Even though the 14-year old legislation creates some impediments to an effective and efficiently run workforce development system, the flexibility afforded state and local workforce investment areas allows many of them to respond effectively to local needs. This study has highlighted some of the key initiatives undertaken by the four local WIBs to meet business and worker needs within their areas. It also raises a number of considerations in relation to the four thematic areas of the project.

Theme 1: Better aligning policies and programmes to local economic development

Recommendation: Reinforce the multi-level and flexible approach to workforce development which exists in the United States, encouraging policy coordination and integration at all levels of government. This would mean providing clearer strategic direction from the federal level to local WIBs and increasing capacities where needed so that local agencies are able to develop longer term strategies to support the hardest to reach, while at the same time being responsive to the needs of business.

The decentralised approach to workforce development in the United States is an international best practice within the OECD, demonstrating the importance of providing the local level with flexibility in the management and delivery of employment programmes and policies. With nearly 600 Local Workforce Investment Areas across the United States, WIA provides a governance mechanism that enables local areas to adjust programmes and services to meet local needs. The governance structure of the local WIBs provides a forum for partnerships and integration at the local level. The board itself is representative of key stakeholders in the region, including business, unions, 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% of the board membership.

Furthermore, and equally important, local WIBs can be and in many instances are a catalyst for bringing together economic development, vocational education, and employment organisations. Partnerships are key: they connect local actors, stimulate dialogue, and increase the effectiveness and efficiency in the use of public resources. Many local WIBs are increasingly entrepreneurial, collaborating with many different agencies, including community colleges, economic development networks, not-for-

profit organisations and small business advisors. In the local WIBs examined for this study, there was a high level of informal communication between agencies and community organisations providing for a strong local network. OECD research (Froy and Giguère, 2010) has demonstrated the importance of building social capital and building trust-based networks. Problems do not get solved with just grand strategies but it also takes knowing the right people to develop solutions on a day-to-day basis.

A principal concern across all four local WIBs for this study was capacity – the resources available from the federal level has slowly been shrinking, reducing the capacities of local WIBs to help those that are not ‘job-ready.’ The capacity of local staff that work with clients was also raised as a potential concern with local stakeholders indicating that more could be done to provide staff with training. This capacity issue has likely been compounded by increases in unemployment, resulting in additional demand for services. Local WIBs have tried to address the issue of limited resources by using their funds to leverage private investment. Local WIBs in each of the four study areas have partnered with private organisations and in some cases with foundations to leverage public resources. As limited funding continues, local WIB staff need to be trained to better understand and communicate with local employers.

Recommendation: Continue to collect and share information and data about "what works" locally, including effective approaches to establish and maintain partnerships between local WIBs, employers, and training institutions. This could include further developing or establishing a user-friendly "one-stop" portal that provides guidance and tools to local stakeholders on these effective practices. It could also include providing financial assistance for data-sharing platforms and administrative costs.

In both Michigan and California, the local WIBs use a strong evidence base for their policies and regularly consult with employers. There is a robust amount of data available locally, and this information is regularly shared across local stakeholders. There also appears to be strong collaborative efforts between community colleges, local WIBs and economic development partners to share information on local workforce and business needs. Collecting and analysing evidence is a critical step in any policy cycle where local stakeholders look to understand what is working and where efforts could be strengthened. The Workforce Intelligence Network (WIN) in Michigan is a particularly interesting demonstration of a collaborative effort between employment, economic development and vocational education stakeholders to integrate efforts and share information on local needs.

Metrics are also critical for forming and maintaining effective partnerships. To be effective, partnering organisations must coalesce around common goals and share common metrics related to achieving those goals. Metrics, particularly performance measures, therefore, become the “glue” that holds partnerships together. The adherence to performance measures by the local WIBs provides clear standards for other organisations within the partnerships and offer a platform from which to derive and support other performance-related metrics that reflect the broader goals of the extended partnerships.

One issue is the cost of collaborating with organisations outside the mandatory partners in the One-Stop Career Centres and the local WIBs. Meaningful collaboration requires staff time and some out-of-pocket expenses to bring together stakeholders and to maintain meaningful relations. The U.S. Department of Labor recognized this need when they initiated WIRED, which provided competitive grants to self-formed partnerships. Several states, including Michigan, implemented their own versions of WIRED with much smaller grants but still with the understanding of the cost of collaboration. Many of these programmes have ceased, but the need is still there. The successful partnerships observed in the case study areas found ways to cover the costs through private grants or contributions from partnering organisations. However, these costs need to be covered in a less ad hoc manner if successful collaboration is expected to be maintained and expanded. The U.S. Department of Labor could consider the merits of providing funding to further encourage partnerships and collaboration at the regional/local level.

Theme 2: Adding value through skills

Recommendation: Ensure that community colleges are able to achieve the right balance between delivering responsive training programmes to local employers and offering a diverse local curricula that helps to build on the talents and aptitudes of local residents while investing in broader soft skills, including creativity, entrepreneurship and communication skills.

A broad range of courses are available for both employed and unemployed individuals. Furthermore, some local community colleges exercise considerable flexibility in developing their own curriculum due in part to the decentralised nature of community colleges in the United States and their strong identity to local areas. In the case study areas examined, they also seem to be quite responsive to employer demand with the ability to rapidly develop courses that respond to local employers and use industry representatives as trainers. By using industry representatives with sector-specific knowledge, community colleges are able to ensure curriculum is geared to meet local demand, while also ensuring good relationships with employers. However, to be responsive to local needs, in some cases community colleges had to create a branch of their institution that was separate from that part of the college that offered more traditional academic courses. This dual institutional structure was particularly evident in California. Another issue is the relatively short-term nature of vocational training, with a focus on “just in time” training. A potential casualty of this type of training designed to respond to immediate employer need is a potential lack of strategic thinking for skills needed in the longer-term for both employers and workers.

Many local WIBs are required to ‘block book’ training courses from local community colleges, meaning that they cannot send a single person to class. It is important that a diverse local education and training curriculum remains accessible to unemployed people, so that they are able to build on their talents and attributes, while also helping regions to avoid overdependence on certain employment sectors. There was a focus on developing career ladders in certain sectors, particularly health, in order to help lower skilled workers progress in their careers through access to stackable credentials and modular training. Some areas have adopted the concept of stackable skills in which modular classes can be combined toward certificates and degrees. Efforts should also continue to focus on ensuring that individuals are equipped with good generic skills that will enable them to be adaptable and resilient. Demand for generic skills is increasing in today’s knowledge-based economy and it is not just those at the top of the employment ladder who need such skills. OECD research (Froy and Giguère, 2010) has shown that increasingly those involved in “routine-work” (e.g. salespeople) can bring benefits to employers by being able to solve problems and feedback information from their communication with customers.

There was also a willingness to help other low-skilled incumbent (i.e. employed) workers to adapt and progress as a way of preventing unemployment, but some programmes contain administrative obstacles that prevent successful delivery on the ground. Policies and programmes should continue to focus on ways of providing training for existing employees, particularly those in lower-skilled jobs who will continue to be at risk of redundancy, as well as those in small and medium sized enterprises, who may not have similar potential access to work-based training opportunities. It is increasingly understood that in order to promote productivity, there is a need for incremental innovation – learning by doing – across the workplace. Apprenticeships have a role to play here, and some local WIBs have invested more in this area than others. While there are many employers in the United States who have training programmes for their employees, approaches taken in Canada (see Box 20) have shown that a relatively low-skill, low-wage workforce in a traditional industry (tourism) where the product (or service) is often viewed as a commodity by many producers and consumers, can be trained to create value for the customer.

Box 20. Employer approaches to raising skills and employability

The Four Seasons Hotel in Toronto, Canada takes an approach where finding new employees is about “hiring

based on attitudes and to train for skill". Four Seasons recognizes that sustaining service excellence (their key competitive edge), depends on their ability to carefully select employees who exhibit Golden Rule attitudes of courtesy and helpfulness. Each candidate is assessed on six core competencies known by its acronym, ASPECT: Adaptability/Flexibility; Service Passion; Professionalism; Ethic for Work/Integrity; Communication; and Team Player. The assessment is done using a Behaviour Based Interview, in which candidates are asked how they behaved in certain historical job or personal life situations. Candidates who score high on these attributes are then interviewed a minimum of four times, sometimes five, by different levels of management. The Royal York Hotel follows a similar pattern in interviewing and hiring new candidates. Given the reputation of both hotels when they seek new hires they get a large number of applications. This allows them to screen carefully and hire the very best from the pool of qualified applicants.

In both hotels, most employees start at relatively junior levels of employment and move up in the company through the process of acquiring new skills and moving to other better-paid jobs as openings become available. Workers at all levels are encouraged to learn new skills and to bid for new positions. Both hotels offer training programmes in-house as well as encourage their employees to pursue learning interests outside. At both hotels the policy is to promote from within. By some estimates a little more than half the supervisors and junior managers are promoted to their jobs from within. This gives qualified and high performing employees an opportunity to develop a career within the organisation. Each employee and manager undergoes an annual development. For employees this is a review of performance in six competency areas known by its acronym, ASPECT, described earlier. Managers are assessed on a set of behaviour statements (called Behaviour Based Assessment) applicable to the level at which they are expected to perform. Managers can also see the list of expected behaviours at levels above them in order to plan for promotion.

Training and development initiatives are at the core of the business strategy of these two hotels. Training that provides career development opportunities; helps mobilize talent that in turn fuels the growth of the company. Each Four Seasons Hotel has a full time dedicated Learning Manager who has access to over 400 hours of instructor-led and Four-Seasons-specific electronic learning. Hotels are measured by their approach to learning and must attempt to provide a minimum of 10 hours for each employee and average of 40 hours for each manager of customer service and leadership learning per year, in addition to any job specific training.

Training programmes communicate both 'hard' information regarding standards of performance and 'soft' cultural messages. Training programmes are designed to be fun and engaging, yet challenging and results-based. Orientation materials are translated into 20 languages to accommodate non-English speaking employees. A hybrid approach combining classroom lecture and on-the-job training is used. Employees spend time learning techniques inside the classroom and then practice their skills under the guidance of a peer mentor. All managers are expected to deliver learning to other employees, and this continues up the organisation to the CEO.

More value can be created for the customer if workers are better trained and engaged in their work. A higher level of skill and involvement helps the worker deliver a superior service for which the customer would be willing pay more. Thus, the low-wage worker in this organisation is an integral part of the value chain that connects the organisation with the customer. This approach leads to better outcomes for the employer as well as for the employees. The employer builds a large customer base of people who keep returning to the hotel for future stays and talk-up the high quality standards to others. The employee, in turn, performs a job that requires higher levels of skill. Such jobs come with opportunities to move up which in turn, encourages workers to be fully engaged with their work. These jobs give employees a higher level of pride in their work and greater identification with the goals of the organisation. Both hotels have created a competitive advantage in the marketplace by leveraging the skill and involvement of their lowest-paid workers.

Source: Verma, 2012.

Theme 3: Targeting policies to new employment sectors and investing in quality jobs

Recommendation: Build capacities to work at the local level with employers on maximising effective work organisation, improving productivity and better utilising skills. Examine the role that community colleges can play in supporting and undertaking these initiatives.

In the local WIBs examined as part of this study, approaches are being taken around particular local industry clusters, which galvanize local activity and create positive joined-up collaborations. Sectors such as health, new 'clean technologies' and renewable energy were a consistent focus in both Michigan and

California. While this is useful in creating employment and training programmes that are well targeted to specific sectors, there is a risk that local WIBs are failing to serve a broader set of sectors or economic diversity, which could ensure a broad range of local activity. Focusing on a few sectors may leave a region vulnerable to poor analysis and forecasts and an unexpected shift in the market.

There was also a lack of attention paid to issues of work organisation and skills utilisation. Research by the OECD LEED Programme (Froy and Giguère, 2010a; Froy, Giguère and Meghnagi, 2012) has noted the importance of not just building the supply of skills in a local economy but also ensuring that skills are effectively utilised by employers. By working with employers on issues of skills utilisation, ladders within organisations can be created enabling individuals to move up within their company or organisation. This type of initiative can also create new opportunities and jobs. OECD research has identified a number of tools, which can be used to address problems of low-skilled equilibrium and improve skills utilisation. Some of these are listed in Box 21.

Box 21. Tools to raise the quality of local jobs and improve skills utilisation

Guidance, facilitation and training

- **Support technology transfer:** facilitating investment in new technology by employers, setting up partnerships for the sharing of innovation and new technologies.
- **Provide technical assistance to improve working conditions and work organisation:** this may mean the re-professionalisation of front-line positions in some sectors and a reduction in dependence on temporary staff, while in others it may mean applying lean manufacturing techniques. Providing staff with enough time to pass on skills and learning is also important.
- **Encourage participation in training for both managers and workers:** better trained managers are likely to create more productive working environments for their staff. At the same time, companies need to be encouraged to make training and other skills development opportunities available to their employees.

Finance and procurement

- **Ensure the availability of patient capital:** in order to invest fully in their staff and upgrade their production processes, companies need long-term investment security. The availability of local "patient capital" (i.e. funds invested for medium or long term, generally for 5 to 10 years) will be important for this.
- **Develop a quality-driven supply chain:** public procurement can also be used to help local firms think longer term and therefore invest in increased productivity. This can include, for example, longer contracting periods. In addition government contracts can require a certain level of working conditions, and a certain level of commitment to training.
- **Support social enterprise:** given that social enterprises can avoid some of the short-term pressures associated with satisfying private shareholders, they can in some cases take a longer-term perspective to developing and training their staff.

Influencing broader public policies

- **Remove local disincentives to a focus on quality in the public sector:** this may include changing incentive structures for local employment agencies so that they concentrate on the quality and not just the quantity of job-matches.
- **Ensure that skills policies are embedded in economic development policies:** local partnerships are needed between business and policy makers in the sphere of economic development, education and employment, in order to ensure that skills policies are understood in the context of broader economic

development.

Work in partnership

- **Work with intermediaries:** brokers and intermediary bodies can be particularly useful when working with employers on productivity issues, particularly as this is not a traditional domain for public policy.
- **Work with unions:** unions are natural partners in improving the quality of employment at the local level. Not only are unions increasingly involved in co-ordinating training for their members, but they also have an interest to see that work organisation and employment conditions improve for skilled staff. They are a useful intermediary between the public sector and business.

Source: Froy and Giguère, 2010a.

Local community colleges have an important role to play in working with firms to improve local skills utilisation and improve productivity through management training and the co-development and dissemination of relevant R&D, product testing and technology transfer (see Box 22 for an example of the role played by a local college in Italy). While many actions have been taken across the United States, policy makers should continue to support mechanisms which enhance the capacity of community colleges and universities to develop and deliver training courses in partnership with the local workforce development areas. A strong partnership between the two organisations together with businesses creates a sharp focus on developing the talent demanded by local businesses and improving the skill sets of individual workers, while minimizing tendencies toward institutional self-interest because of the checks and balances inherent in a meaningful partnership.

Box 22. Riviera del Brenta, Italy

In the Riviera del Brenta industrial district in Northern Italy, firms in the footwear sector have collaborated to pool investment in training provision while also collectively upgrading product market strategies in order to engage in high quality international markets. Not far from Venice, the region traditionally hosted cottage-based industries which mainly employed low-skilled blue collar workers. However the area has now become a global centre for the production of high quality ladies footwear (supplying to Giorgio Armani, Louis Vuitton, Chanel, Prada, Christian Dior), through the development of an international brand by the local employers association, ACRIB. The region has seen a growing share of high-skilled employees in design, R&D, management and marketing. Before the 1993-1994 repositioning almost all workers in shoe manufacturing were blue collar workers, nowadays this proportion is around 40% (with roughly 50% of designers and 10% of commercial staff). Close cooperation with local unions ensured that improvements in productivity were accompanied by wage gains and improved working conditions, particularly in terms of health and safety.

An important role has been played in the economic development of the district by the privately-run local polytechnic, Politecnico Calzaturiero, which employs firm managers to train local workers and job seekers after hours, while also offering management training, and investing in research, innovation and technology transfer. The polytechnic therefore invests in skills supply whilst also optimising skills utilisation through new product development and improved human resource management. The fact that firms are members of ACRIB means that they are less worried about pooling training, technology and new innovations - investment in local human capital will not only improve prospects for individual firms but also for the global brand as a whole.

Source: Froy, Giguere and Meghnagi, 2011.

Theme 4: Inclusion

Recommendation: Ensure efforts taken to serve employers do not displace resources for the most vulnerable groups, such as minorities, youth, single mothers, the long-term unemployed and immigrants. This may require programmes that go across sectors and involve longer-term investment.

A potential casualty of local WIBs that take a more demand-led approach is that large numbers of at-risk people who are not employment ready will be vulnerable to neglect at a time of limited resources. In both Michigan and California, it is clear that some population groups are at risk of high and intergenerational unemployment and poverty. As a way to provide services that are more accessible and more relevant to immigrant and ethnic minority groups, all four local WIBs often delivered services through or in collaboration with local community organisations, mostly not-for-profits and some faith based, whose missions are targeted at these population groups.

The economic crisis has had a disproportionate impact on youth, particularly those who are not in education, employment, or training. The case study areas provide a comprehensive range of programmes and services. Many programmes have also been designed to target youth, including particular segments of youth, such as those involved in gang activities.

Looking at the provision of child care, the Head Start Programme in both Michigan and California provides grants to local organisations to provide comprehensive child development services to disadvantaged children and families. At the same time, the Great Start scheme in Michigan provides an example of a joint state and locally-led effort to boost investment in the early years of children's lives, which play a fundamental role in laying down the foundations for their future skills acquisition and general employability. Early learning confers value on acquired skills, which leads to self-reinforcing motivation to learn more, and early mastery of a range of cognitive, social, and emotional competencies makes learning at later ages easier and thus more likely to continue (Heckman, 2006). Michigan's governor has proposed to redirect \$65 million of the state's school aid fund to increase funds for pre-schools. The emphasis on early childhood development and the call for public support for such an initiative underscore the need to start early in a person's life to develop skills necessary to pursue a meaningful career and promote inclusion in society.

OECD research (Froy and Pyne, 2011; Travkina, forthcoming) has highlighted the value of cultivating skills through cultural and creative activities. This is way to provide young people, often disadvantaged youth who can be difficult to reach through more conventional approaches, with new skills and allow them to pursue areas of passion such as music, theatre, literature and film. Young people may have interests not immediately regarded as relevant to the labour market, but if encouraged to develop and pursue these they can prove to be invaluable in giving young people more confidence, greater ambition as well as allow them to acquire new skills valuable in the world of work, or indeed to set up their own businesses.

Box 23. Information and Cultural Exchange in Australia

Information and Cultural Exchange (ICE) is a community arts and technology organisation in Western Sydney which has worked with young people from diverse cultural backgrounds for more than 20 years. It provides community programmes in areas such as filmmaking and urban music, enabling thousands of young people who are not in employment, education or training and those poorly integrated in the labour market to pursue their creative ambitions. Providing skills development, mentoring, networking opportunities and small business support, ICE programmes enhance the employability of participants and have built the career foundations of some highly successful Australian artists, particularly in the areas of filmmaking and hip hop.

Programmes include Artfiles – an artists' resource and professional development programme that connects artists and employers through providing a comprehensive directory of more than 2 000 artists in Western Sydney. Create Media! provides work experience, training and business development in digital arts to young people from a

refugee background. ICE is one of Australia's most successful community arts organisations, recognised as one of 11 "key producers" by the Australia Council for the Arts, demonstrating outstanding leadership and success in community arts. In 2010 over 1 700 people took part in ICE workshops, seminars and master classes.

Source: LEED Local Strategies for Youth Employment, 2011.

Immigration is a complicated issue in the United States and the current administration has made it a priority. In the case study areas examined, there was a relative lack of services to help immigrants to convert their skills to new labour markets, which may be partly because many recent immigrants in the United States are required to already have jobs secured in order to receive visas. While not discussed much by those interviewed, it should be recognised that the Adult Basic Education programme, under the Department of Education, provides extensive basic educational services to eligible immigrants. It is important for policy makers to be cognizant that immigrants are a source of labour supply, especially for areas with increasing dependency ratios and a declining rate of labour force growth. Therefore, efforts must continue to promote the recognition of qualifications acquired abroad and in some cases, immigrants may need more sector-specific skill and language training to successfully enter and stay in the labour market.

Summary of Recommendations

Drawing on the conclusions discussed in this chapter the following box (Box 24) provides a summary of the key recommendations, which should be considered in the development of an action plan in order to support and promote local job creation in the United States.

Box 24. Summary of Recommendations

- Reinforce the multi-level and flexible approach to workforce development which exists in the United States, encouraging policy coordination and integration at all levels of government. This would mean providing clearer strategic direction from the federal level to local WIBs and increasing capacities where needed so that local agencies are able to develop longer term strategies to support the hardest to reach, while at the same time being responsive to the needs of business;
- Continue to collect and share information and data about "what works" locally, including effective approaches to establish and maintain partnerships between local WIBs, employers, and training institutions. This could include further developing or establishing a user-friendly "one-stop" portal that provides guidance and tools to local stakeholders on these effective practices; It could also include providing financial assistance for data-sharing platforms and administrative costs;
- Ensure that community colleges are able to achieve the right balance between delivering responsive training programmes to local employers and offering a diverse local curricula that helps to build on the talents and aptitudes of local residents while investing in broader soft skills, including creativity, entrepreneurship and communication skills;
- Build capacities to work at the local level with employers on maximising effective work organisation, improving productivity and better utilising skills. Examine the role that community colleges can play in supporting and undertaking these initiatives;
- Ensure efforts taken to serve employers do not displace resources for the most vulnerable groups, such as minorities, youth, single mothers, the long-term unemployed and immigrants. This may require programmes that go across sectors and involve longer-term investment.

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