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Skills Upgrading
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Chapter 5

Sectoral Initiatives to Train Low-qualified Incumbent Workers in the United States: Two Case Studies

by
Randall W. Eberts

This chapter focuses on the use of partnerships between businesses and non-profit organisations to help upgrade the skills of low-qualified workers. Drawing upon case studies in Chicago and Milwaukee, the author contrasts the approaches and successes of workforce investment boards with non-government workforce intermediaries in order to draw lessons and recommendations. The chapter begins with a critical overview of recent labour market trends and policies and describes the system of training institutions in the United States. It then provides an in-depth description and assessment of the training initiatives pursued by a workforce investment board and two workforce intermediaries. The author concludes that the debate about whether workforce intermediaries should supersede public services is ill-suited: both approaches are needed and their efforts are complementary.

Introduction

Low-qualified workers in the United States are losing ground. During the past decade, which included one of longest and most robust economic expansions in US history, wages of workers with only a high school education fell further behind those with higher levels of education. At the same time, US businesses continue to face a shortage of qualified workers to fill vacancies. Results from a survey administered by the US Chamber of Commerce showed that 50% of employers surveyed had difficulty in finding employees, primarily because applicants had low skills or a mismatch of skills. More alarming still are the projections that the supply of qualified workers will not keep up with the large number of vacancies left by the retirement of the "baby boomer" cohort. Even the most optimistic projections of new entrants into the workforce fall more than 5 million workers short of filling the 58 million job openings that the Bureau of Labor Statistics anticipates will occur by 2010.

The need for more highly qualified workers continues to grow, fuelled by several powerful trends. One is the rapid market shift from the manufacturing economy to a service- and information-based economy. Today, only 13% of the US workforce is employed in the manufacturing sector, compared to 18% a decade ago. Propelling this change is the growth in the "global economy," which has come about through the rapid internationalisation of trade, production and finance. Another factor is the shift in technology, which has reduced the number of jobs required to manufacture goods and has contributed to the growth of the information-based economy. Thus, a nation's comparative advantage is no longer measured in terms of its physical resources but rather its human resources – the skills and abilities of its workforce.

These trends make training critical in order for workers to gain and retain higher paying jobs, for businesses to be more profitable, and for the United States to remain competitive internationally. There is no doubt that workers are receiving a considerable amount of training. They receive training through their employers, on their own through specialised training institutions, and through the vast system of higher education. A recent survey shows that half of working adults participate in some form of work-related adult education. Yet the low-skilled workers, who comprise an increasing share of the nation's workforce, receive disproportionately less attention. Even though businesses can benefit from efforts to upgrade their skills, they are less likely to provide training to those employees than to their more skilled workers. The public workforce system also places low priority on training low-skilled incumbent workers. The emphasis in recent years has been predominantly on "work first", getting people into jobs first rather than providing the necessary skills training for higher paying jobs.

A widely held view is that training alone is not enough. Rather, training has to be more closely linked to the needs of business, and employers must become more fully engaged with the workforce system. The current workforce system, under the Workforce Investment Act (WIA), engages businesses in setting workforce strategies at the state and local levels through the membership of business leaders on workforce investment boards, which oversee the administration of employment services. Nonetheless, there is growing concern that WIA does not go far enough in engaging businesses and that other entities, such as community colleges and technical schools, must also be brought together in effective partnerships.

Recognising these shortcomings, the current administration has developed strategies that directly and indirectly attempt to fill this gap. These more recent government initiatives have been patterned to a large extent after initiatives by several non-profit organisations that began in the late 1980s. Referred to as workforce intermediaries or sectoral employment initiatives, these non-government entities focus on the needs of businesses typically within a narrow sector and in a specific locale. By partnering with a range of service providers, they also help low-qualified workers receive proper training and job search assistance. Proponents of non-government workforce intermediaries argue that the private sector is better able to respond to the rapidly changing needs of businesses and workers than the government sector, because of their entrepreneurial spirit and their freedom from government regulation and bureaucracy.

This chapter focuses on the use of partnerships with businesses and other entities to help upgrade the skills of low-qualified workers. Case studies are presented of two non-government workforce intermediaries and one workforce investment board. In studying these organisations, the chapter contrasts the approaches and successes of the workforce investment boards with the non-government intermediaries in order to draw lessons and recommendations. The chapter addresses several issues regarding these partnerships. First are local workforce investment boards, with the majority of members coming from business, already filling these gaps by integrating services and collaborating with businesses? Second, who are the non-government organisations really serving – business or the low-skilled worker, and are they primarily serving a more job-ready population than the workforce investment boards? Third, for those workers who are served by non-government workforce intermediaries, are they better off than similar workers who did not receive the services of the initiatives? Fourth, can non-government workforce intermediaries find enough support from local employers and other non-government sources to sustain their efforts, or must they rely to a large extent on using the funds and services of government programmes?

The chapter begins with a critical overview of recent labour market trends and policies, and describes the system of training institutions in the United States. It then provides an in-depth description and assessment of the sectoral initiatives pursued by a workforce investment board and two workforce intermediaries. The assessment is based on the site visits by an OECD team of experts, and interviews with the directors of these two organisations, business owners and managers who have participated in these partnerships, union officials and incumbent workers. It is also based on an examination of published material from the organisations and from evaluations conducted by other organisations.

Overview of the situation of low-skilled workers in the United States

A. Benefits of education and training

Education and training have paid off for both businesses and workers during the past decade or so in the United States. For businesses, increases in educational attainment were responsible for an estimated 11% to 20% of the growth in worker productivity in the United States (Decker, Rice and Moore, 1997). For workers, studies estimate that an additional year of education increases a worker's annual wages by 6% to 10% (Card, 1999). The earnings gains are even more pronounced from curricula that provide an academic year of more technical and applied coursework, with returns ranging from 10% to 15%. Even basic literacy and numeracy skills have significant payoffs. For example, studies have shown that high-literacy workers can earn nearly three times the wages of low-literacy workers. In terms of annual increases, the study found that an increase in literacy proficiency raised expected annual earnings by 15% (Sum, 1999).

Consequently, people with low educational attainment and little training are at a significant disadvantage with respect to earnings and employment. For example, the median weekly earnings of college-educated workers are 73% higher than those of high-school-educated workers, and the gap is even larger for those who dropped out of high school. The gap has also increased between college-educated and high-school educated workers, growing by 70% since the early 1980s. Moreover, 13.1% of workers without a high school diploma have annual incomes below the poverty level, compared to 8.8% for high school graduates and 1.5% for college graduates.

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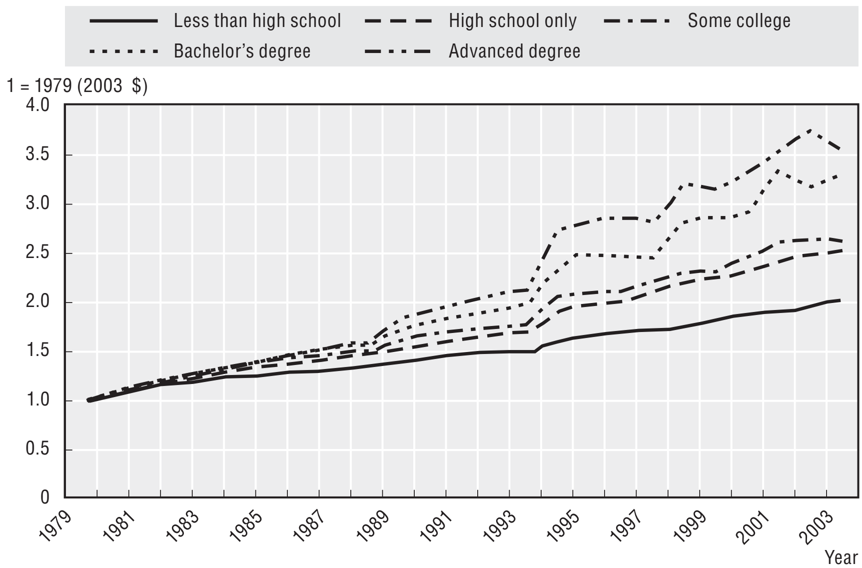
Figure 5.1. **Wage rates by education (ages 25-54)**



Source: Bureau of Labor Statistics, Current Population Surveys, selected years.

Employment prospects are also greater for more highly educated workers. In 2003, bachelor degree holders over the age of 25 experienced an unemployment rate of 3.6 while those with only a high-school degree had a 5.2% unemployment rate and those with less than a high school education experienced a 8.5% unemployment rate. In addition, jobs held by college graduates are more likely to provide health and other benefits than those held by high-school graduates. These unemployment rate differences are also evident with respect to literacy proficiency. Those workers with the lowest level of proficiency experience unemployment rates nearly three times higher than those achieving the highest level of literacy proficiency (Sum, 1999).

Low-skill and (thus) low-wage jobs are concentrated in a few industries and occupations, as shown in Tables 5.1 and 5.2. These tables use two measures of low wages. Both are measured as the share of total hours worked aggregated across all workers. The first measure is the percentage of hours within each industry that falls within the lowest quintile of earnings of all workers; the second is the percentage of hours in which the wage rate is less than USD 8/hour, which is the average earned by welfare leavers. Using these measures of low-paid jobs, Table 5.1 shows that retail trade has by far the largest proportion of low-paid workers. Several occupations have a higher than average concentration of low-paid workers. These include sales and services, which are consistent with the industry figures since these

Table 5.1. **Shares of hours worked that are low-paid by industry**

Industry	Bottom 20%	Wage rate less than USD 8/hour
Total	20.0%	16.3%
Mining	5.0	4.6
Construction	7.1	4.4
Manufacturing	10.9	7.8
Transportation, communications, public utilities	6.1	4.5
Wholesale trade	13.6	10.2
Retail trade	53.8	48.3
Financial, insurance, and real estate	9.6	7.1
Services	20.1	15.6
Public administration	3.7	2.3

Source: Bernstein and Gittleman, 2003.

Table 5.2. **Shares of hours worked that are low-paid by occupation**

Occupation	Bottom 20%	Wage rate less than USD 8/hour
Total	20.0%	16.3%
Executive, administration, managerial	0.6	0.5
Technical	2.1	1.6
Sales	38.0	32.9
Administrative support	13.5	7.6
Service	50.1	44.0
Precision, production, craft and repair	3.0	2.3
Machine operators, assemblers, inspectors	19.5	15.1
Transportation material moving	13.1	10.4
Handlers, equipment cleaners, helpers and labourers	64.4	58.4

Source: Bernstein and Gittleman, 2003.

Table 5.3. **Poverty, income and educational attainment by US regions**

Region	Persons below poverty level, 2003, %	Median individual income, 2003	Educational attainment, 2002, %		
			Not a high school graduate	High school graduate only	Bachelor's degree
Northeast	11.3	USD 46 742	14.6	34.7	18.6
Midwest	10.7	44 732	12.7	35.4	17.1
South	14.1	39 823	18.5	31.8	17.1
West	12.6	46 820	16.3	26.7	18.6

Source: US Census, 2003, 2004.

occupations are highly concentrated in the retail trade sector. In addition, a large percentage of handlers, equipment cleaners, helpers and labourers – a set of occupations with little skill requirements – are low-paid workers.

Earnings and educational attainment also vary across regions within the United States. Workers in the South earned the least while workers in the Northeast and the West earned the most. The differential was 17%, and it was related to differences in educational attainment. A higher percentage of persons in the Northeast and the West completed college with a Bachelor's degree compared with those in the South and Midwest. The South also had a higher percentage of persons not completing high school, which can have significant effects on the median earnings of the workforce in that region. In contrast, the Midwest had the lowest percentage not completing high school – but the fact that the college completion rate was lower than the Northeast and West placed their earnings in the middle of the regional distribution. The low proportion of high school dropouts probably explains the Midwest's low poverty rate relative to the other regions. Not surprisingly, given its low educational attainment and earnings, the South experienced the highest poverty rate. Education is, of course, not the only factor in explaining earnings. The industry and occupation mix of the regional workforces also come into play.

The higher returns to education have encouraged many people to attain higher levels of education. Since 1980 the percentage of the labour force that has graduated from college has risen from 21.6% to 31.4%. While the percentage of African Americans and Hispanic Americans who have graduated from college has also increased, the overall percentage of college graduates from these two groups is significantly below that of whites. For example, only 13.9% of the Hispanic Americans who are in the workforce have graduated from college, compared with 31.9% for whites. African Americans also have a lower college graduation rate than whites – 20.2%. In recent years, however, growth in the attainment of college degrees and other credentials has slowed. Some projections place the percentage of the workforce with a college degree at 33.6% by 2020, which is not enough to match demand (Aspen Institute, 2002). Even the most optimistic projections of new entrants fall more than 5 million workers short of filling the 58 million job openings that the Bureau of Labor Statistics anticipates will occur by 2010.

Therefore, if the United States is to meet the demand for a more highly trained workforce from the existing labour pool in the coming years, it is critical that incumbent workers, particularly the low-qualified workers, be given the training necessary to meet these needs. Without such training, businesses may be forced to seek qualified workers elsewhere either by sponsoring immigrant workers (such as the H1-B visa programme provided) or by outsourcing operations (which has become a contested political issue). If businesses take such action, then incumbent workers – particularly those with low skills – will suffer, given the earnings premium commanded by highly skilled workers.

B. Participation in adult education activities

A recent survey reveals that a large percentage of adults in the United States continues to upgrade skills beyond formal secondary education. The survey, conducted by the National Center for Education Statistics, asked adults (16 years of age and older) about their participation in any formal educated related to work (Kim *et al.*, 2004).[1]

According to the survey, 53% of working adults reported that they had participated in adult education during 2002. Participation varied significantly by education, age, profession and the size of the employer. For instance, 72% of those who held a bachelor's degree participated in work-related education while only 14% of those with less than a high school education participated. The survey also found that younger workers are more likely to participate in education than older workers, and professionals and managers are more than twice as likely to participate as trades people (71% versus 32%). Workers employed in large firms (500 or more employees) are more likely to participate in education than workers in smaller firms (100 or less employers).

From this survey, it appears that low-skilled workers do not have or are not taking the opportunity to upgrade their skills while working. In fact, the skills gap appears to be increasing as more highly educated workers add to their skill set more frequently than do low-skill workers. Many factors can contribute to this non-participation, including lack of qualifications, of motivation, of time outside of work and of support by employers, to name a few. Undoubtedly, efforts to upgrade the skills of low-qualified workers must take these and other factors into account.

Training incumbent workers

A. Training providers

Classroom training

The extensive system of post-secondary education within the United States, particularly community colleges and technical schools, provides much of the training of workers. The system is comprised of more than 4 000 institutions enrolling over 15 million students. Nearly 2 500 institutions are four-year colleges or universities and 1 700 are two-year institutions. The overwhelming majority of the 15 million students attend publicly supported institutions by a ratio of over 3 to 1. All but a small fraction of students attending two-year institutions are enrolled in publicly supported community colleges.

One of the hallmarks of the US educational system is the access to higher education. Admission to traditional four-year colleges and universities depends upon the student's grade point average in high school and his or her

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scores on standardised college admission tests. While admission to the top public and private colleges and universities is very competitive, the number of institutions and the prevalence of community colleges ensure that most students who are motivated to continue their education beyond high school can do so. Although tuition is primarily the responsibility of students and their parents, the large number of publicly supported institutions and the prevalence of government aid and loans makes a college education affordable for most families. For instance, at four-year public institutions tuition and fees averaged USD 4 700 in 2003-2004, and USD 1 900 at two-year institutions. However, nearly 60% of students receive some form of financial aid, including government-subsidised loans. Therefore, factoring in the USD 105 billion in student aid offered in 2003, the average tuition at public four-year institutions drops to USD 1 700 per year and the entire tuition is paid for a community college student (College Entrance Examination Board, 2004). Of course, this does not include room and board or other living expenses during the time the student is in college.

Workers, particularly those with low skills, depend upon community colleges and technical schools for much of their training and education beyond high school. Most community colleges have open admissions and tailor their courses to meet the schedules and lifestyles of students who work during the day and to meet the needs of local employers. Community colleges typically partner with local workforce development boards to provide and co-ordinate training, although the integration of services and responsiveness to employer needs vary from college to college. According to a recent survey conducted by the US General Accounting Office, 78% of the local workforce boards 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 (USGAO, 2003). Recently, the federal government has funded several community colleges to provide training to workers in high-growth sectors of the economy. In addition to the post-secondary educational system as described above, the Kindergarten through high school (K-12) educational system is often involved in workforce training, through school-to-work type programmes and through their contractual arrangements with local workforce boards to provide various services. There are also a number of private training providers, such as Goodwill Industries and the workforce intermediaries detailed in this chapter, which offer training through contracts with government agencies and businesses.

On-the-job training

In addition to community colleges, workers can enrol in apprenticeship programmes. Apprenticeships are traditionally the way that the trades have trained their workforce: on-the-job training in the workplace with qualified workers or master craftsmen. Employers, employer 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 two- and four-year academic institutions that offer associate and bachelor's degrees in conjunction with apprenticeship certificates.

Most states have apprenticeship boards that establish standards for the training and help to co-ordinate the partnerships. In Wisconsin, for example, construction trade apprenticeships are sponsored by local trade committees comprised of skilled workers and employers who advise the state's Bureau of Apprenticeship Standards. Each committee develops its own policies and practices, with approval from the Bureau, for operating its apprenticeship programme and for selecting apprentices. Each committee determines the selection procedure and criteria, which may include an aptitude test, an interview with the committee, high school transcript, proof of graduation or equivalent, and so forth.

Nationwide, 480 000 apprentices are currently receiving on-the-job training in nearly 30 000 programmes. These programmes are found in all the major sectors: communications, energy, health care, manufacturing, public administration, retail and wholesale trade and services. The federal government invests USD 21 million annually in the apprenticeship system, but most of the funds come from the sponsors. For instance, the construction industry alone contributes an estimated USD 250 million per year to support apprenticeships in the industry (US Department of Labor, 2004).

Business-affiliated institutions

Businesses also directly provide their own training to workers, ranging from in-house "universities" to job shadowing. For example, more than 1 000 firms operate so-called "corporate universities" that grant degrees and certifications within the corporate structure. Well-known examples of such institutions are McDonald's Hamburger University in Chicago and Motorola's training institutions. Much of incumbent worker training takes place in classroom settings using in-house instructors. At the same time, many companies contract with outside providers such as community colleges and universities, and use innovative learning techniques such as individualised learning technologies.

B. Sources of financial support for worker training

The responsibility for training incumbent workers falls primarily upon employers and the workers themselves. Accurate estimates of the amount spent on worker training are elusive, particularly because of the inability to establish solid estimates of the amount businesses spend on training their employees. Recent estimates, shown in Table 5.4, place the total training expenditures by business and government in 2001 at USD 68 billion, for which businesses account for all but USD 7 billion. The vast majority of government-sponsored job training programmes are federal, and most of these are administered under the Workforce Investment Act (WIA). WIA allows state and local entities to use federal funds to train employed workers, but only a small proportion of the funds are available for that purpose. Most of the training goes to the unemployed: the emphasis under WIA has been to move people into jobs as quickly as possible.

Table 5.4. **Estimated expenditures for public job training programmes in the US, Fiscal Year 2001 (thousands of US dollars)**

Programmes	Federal funding (USD)	Share of Federal funding (%)	State supplemental funding	State financed customised FY 1998	Employer financed 1998	Grand total of funding
Adult and dislocated worker activities	2 540 040	39.6				
Youth activities	1 377 965	21.5				
Job Corps (youth)	1 399 148	21.8				
National programmes	528 150	8.2				
Other programmes (Non-WIA)	4 500	0.1				
TAA training	94 400	1.5				
NAFTA training	37 150	0.6				
Community service employment for older Americans	440 200	6.9				
Total funding	6 421 553	100.0	276 621	593 191	60 700 000	67 991 365
Percentage of grand total of funding	9.4%		0.4%	0.9%	89.3%	100.0%

1. WIA – Workforce Investment Act.
2. TAA – Trade Adjustment Assistance.
3. NAFTA – North American Free Trade Act.

Source: Wandner, Balducchi, and Spickard, 2001.

Training programmes under WIA are not targeted specifically or exclusively to low-wage workers, since these programmes do not have an income requirement. However, WIA regulations stipulate that in the event funds allocated to a region for adult employment and training services are limited, priority for training services must be given to recipients of public assistance and other low-income persons. In addition, state and local programmes have been targeted to help low-wage workers overcome some of the barriers to receiving training services. They include offering English as a second language (ESL) in the workplace, helping to meet transportation and childcare needs, accommodating scheduling conflicts and financial constraints, and helping to overcome limited work maturity skills.

WIA funds provide services to adults, youth, and dislocated workers. States must allocate at least 85% of adult and youth funds to local workforce areas and at least 60% of dislocated worker funds as well. In 2001, about USD 2.5 billion were available to provide training services to all adults and dislocated workers (Table 5.4). WIA also permits states to set aside up to 15% of WIA funds allocated to adults, youth, and dislocated workers to support a variety of statewide workforce initiatives, including training programmes for low-wage incumbent workers.[2] Not all of the 15% set aside, however, is used to train low-wage workers. The WIA statutes stipulate that these funds can be used to fund state operations, demonstration pilots, and other state-level activities. Under the set-aside programmes, funds can be used for direct training costs, instructors' wages, curriculum development and resource materials, but they cannot be used for trainees' wages or for training equipment. State set-aside funds used for on-the-job training can be used to pay up to 50% of an employed worker's wages.

WIA requires that all states and localities offer most training services to the public through the one-stop system, which encompasses about 17 programmes. Under this system, there are three sequential levels of service – core, intensive, and training. The initial core services, such as job search assistance and preliminary employment counselling and assessment, are available to all adults and WIA imposes no eligibility requirements for anyone using these core services. Intensive services are staff-assisted and provided to individuals experiencing difficulty finding a job that pays enough to allow them to be self-sufficient. These services include case management and assistance in developing an individual employment plan. Training, the final level, is reserved for those who lack marketable skills that are in demand in the local area.

A snapshot of the characteristics of adults who exited WIA programmes in 2001 offers insights into the types of services received and by whom. Those receiving training services as opposed to counselling and job search assistance numbered 75 963 nationwide, which is 44% of the total number of exiters from all statewide and local programmes. Seventy per cent of those receiving services were between the ages of 22 and 44, and 73% were considered to be in the low-income category. Yet, almost 80% of the low-income participants had a high school education or higher. The vast majority of training (86%) was focused on acquiring occupational skills and other training, and only 6% was used for basic skills training. About a quarter of those receiving training were employed at registration, but there is no way of

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knowing whether or not they were employed at the time they received training services.

During the past decade or so, federal funding of worker training programmes has decreased. In constant dollars, training funds reached their highest amount in 1979 and have declined to about 40% of that amount (or USD 4.9 million in 1996 dollars) in 2003. Since 1985, funding has been reduced by 33% in inflation-adjusted terms. Adult services and youth funding were cut even more, 53% and 63% respectively. This decline in training dollars reflects to some extent the priority of getting low-skilled workers into jobs first instead of preparing them for higher-skilled positions. The number of participants receiving training through the adult funding stream has also declined – from 163 000 in 1998 to less than half that number in 2001.

Welfare funds under the Temporary Assistance for Needy Families (TANF) programme are available to states for both pre- and post-employment services. Because of the emphasis on work resulting from welfare reform, state offices responsible for TANF tend to focus on helping their clients address and solve problems that interfere with employment, such as finding reliable transportation and affordable childcare, especially for those in low-paying jobs. In 2002, states reported spending over USD 2.1 billion on work-related activities. However, only USD 326 million, about 2% of total federal TANF dollars, was identified as having funded education and training.

States also use their own funds to provide training to employed workers, but these programmes are typically reserved for purposes of attracting and retaining businesses, or to target specific sectors and occupations (see Table 5.4). States can also fund such activities in conjunction with other federal funding grants, such as the Department of Housing and Urban Development's Community Development Block Grants. The grants can be used for economic development purposes that expand job and business opportunities for lower-income persons and neighbourhoods. These state-sponsored training programmes are intended primarily to help businesses address a variety of issues, including skill development, competitiveness, economic development and technological changes. In 1999, 54% of the funds for state customised training programmes (roughly USD 317 million) were targeted at incumbent workers, but not necessarily low-skilled workers (Ducha and Graves, 1999).

Delivery of worker training by workforce investment boards

A. Workforce investment boards and one-stop centres

Under WIA, the local workforce investment boards (WIBs) administer most of the federal and state-supported worker training programmes. Local workforce boards are comprised of business and community leaders responsible for devising strategies and administering programmes that meet the needs of businesses and workers in their local area. One of the major requirements of WIA is for the local workforce investment board to establish one-stop centres that provide services to all jobseekers regardless of income or employment status. The one-stop centre provides a range of services – including preliminary assessment, job postings, job search, placement and career counselling, and up-to-date labour market information – at a single location. WIA also requires that 17 separate workforce development programmes be part of the one-stop delivery structure. These partners include the various federal employment and training programmes, and at times programmes from other agencies. Integrating this variety of programmes into a one-stop system creates a relatively tight network of partner organisations. In 2003, more than 600 workforce investment boards administered workforce development programmes for jobseekers and businesses in an estimated 3 400 one-stops and their affiliates.

The WIA system has strived to implement a private/public partnership that provides leadership and oversight for workforce programmes through a network of local entities led by employer representatives. The goal is to provide a flexible and responsive planning and delivery system that brings together the broad services provided through government programmes to meet the needs of all jobseekers and businesses. The jury is still out on the success of this new approach. The US Department of Labor is about to release a process evaluation of WIA, and state-specific net impact evaluations are under way. To provide some insight into the inner workings of workforce investment boards and the customers they serve, the study tour visited a large board responsible for providing workforce development services to the city of Chicago. This overview provides a useful contrast to the two not-for-profit workforce intermediaries that the group also visited, and focuses on the partnerships that the workforce investment board formed with organisations outside the federal and state programmes required under WIA.

B. Partnerships under workforce investment boards: A case study of Chicago

The Mayor's Office of Workforce Development (MOWD) of the City of Chicago partners with private sector organisations, community organisations and other government bodies to provide re-employment services to people in Chicago. MOWD focuses equally on business and individual needs to provide job placement services that benefit the city. These services are beneficial in that they reduce unemployment and the costs involved, and offer savings to the businesses there by providing qualified, pre-screened candidates who can fill their immediate openings. MOWD contracts with providers to offer services mandated by WIA through one-stop career centres. Although WIA does not emphasise training for low-qualified incumbent workers, the centres

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do provide job training for displaced workers and employment services for jobseekers in conjunction with the Illinois Employment Training Centre. MOWD also offers the Quantum Opportunities programme, which provides basic vocational skills training and job/college placement services to 16- to 24-year-olds from disadvantaged areas in an attempt to improve the employability of participating members.

MOWD works through WorkNet Chicago, a network of over 130 community-based, citywide organisations that help businesses find qualified workers and assist workers in obtaining the skills and receiving appropriate re-employment services so that they can find and retain jobs. Included among these organisations are five WIA-funded Chicago Workforce Centres and 33 community-based affiliates. At the centres and affiliate agencies, customers attend service orientations, visit resource rooms to search the Internet for job openings, use the fax machines and printers to send resumes to employers, and receive assistance from frontline staff. In addition to these core services, local jobseekers, approximately 11 000, participated in intensive services such as workshops covering job-readiness skills, job search techniques, résumé writing, English as a second language and basic skills. Nearly 2 600 received vocational training vouchers to upgrade their skills, and could choose from nearly 600 training classes offered through 135 state-certified training organisations. These services helped more than 6 400 local residents get full-time jobs.[3]

Most of these programmes are for the unemployed and dislocated workers. However, the Governor of Illinois, exercising his option to retain 15% of WIA funds to be used at his discretion, has set aside a portion of these funds for incumbent training, which companies are given grants to fund. In addition to these funds, the Illinois legislature has provided funding since 1986 under the Prairie State 2000 Authority for the purpose of upgrading the skills of the state's workforce. The programme was discontinued in 2003, falling victim to the state's fiscal problems.

Another source of funding for incumbent worker training in the City of Chicago comes from a programme initiated by the mayor's office in 2003 that uses tax incremental financing (TIF) funds. This project, called TIFWorks, is a sectoral initiative that helps small manufacturing companies retain their staff and uses workforce development activities to help these companies become more competitive. TIF funds are available to companies located in designated areas of the city. It allows the city to invest public money to improve specific areas for commercial or industrial development. The funds are repaid later through future property tax revenue that is generated by companies that locate or expand in that area. These funds can be used for worker training by employers located within or expanding or moving into an eligible TIF district; by a group of employers located within an eligible TIF district with common training needs; and by non-profit organisations – such as industrial councils, community development corporations, business or trade associations, labour organisations or training providers – that will train and place Chicago residents into a business located within an eligible TIF district. Priority for funding is given to manufacturing companies and businesses that demonstrate that training will make them more competitive.[4] Organisations are required to put up matching funds, but this requirement may be waived for small businesses and for employers who work with non-profit groups. Some of the matching funds that businesses receive under this programme can be used for employees' salaries while in training. TIFWorks operates in co-operation with the city's Department of Planning and Development, the Department of Finance, and the Chicago Workforce Board. It started in July 2003 with USD 3.9 million to train incumbent workers and new employees. The money comes from a USD 5 million loan from the city that is placed in a revolving fund.

MOWD contracts with community colleges and other third party providers to offer training courses. MOWD staff commented that proximity of the training facilities to the worker's residence and convenient hours are key qualifications for participants, particularly for those who live in high-crime areas. Staff also emphasised that it is important that incumbent worker training occur in an environment in which the trainees are comfortable. The staff reported that two one-stop career centres are located at community colleges, because some people place a stigma on public employment offices and "would like to say that they are going to college and not to an unemployment office".

The MOWD staff supports a network of partnerships. Part of the motivation for this stems from the lack of adequate funding to accomplish the goals set out by the local workforce system. Partnerships offer an opportunity to leverage their resources. Another reason to form partnerships is that the WIA legislation, which most of MOWD's programmes come under, requires staff to spend more time forging partners among organisations and working with these organisations in their role as customers. One staff member offered that "partnerships are crucial to making things work for everyone; we need to have everyone moving in the same direction and need to work on partnerships in which each party will bring something to the table, particularly when funds are decreasing". Under the umbrella of programmes administered by the workforce board, staff co-ordinates services through regular meetings with case workers from several departments and agencies.

One of the barriers to more effective integration of services is the lack of a single management information system that can track common outcomes across agencies. Each agency has its own system. They have implemented an innovative system using "swipe cards" to record who is using core services, but this falls short of being able to share information across departments.

Another difficulty is the inherent problem of aligning goals and standards among the various partners. While they may buy into a common goal, turf issues still remain and can get in the way of effective collaborations. A complicating factor is that under WIA legislation, workforce investment boards must subcontract with third party providers to offer services. Even though these relationships are governed by contracts that specifically state performance standards, they are still arm's-length arrangements; it is not always possible to monitor the approach that subcontractors take in dealing with customers or in offering the level of customer service and satisfaction. For instance, many training programmes are provided by community colleges, and in many cases they fit these programmes into their regular schedules and into a format designed for their regular students. Even though the workforce board understands that this approach may not be what employers prefer, they find it difficult to change the culture of community colleges to provide a more customised service.

Partnerships are also crucial in gathering information about the needs of employers. Market-driven or demand-driven services are the current focus of state and federally funded workforce systems. Assessment of the needs of businesses starts with the composition of the local workforce boards. WIA legislation requires that local boards include a majority representation of local area employers, so that broader input can be brought to the decisions on what type of training to provide. Many local boards also focus on sectoral issues; they provide services to companies and workers within designated sectors, many of which are high-tech or health industries where severe worker shortages exist. This approach follows the federal lead in which the US Department of Labor has targeted a handful of sectors for special attention. Even with the federal government taking the lead on this initiative, the funds available for training are relatively small.

According to MOWD staff, another constraint facing local workforce boards is that training and employment services must meet the performance standards imposed by WIA. The state can waive some requirements, such as the money that flows through the state's economic development agency for customised training to retain or attract companies. But for the regular WIA programmes, participants must satisfy specific eligibility requirements and providers must meet performance standards. As one staff person pointed out, "if we miss one performance standard, we could lose financially".

Even with the focus on partnerships and strong business representation on local boards, companies still express concern that their needs are not met. One problem MOWD faces, along with other workforce investment boards, is that as a public agency it is in the position of trying to satisfy everyone, whereas non-government organisations can be very targeted in whom they serve.

Non-government workforce intermediaries

A. Purpose

In addition to worker training programmes that are provided directly by the employer or government, various types of intermediaries have formed to facilitate partnerships among government and non-government organisations to address the needs of employers within specific business sectors. These partnerships include business, government, unions, universities, and non-profit organisations and are typically formed at the local level to address specific needs in their respective communities. In many cases, these partnerships identify gaps in services that are not met by existing government programmes or by the private sector, and then pursue measures to fill the deficiencies. The current focus on sectoral initiatives to help low-skilled workers gained momentum in the early 1990s with support from the Charles Stewart Mott, Ford, and Annie E. Casey Foundations (Giloth, 2004).

Proponents of workforce intermediaries see them performing three important functions that they contend the current workforce development system – even with the partnerships formed by workforce investment boards – cannot adequately fulfil. First, workforce intermediaries are entrepreneurial by focusing on outcomes such as long-term job retention and career mobility. Second, they partner and network across a much wider range of organisations than workforce investment boards since they have more flexibility and motivation to include the educational system, foundations, and other non-government organisations, and since businesses may find them to be more attentive to their needs. Third, they have the ability to learn and adapt as market conditions and opportunities change (Giloth, 2004).

While many aspects of workforce intermediaries, such as the formation of partnerships and the integration of services, are similar in form to workforce investment boards, their proponents argue that WIBs fall short of what workforce intermediaries have the potential to accomplish. First, they argue that WIBs do not have sufficient authority or resources to bring all the pertinent partners together, principally the educational system and businesses. Second, the scale and diversity of local labour markets call into question the limits of what WIBs can accomplish through their more centralised planning approach. Third, the fact that WIBs must comply with government regulations and deal with bureaucratic issues reduces their ability to be innovative and flexible in meeting local needs (Giloth, 2004).

One area in which many workforce intermediaries have focused their efforts is the provision of training to upgrade the skills of incumbent low-skilled workers. These partnerships view the need to upgrade the quality of the workforce of key industries in their regions as crucial to promoting a competitive and viable regional economy. The goal of sectoral programmes is

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to provide value to employers and to strengthen the target sector while creating pathways to employment and advancement for low-income individuals (Zandniapour and Conway, 2002).[5] The premise upon which many of these programmes are established is that partnerships can enhance the limited government resources that are available for training. By creating links with the target industry and focusing on the needs of businesses within those industries, proponents of the sectoral approach contend that the synergies that result from forging successful partnerships can unleash additional resources from the private sector and make the training more efficient. These additional resources take the form of cash and in-kind contributions from businesses, including fees for services, and from foundations. Also, by obtaining funds beyond what is provided by government programmes, workforce intermediaries are able to provide more services and to support an administrative infrastructure to engage the partners more fully.

To date, no rigorous evaluation has been conducted to assess the net impact of non-government workforce intermediaries.[6] Studies have been conducted of several workforce intermediaries, but these studies did not include comparison groups, which would have established the necessary counterfactual to judge the net impact of the programmes and their interventions. More rigorous evaluations have been carried out for programmes administered by the WIBs – but here too, the effectiveness of WIBs as intermediaries has not been explored, only the effects of individual programmes. Therefore, we are left to draw tentative conclusions based upon the limited cases covered in this study tour and additional information gleaned from other sources.

B. Characteristics of workforce intermediaries

By their very nature, workforce intermediaries are not easy to characterise because they take different approaches and include various partners to serve the needs of people and businesses in their locale. The National Network of Sector Partners (NNSP), a national support centre for sectoral workforce development initiatives, conducted a survey to try to ascertain the number and characteristics of such organisations. NNSP used four criteria for inclusion in the survey: organisations had to: 1) operate programmes with a focus on two primary customers – those whose skills are being built and the employers/industries in which the employees work or will work; 2) expressly work with low-income individuals and low-wage workers; 3) provide a menu of services; and 4) invest in longer-term career advancement (Marano and Tarr, 2004).

The survey, carried out in 2002, found 243 organisations across the United States that met the criteria listed above. The largest concentration was in the West and the Midwest: 56 and 52, respectively. Though the types of institutions that house workforce intermediaries are quite diverse, nearly three-quarters are located in non-profit organisations, with 22% in community-based organisations and 10% in economic development organisations. On the other hand, 23% were found in workforce investment boards, and the percentage could be higher since some WIBs established non-profit structures to house them. An additional 15% were attached to educational institutions, most of which were publicly supported organisations. Only 4% were found in business organisations or associations (Marano and Tarr, 2004).

The workforce intermediaries surveyed reported that they provide multiple services. Identifying employer needs was the most prevalent service, provided by 82% of the organisations. Job readiness services, occupational skills training, and career counselling and job placement were close behind, with percentages ranging from 81% to 79%. Sixty-eight per cent of the organisations reported providing incumbent worker training. Seventy-five per cent of the respondents reported providing services directly to employers, such as technical assistance and supervisor training and human resource services. Over half of the intermediaries responded that they target specific industries for their services (Marano and Tarr, 2004).

Workforce intermediaries vary in staff size, budgets, and number of customers served. While 40% of the respondents reported staffs of more than 21 individuals, 29% employ 5 individuals or fewer. Similarly, half the organisations had budgets of less than USD 750 000 a year, while the budgets of more than one-third exceeded USD 2 million. Two-thirds of the intermediaries served more than 500 customers, while 11% served fewer than 100 customers each year.

Funding came from a variety of sources. The majority of financial support came from government programmes, with WIA and welfare funds at the top of the list. Two-thirds of the organisations received WIA funds and nearly half received welfare funds. Next on the list were foundation funds and fees for service, with 43% and 29%, respectively. However, workforce intermediaries reported that support for incumbent worker training and supportive services needed by the customers were difficult to obtain (Marano and Tarr, 2004).

Several projects stand out as excellent examples of successful training efforts for low-qualified incumbent workers. Among these are the two that the OECD study group visited and which are included in this report – the Jane Addams Resource Corporation in Chicago and the Wisconsin Regional Training Partnership in Milwaukee (see the map below). Both are located in the US Midwest in areas that have experienced a decline in manufacturing jobs, and thus a reduction in higher paying jobs for relatively low-qualified workers. At the same time, the survival of businesses in these manufacturing sectors

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Figure 5.2. **Midwest Region**

Source: Education Place: *www.eduplace.com*

depends to a large extent on the availability of qualified workers who can help improve their productivity at competitive labour costs. Both organisations focus on assisting businesses in specific sectors and training low-qualified incumbent workers.

C. The Metalworking Skills Program of the JaneAddams Resource Corporation

One of the workforce intermediaries visited by the study tour was the Jane Addams Resource Corporation (JARC). The primary goal of JARC is the retention and growth of local industry and jobs within the Ravenswood neighbourhood on the North Side of Chicago. Since its inception in 1985, JARC's approach has been one of combining workforce development with economic development through providing a broad range of economic development, education and worker training programmes and services. Its efforts are targeted within an industrial corridor and surrounding neighbourhoods on the Chicago's North Central side . It helps small, locally owned manufacturers remain competitive and stay in the area in order to provide decent-paying jobs to local residents. JARC staff and business owners report that smaller manufacturers are finding it increasingly difficult to compete with larger companies and foreign competitors, in part because of the lack of access to a qualified workforce. JARC attempts to bridge this gap by providing technical assistance to manufacturers and job training to incumbent workers.

JARC is governed by a 14-member board with strong representation from the business community in and around Ravenswood. Its staff is organised into four departments: Operations, Economic and Human Development Programs, Training Programs, and Adult Learners Programs. JARC also hires contractors to provide some of the training courses. Its 2003 budget was roughly USD 950 000, with 85% of the expenses going to programme services. Support came from a broad number of foundations, corporations, government programmes and individuals.

Local economic conditions

JARC's mission is to promote the development of healthy communities in the Ravenswood corridor and the surrounding neighbourhoods of North Center Lakeview, Lincoln Square, Edgewater, and Uptown, all located in the North Central part of the City of Chicago. The Ravenswood Corridor, which is about twenty blocks long (roughly 2.5 miles) and four blocks wide, is the focus of JARC's industrial retention efforts and houses the agency's offices and training centres. Training programmes have expanded to include companies outside this area, but as they were originally designed to meet the needs of residents and businesses in these neighbourhoods, many of the enrolees still live in the immediate area. The discussion of local economic conditions and the local skill base will therefore be confined to these neighbourhoods.[7]

These neighbourhoods have undergone significant change during the past decade. The area is characterised by older homes with a large proportion of residents from different ethnic and racial backgrounds. Nearly 75% of the homes were built before 1939. In some neighbourhoods, as many as half of the residents speak a language other than English, mostly Spanish and Bosnian. While the population in the area has declined by roughly 11% from 1990 to 2000, there has been considerable change in the makeup of the neighbourhoods. During the past decade, the neighbourhood has seen a large influx of new residents. In some areas 70% of the residents did not live in the same house five years earlier. This has brought about a change in racial mix and income status. In 1990, 32% of the residents were Hispanic American; by 2000 the proportion had declined to 29%. The African American share of the population also declined during the decade, from 6.6% to 5.2%.

During the past ten years, more affluent people have moved into the area. As a result, the median income has more than doubled during the decade, and the percentage of residents living below poverty has fallen from 16% to 11%. The median income for all the neighbourhoods included in the study, as defined by census tracts, is as much as 40% higher than the USD 45 900 median income for Cook County, which encompasses the City of Chicago. The gentrification of the area is also evident in educational attainment of area residents. From 1990 to 2000, the share of all persons aged 25 or older with more than a high school education increased from 56% to 70%. Although JARC's mission is to retain manufacturing jobs, it does not appear that the increase in household earnings is a direct result of more manufacturing jobs. On the contrary, the percentage of workers employed by manufacturing firms fell from 25% to 14%, and an even smaller share of workers held production jobs in the manufacturing sector. Actually, a higher proportion of residents is commuting outside the area to find higher paying jobs. As a result, the share of residents who commute more than 45 minutes has increased from 24% in 1990 to 31% in 2000.

Despite the overall increase in household income and educational attainment, there remain serious deficiencies in the local skills base. A significant number of the residents report having less than a high school education and a comparable share claim that they do not speak English very well. In 2000, 15% of the residents over 25 years of age had less than a high school education, with 8% reporting fewer than 8 years of formal schooling. Still, progress has been made in educational attainment, as these percentages were twice as high ten years earlier. In addition, English proficiency is a problem in some neighbourhoods. As many as 20% of the residents reported that they spoke English less than "very well". This compares with an average of 7% in surrounding neighbourhoods not covered by JARC, indicating that there are enclaves in which literacy is an issue.

JARC serves a lower-income and lower-skilled population than is the norm for these neighbourhoods, particularly in recent years. JARC staff reports that recent enrolees in their Metalworking Skills Training programme have the following profile. Fifty-four per cent of the enrolees are Hispanic American and 8% African American; 60% overall have a high school degree or equivalent but only 13% have gone on to take college courses. Twenty-seven per cent have less than a high school education. In addition, about 34% of those working before completing the programme are living in poverty.

This profile mirrors to a large extent the characteristics of individuals who participate in the WIA adult programme in that part of Chicago, with a few notable exceptions. It is not possible to make a direct comparison since the information from the WIA adult programme encompasses a larger area than the neighbourhoods from which JARC draws its clients. It nonetheless does offer a useful comparison group. Information from the Chicago Workforce Board (LWA 9) shows that participants in their adult programme have the following profile. Fourteen per cent are Hispanic American and 73% are African American. Of the latter group, 51% have received a high school degree or equivalent and 22% have gone on to take college courses. However, 21% have less than a high school education. In addition, 94% qualify as low-income persons, which means that they are members of a household earning below the poverty line or qualifying for poverty-related programmes. Nearly half are single parents and about 5% have limited English and thus literacy proficiency problems. Therefore, while there are significant differences in racial/ethnicity composition, which may reflect the neighbourhoods from which these programmes draw, both groups of participants have low skills and are economically disadvantaged. However, since the Workforce Board adult programme serves mostly those who are unemployed (only 12% had prior employment within three months of enrolment), this group is probably harder to serve than the enrolees in JARC's incumbent worker programme.

Local employer base

Within JARC's service area, roughly 200 businesses employ about 5 000 workers. Sixty per cent of the businesses are traditional manufacturers; many are in the machine tool trade. The other 40% are engaged in retail and service-related activities. The local machine tool manufacturers are typically small concerns, many of which have been in operation for several decades. They increasingly face intense competition from larger companies outside the area and from foreign firms. Their survival depends in part on a highly skilled local labour force. As local workers retire or move out of the area, these businesses face a shortage of skilled workers, particularly those who have specific training in the machine tool trade. While the population in the area has declined, the number of residents working has increased slightly. Therefore, with 96% of the working age population employed (a much higher percentage than the national average of 66%) – at least in 2000 and the latter part of the 1990s – competition for workers, particularly skilled workers, is intense. More recently, the unemployment rate has increased as the Chicago-area economy has been disproportionately impacted by the national slump. The 2001-02 recession hit manufacturing jobs particularly hard, but these jobs continue to decline even as the recovery gains momentum. In July 2003, Chicago's unemployment rate was 8%, the highest since the early 1990s. JARC reports that 20% of the unemployed in the area have been out of work for more than six months, which means that those in this group who claimed unemployment compensation have exhausted their 26 weeks of regular UI benefits.

Local infrastructure

Area businesses, particularly manufacturers, complain that local workers do not possess the skills necessary to fill their vacant positions. Even incumbent workers do not have the appropriate skills to advance in their professions, and many companies are too small to provide such training on their own. The lack of skilled workers has immediate and visible effects on operations. The owner of one company reported that he was experiencing extensive damage on equipment due to poorly trained workers. Traditional sources of training have not stepped up to meet the challenge, according to area business owners and workers. Local vocational high schools, which once provided specific skill training, have stopped offering such courses. JARC staff commented that they cannot rely on local one-stop career centres for referrals to training. Under the Workforce Investment Act, local workforce development boards are required to meet performance standards. These standards are not adjusted for harder-to-serve customers who may have more difficulty finding employment. Consequently, local workforce boards are reluctant to enrol such individuals into training programmes for fear of not meeting their standards and facing financial sanctions by the federal government. JARC staff also mentioned that they tried to work with community colleges to provide training but the community college staff did not understand the low levels of literacy of those that enrolled in JARC's training programmes.

Since we have established that most government-supported training programmes are geared to those who are currently out of work, it is clear that they are not tailored to meet the direct needs of employers or their incumbent workers. Employers complain that the training offered by community colleges do not address their specific needs. Students are trained on equipment that does not necessarily match what they actually use in their own business. The class format and class schedule are rigid, and workers have difficulty finding classes that are offered outside of the normal work hours. Also, few classes are taught in languages other than English, so many local residents from different ethnic backgrounds who need the training find it difficult to manage a class in English.

Area companies that partner with JARC understand the value of worker training. Many businesses are willing for workers to take time from their normal responsibilities to attend training. They give financial compensation for work and in some instances pay workers for their time in training. Workers receive this compensation even if the training is in the evening. Some businesses are willing to pay workers while they are in training. JARC staff reports that 50% of companies involved with their training are willing to pay full salary, while the other half will pay for half the time they are in training. Businesses also see training as a way to retain workers, and are not concerned that workers will use their training to find a higher paying job with a competitor. In fact, some owners offered that workers who received training were more loyal to their company; they believe that their employers have plans for them in their businesses because they provided the time for them to receive training. Managers also see training as a way to determine who is motivated among their staff by observing who is eager to take training and who is successful in completing it.

Workers are motivated to take training in order to advance in their careers. Many workers ask their managers for competency training, and they value the credentials that accompany training. One trainee interviewed for this study commented that training to him was an investment in his future: "Working hard and making sacrifices now will make me better off after training."

Local governance

In 1984 the City of Chicago initiated the Local Industrial Retention Initiative (LIRI), which provided funds to established community organisations to act as liaison between the city and businesses. In 1985 the Jane Addams Resource Corporation became one of these groups, which combined funding from the city and other sources to provide a range of services to help maintain and modernise manufacturing firms. JARC also collaborates with other training providers and retention efforts – including the Regional Manufacturing Training Collaborative, formed in 1999 with the goal of maintaining Chicago's advantage in manufacturing sector.

Initiative

JARC's training initiative for low-qualified incumbent workers started as a partnership with one of Chicago's city colleges. As demand for skills in metalworking grew, JARC opened its own training centre in partnership with two metalworking companies. This study focuses on the Metalworking Skills Program (MWSP), initiated by JARC in 1991. Begun as a pilot with only seven workers, it has grown to serve as many as 280 workers and 30 companies in a single year. In 2003, 95 workers from over a dozen companies located in the immediate neighbourhood as well as in the rest of Cook County and adjacent counties of DuPage and Lake participated in the programme. Most of the businesses are small establishments and for the most part are not unionised.

According to the JARC Web site,

> The Metalworking Skills Training Program (MWSP) is a sectoral training program focused on the stamping sector of the metalworking industry. MWS seeks to provide low-income, low-skilled employed workers with access to training that addresses basic skills upgrading and technical skills acquisition in a language and context that best meets their needs. Additionally, it seeks to change the way in which employers hire, train, and promote employees and assist companies as they strive to become more productive (*www.jane-addams.org/*).

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The training of incumbent workers is but one aspect of JARC's overall operations. JARC sees itself as a broker organisation with the purpose of helping companies in their area remain viable business entities in order to maintain a strong employment base for the neighbourhoods. JARC works closely with local businesses to identify their problems and then to help find the resources and tools that can best tackle those problems. Other activities include a real estate development venture in which it rehabilitates buildings to preserve quality industrial space in the area; a 14-week certificate course for under- and unemployed men and women that teaches the fundamentals of metalworking; and an adult learners' programme.

MWSP focuses on a single industrial sector – metalworking – and provides services to a relatively small number of employers. This follows directly from JARC's original mission of retaining the manufacturing base in the Ravenswood Industrial Corridor and surrounding areas. One of the innovative aspects of MWSP is that training is, as implied above, demand driven. One business owner stated that he looked to JARC for training for several reasons. JARC provides flexibility in the types of courses offered to employees And arranges times and places convenient to employees. Courses are also provided in languages other than English to meet the needs of a diverse workforce. They are contextual, in that they offer training on the same types of machines that the employees actually use in the workplace. Even the curricula for the basic literacy and numeracy courses are geared towards metalworking. Finally, the cost of the training is competitive, particularly when supplemented with funds from state and federal programmes. The Executive Director of JARC, Anita Flores, stated that "companies are in the business to make parts; it is not their job to be educators… This is where JARC can step in".

The MWSP classes are held both onsite and at the Training Centre for the Metalworking Trades, a facility that JARC recently built. Onsite training typically takes place in companies that have enough workers seeking training to host a class of viable size. Workers from smaller companies with too few employees for a class can enrol in the classes offered at the JARC training facilities. The classes are taught by tradesmen with on-the-job experience in factories. Instructors teach classes in English, Spanish and some Eastern European languages. Training experts from JARC will visit companies free of charge to discuss and develop a plan that meets their needs. If JARC cannot meet their needs, then they will help the company find a training provider than can.

Training includes a variety of courses, such as basic shop math and metrology; blueprint analysis; Trig for the Trades; Quality Control (QC) for measuring; drill press set-up and operation; punch press die setting; and Computer Numerical Control (CNC) programming and welding. The classes are customised and incorporate company documents and blueprints. Some classes taught at JARC use donated equipment from the companies.[8] Literacy classes are taught using vocational literature, so that the instruction is relevant and understandable to the incumbent worker.

Since January 1996, JARC has sponsored an apprenticeship programme for punch press die setters, as approved by the Bureau of Apprenticeship and Training. The courses are typically offered in 6- to 8-week modules. For most courses, instruction is available either at the company or at JARC. Classes are typically taught in English and Spanish, and several of the courses are offered in Polish and Bosnian. Training is on company time, even if it takes place at JARC. Half of the companies pay their workers full salary while the others pay half their salary.[9]

JARC screens applicants for training programmes according to the following criteria:

- They must have a realistic wage expectation.
- They must have no prison record and no pending criminal cases.
- The must have a strong desire to learn.
- They must have a work history.
- They must be able to read at a 6th grade level.

Those who do not qualify under these requirements can take other remedial courses and reapply. Instructors administer diagnostic tools at the beginning of each class to assess the students' needs. Students are graded, and a minimum grade of 75% is required to pass the course.

JARC recruits both companies and employees into the Metalworking Skills Training Program. Recruiting helps to ensure that applicants will have the appropriate qualifications for training and for the needs of businesses. In contrast, workforce investment boards, through the government mandate of universal access to re-employment services, must accept anyone who is seeking assistance. Consequently, the performance of government workforce agencies reflects the diverse customers they serve.

JARC's funding comes from several sources. In recent years, JARC has made a conscious effort to diversify these sources. For the latest programme year ending 30 June 2003, the three largest funding sources were from foundations, from government, and self-generated. The foundations provided nearly USD 300 000 of the USD 866 000 budget, more than a third of the total amount. Contributing to JARC's programme were the Chicago Community Trust, Joyce Foundation, John D. and Catherine T. MacArthur Foundation, and 17 others. In addition, 50 businesses, including IBM, Bank One, and Allstate Insurance, made cash and in-kind donations. JARC received roughly USD 270 000 from federal, state, and City of Chicago agencies, with the state providing the largest amount. Programme fees contributed another

USD 181 000. For 2003, JARC ran a budget deficit of USD 24 000. Most of the expenses are related to the programme. Less than 16% of expenses go toward management and general operations and fund raising.[10]

Funding has declined over the past few years, primarily because of the fiscal crises hitting all levels of government. In 2001, total operating expenses reached USD 1.39 million. This budget allowed JARC to serve over 800 clients (in all programmes) at an average cost of USD 1 732. One factor contributing to the smaller budget for 2003 and the inability to serve as many students was the demise of the Prairie State 2000 Authority funding. This had been a major source of funding for the MWSP during much of the 1990s. JARC staff has also made a strategic decision to depend less on federal funding because of the restrictions imposed on what they can do with the funds. As a result, overall training enrolments have dropped from 500 per year to around 250. During the 2003 programme year, 95 workers participated in the MWSP either by enrolling in, continuing or completing one or more of the various courses offered.

Outcomes of the local initiative

JARC and its training programmes have been studied extensively by several organisations. It was selected as a model employment development organisation nationally by the C.S. Mott Foundation, the Ford Foundation and the Aspen Institute during the 1990s. JARC participated in the Aspen Institute's Sectoral Employment Development Learning Project (SEDLP), which was launched in 1997 to document and evaluate selected sectoral programmes in quantitative and qualitative terms and to disseminate the findings to interested policy makers and practitioners. The Great Cities Institute at the University of Illinois at Chicago highlighted JARC as a model agency that fully applies the principles of effective workforce development to help the urban poor and meet the needs of the community. In 2000, JARC was selected as a local "best practices" winner by the Illinois State Office of the US Department of Housing and Urban Development for its efforts in developing the assessment test for the Metalworking Skills Training Program; the test is used by training programmes nationally.

Thus, JARC has come under close scrutiny by a variety of organisations and has been acknowledged as an innovator in providing training to low-qualified incumbent workers and for its work in the community. The Aspen Institute included JARC in their evaluation of sectoral workforce development programmes. The evaluation was based on a survey of 732 respondents from six different programmes. The survey was conducted between 1997 and 2001, a time when many participants faced a tighter labour market than what they faced during the last two to three years. Yet, the study offers valuable insights that cannot be gained from a handful of one-on-one interviews (Zandniapour and Conway, 2001). One caveat in reporting these results is that some of the respondents associated with JARC's programmes may have been non-incumbent workers; the report is not explicit about who was included in the survey.

The study reports that the training completion rate for JARC is 94% and the average attendance rate is 80%. Ninety per cent of the trainees reported that they used skills or knowledge acquired in the training programme on the job, which is not surprising since they were told this would be the case. About a third of the respondents reported that their training helped them get a job, but those respondents included everyone in the Unemployed Training Program. These rates compare favourably with what JARC reported for 2002 and 2003 for (only) the incumbent workers programme: 97% completed the MWSP. In 2002 the programme enrolled 188 workers, with a completion rate of 91% and an attendance rate of 80%. In 2003, the completion rate for the 95 enrolees was 97% and the attendance rate was 80%.

According to the Aspen Institute analysis, participants experienced an increase in total earnings a year after they exited the programme. JARC participants reported baseline earnings of USD 26 278, higher than the median annual earnings for those in metalworking trades for the entire Chicago metropolitan area.[11] After a year, their earnings rose to USD 30 225, an increase of 15%. This increase may be biased upward, since only 71% of those who responded to the baseline survey responded to the first-year follow-up survey. Those who did respond to the follow-up had higher earnings than the full baseline group. Factoring in the baseline earnings of the follow-up group yields an increase in earnings of only 5% after one year, not 15%. All of that increase came in the form of higher hourly wages, since their working time actually declined by 87 hours over the year.[12]

A comparison can be made with participants receiving occupational and skill upgrading training offered under the WIA adult programme through the Chicago Workforce Board. In 2001, these individuals experienced a larger percentage increase in annual earnings than those from the JARC programme – 58% versus 15% (or 5% using the recalculated earnings increase). However, the WIA participants started with a much lower earnings base than the JARC participants, averaging only USD 11 600 per year compared with USD 26 278 per year. Even with the 58% increase, the earnings of WIA participants a year after exiting the training programme were only USD 18 428. This comparison in part reflects the fact that JARC trainees are not as economically disadvantaged as participants in the WIA adult programmes. The percentage of low-income people in the latter reaches 90%, while less than half of the JARC trainees fit this category.

JARC also advocates changes in the workplace and in the funding and delivery of government-sponsored programmes. Staff members work with local metalworking companies to assess their workforce needs. They also appear before legislative groups in an attempt to effect changes in the

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availability of funding for manufacturing and incumbent worker training, among other issues. Anita Flores noted that their efforts to restore some state funding may bear fruit in the coming fiscal year. It is difficult to measure the impact that individual lobbying efforts have on legislative changes or that staff intervention has on the way businesses approach their workforce needs, but it appears that their cumulative efforts have increased the awareness by government officials and businesses to the needs of low-skilled workers.

JARC's sustainability depends on its ability to retain and develop funding sources. Its growth during the late 1990s was supported by funds from the State of Illinois's Prairie State 2000 Authority. When this programme was discontinued, it was difficult to find other sources that could equal the amount the Authority had made available to JARC. However, JARC has achieved a fairly diverse funding base, with 20% from fees and 25% from foundations. The successful completion of a large capital campaign for the construction of the training centre is a positive sign of continued corporate support for the organisation.

D. Wisconsin Regional Training Partnership

The Wisconsin Regional Training Partnership (WRTP) was the second non-government workforce intermediary that the study tour visited. WRTP was established in 1992 in response to the dramatic shift away from manufacturing in the Milwaukee economy during the 1980s. During that time, the Milwaukee economy lost a third of its traditional industrial base. The Wisconsin AFL-CIO trade union realised that its displaced worker programme offered only a limited response to the broader issues facing their members and the Milwaukee workforce. Seeking broader solutions, the union partnered with employers and with the Centres on Wisconsin Strategy at the University of Wisconsin. Since then the WRTP has partnered with an array of agencies and institutions to create programmes that help develop family-supporting jobs, improve the skills of current employees, and recruit unemployed and low-income workers and youth into the sector. The partnership now has 63 member firms, 42 local unions and 14 international unions accounting for 60 000 industrial jobs in the area – more than one-fourth of the total. Its initial focus on incumbent workers has created opportunities for the organisation to expand to school-to-work programmes for youths, welfare-to-work help for unemployed workers and modernisation of firms.

WRTP is a membership-based organisation governed by a ten-member board of directors comprised of employers and union leaders. The board meets quarterly and sets policy for the organisation as well as providing important contacts with businesses, unions and government. WRTP's budget reached USD 1.7 million in 2002. The organisation has a staff of around 22 and uses outside contractors to provide some services.

Local economic conditions

While the WRTP draws many of its trainees from lower-income areas within the city of Milwaukee, it works with employers throughout the Milwaukee area. Therefore, the County of Milwaukee, which includes the City of Milwaukee, is used as the service area for WRTP. The population in the county is 932 012 and private non-farm employment stands at 472 647. The Milwaukee economy has traditionally been heavily dependent on manufacturing jobs. Although manufacturing's share of total employment has fallen over the past two decades, it is still 5 percentage points higher than the national share. In the late 1980s, manufacturing's proportion of total private employment was 24%. By 2003, the share had fallen to 18%. Since 2000, about the time the most recent national recession began, Milwaukee County has lost 28 000 manufacturing jobs, a decline of 17.2%. This loss accounts for three-quarters of the total loss of jobs in Milwaukee during the past three years. During that same period, the unemployment rate has climbed from 3.8% to 6.0%. African American workers have experienced much higher joblessness, around 12 percentage points higher than their white counterparts.

Within Milwaukee County, persons of colour comprise 38% of the population. This proportion is nearly three times the share for the state of Wisconsin. The two predominant groups are African Americans, who make up 24.6% of the population, and persons of Hispanic American origin, who account for 8.8% of the population. There is also a strong ethnic component as evidenced by 13.1% of the population speaking a language other than English at home.

Educational attainment in Milwaukee compares favourably with that state-wide. A lower percentage of Milwaukee residents graduated from high school, but at the same time a slightly higher percentage have received bachelor's degrees or higher. Within Milwaukee County, 80.2% of persons 25 years of age or older graduated from high school, compared with 85.1% state-wide. On the other hand, 23.6% have received bachelor's degrees or higher compared with 22.4% for the state. Nonetheless, median household income within Milwaukee County is USD 5 700 below the state average: USD 38 100 versus USD 43 791. Correspondingly, the percentage of the county population below the poverty level, which stands at 15.3%, is nearly twice as high as it is for the state. The rate of homeownership, on the other hand, is slightly below the state average, with 52.6% owning homes in the county compared with 68.4% state-wide.

Local employer base

The local employment base is more dependent on manufacturing than most localities; however, the share and numbers have fallen during the past two decades, and there has been a dramatic decline of 17% since 2000. Employment in the retail and service sectors has balanced the loss of many of the manufacturing jobs but generally at lower wages, particularly for lower skilled workers. Total private employment remained virtually unchanged from 1990 to 2000.

The industrial base is concentrated on capital goods, including machinery and equipment for agriculture, mining, construction, manufacturing and healthcare. During the early 1980s these sectors were hit hard by the twin recessions that marked the beginning of that decade. Nearly one-third of manufacturing jobs were lost and several large businesses, which offered high-paying jobs within these sectors and career progression, were drastically downsized; some were even forced to close. Companies that survived were forced to automate or relocate to the suburbs where newer, more efficient plants were built or renovated. Smaller companies emerged to fill niches left by the closures or downsizing, but most of these did not match the higher wages of the jobs they replaced and most were non-union facilities. Many of the remaining high-wage, union-represented jobs were still at risk if they did not show substantial improvement in quality and productivity, and unions were under great pressure to accommodate a leaner production process and to adapt to newer technologies. Thus a good deal of tension developed between employers and unions, putting at risk the future of the remaining union-represented firms.

Local infrastructure

WRTP was launched in the early 1990s because of widespread concern that Milwaukee was losing its manufacturing base and with it, relatively high-paying jobs. The loss of manufacturing jobs could be explained by several factors, but WRTP focused on two major issues – employer and union relationships, and the need for a highly trained workforce to fill vacancies left by an ageing manufacturing workforce. Compounding the situation was the highly successful Wisconsin Works programme, which reformed the welfare system in Wisconsin and became the role model for the national welfare reform movement during the mid-1990s. While the Wisconsin Works reform was successful in moving low-wage and low-skill workers from the welfare roles to employment, it also meant that employers were facing a large pool of low-qualified workers who were not trained to fill the vacancies left by retiring workers.

In response to this situation, the state AFL-CIO began to encourage the development of workplace education centres among co-operating employers and their affiliates during the late 1980s. The unions and companies they represented formed steering committees to design and develop onsite training programmes. Matching funds were found from government programmes to hire an instructor from a technical college to serve as a neutral third party for assessment, counselling, education, and training services.

During that same time, a research institute housed at the University of Wisconsin-Madison conducted a study on the local workforce and found that the demand for highly skilled and committed workers in the state's manufacturing sector was relatively weak and highly uneven. The study reported that employers complained about the skill deficiencies among current employees and job applicants. These deficiencies were typically related to basic skills and worker attitudes. The Governor's Commission on a Quality Workforce found similar evidence of workforce deficiencies and came to the conclusion that public efforts, primarily through the available federal and state training programmes, were unlikely to lead to better jobs or more competitive firms. The report recommended substantial changes in workforce systems and greater employer investment in training (see Parker and Rogers, 2000).

One obstacle facing this emerging partnership between unions and employers was the traditional stance taken by unions and management. Unions customarily regulated base pay, workloads and job security in order to reap benefits for their members; management closely guarded their prerogative to make decisions without consulting or negotiating with the union. For this partnership to work, both sides had to give up their traditional roles. Unions needed to become more deeply involved in securing productivity gains by agreeing to be more flexible and to base pay and promotion on competencies and performance. Management needed to be willing to give unions more of a voice in human resource practices and share the gains of co-operation with unions.

Local governance

Seventeen months of negotiations between unions and employers led to the creation of WRTP in November 1992. The Partnership was formed to expedite the process of getting unions and employers to agree on these basic principles. The organisational charter specifies general commitments among participating employers and labour union leaders, with involvement by academics and public agencies, to jointly determine human resource practices, increase investment in workforce education, improve re-employment assistance for adults, develop school-to-work initiatives for youth, and benchmark all training efforts to the highest possible standards. More generally, it was envisaged as a national model for labour-driven interventions to assist the economy.

An executive council was created to steer the organisation. It was comprised of an equal number of business, labour, and public sector representatives that oversee the director and commission working groups to

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develop specific recommendations for action. Once agreement on these recommendations is reached, they are presented to the membership at an annual meeting for further discussion, clarification, and acceptance.

In addition to the WRTP partnerships, Milwaukee is served by federal and state employment and training programmes which are administered by the Workforce Development Board of Milwaukee County.

Initiative

WRTP initiated the incumbent worker training programme as part of its general objective of training the Milwaukee workforce to meet the needs of local manufacturers in the area. In addition to the goal of upgrading the skills of workers and firms, WRTP set out to:

- Retain and expand high-quality employment in the metalworking industry.
- Build an effective, collaborative relationship between unions and employers.
- Promote intra-union and intra-firm collaborations.
- Provide a union and worker voice in the workplace and the economy.
- Work with public institutions and agencies to support skill development and the quality of employment opportunities (WRTP Annual Report, 2002).

Member companies and unions are committed to:

- Jointly administering workplace education and training programmes.
- Benchmarking expenditures on incumbent worker training programmes as a set percentage of the payroll.
- Expanding future workforce training programmes for unemployed adults and youth.
- Incorporating sectoral skills standards into incumbent and future workforce training.
- Developing a partnership approach to manufacturing extension programmes for supplier upgrading.

Steps to implement an incumbent worker training programme commenced at the first annual meeting in May 1993 with the formation of a working group. The incumbent worker training group met at different locations so that members could see for themselves what the partners were doing at the various plants and skills centres. The working group organised a one-day conference attended by labour, management, and education representatives to discuss what was working and what was not. The group recommended the development of a resource centre to assist members in workforce transformation and workforce development. It also helped develop a survey instrument to identify needs and benchmark progress over time.

One of the major barriers in establishing an incumbent worker training programme within the workplace is assessment. Workers are reluctant to reveal their current competencies and skills; they fear that their job may be in jeopardy if their employer discovers any deficiencies. One of the first tasks of the group was therefore to assure workers and their unions that skill assessments would not be used against them. The working group resolved this issue by enlisting a neutral third party to report results in the aggregate while offering the appropriate training to individuals.

Actual skills levels are mutually agreed upon by the employers and unions. Competencies are determined by successful completion of necessary training or by passing qualification tests. Workers receive confidential assessments of their skills and competencies and counsellors help them ascertain their current status and devise an individualised training plan. Workers have complete discretion over the release of their assessments. Only the facilitators are privy to the test results, and workers must give their consent before facilitators can use this information to confirm their eligibility for upgrades and promotions. Workers are offered the necessary training in the order of seniority.

In many cases, training is offered at the worksite. The working group has developed standard training modules that cut across variations in technologies, processes and products. Standardising the training modules reduces overhead and preparation costs, which is particularly advantageous to smaller companies.

WRTP started with 22 charter member firms and unions concentrated in metalworking, machinery, electronic controls and related industries.[13] Today it has a membership of 67 firms and unions representing industries that include 65 000 workers in the Milwaukee area. Healthcare and hospitality are the most recent sectors to be added.

The funding for WRTP is diversified across several sources, including foundations; government workforce programmes and other public support; and the private sector. A major impetus for the programme in its initial years was a significant grant from the Annie E. Casey Foundation when WRTP was included in the Milwaukee Jobs Initiative. It was also involved in the Mott Foundation's Sectoral Employment Initiative. In addition, it received a demonstration grant from the US Department of Labor to replicate its model of one-stop regional labour market services and expand into other sectors.

In 2002 total revenues for WRTP were USD 1 724 000. Nearly half the revenue came from government job training funds and 27% came from foundations. Its dependence on foundation support fell significantly over the past few years. In 1998, one foundation contributed 68% of WRTP's total revenues; now it contributes only 16%.

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Providing workforce solutions to businesses

One way in which WRTP assists businesses and workers is to help them find solutions to their workplace problems. In several instances, WRTP has been instrumental in changing the workplace culture to make way for programmes that improve worker skills and increase the competitiveness of firms. The study tour delegation met with the top management, union leaders, shop stewards and workers of a business that enlisted WRTP to guide it through such a process. Several years before WRTP was approached for assistance, the business – a steel-bristled brush maker – faced increasing competitive pressures and its progress toward greater profitability was impeded by a management/union culture that was not conducive to making the necessary changes to remain competitive. The new management team that took over the operations was committed to changing the culture of the workplace so that new, more productive measures could be introduced. The company is a union shop and the new management team inherited the adversarial relationship between the union and the previous management. The new management recognised the need for greater co-operation with the union in order to accomplish the needed transformation. Union leadership also recognised that changes had to be made in order for the company to remain in operation, but they were reluctant to give up too much of their control.

Based on WRTP's reputation in facilitating successful partnerships between unions and management, both parties trusted the organisation to guide them through these sensitive negotiations. WRTP worked with both sides for a year and a half and successfully mediated a reorganisation that was agreeable and beneficial to both sides.

Under the reorganisation, the workforce was reduced from 97 to 74 employees. Quality teams were established to place greater emphasis on quality improvement and continuous quality monitoring. Employees were encouraged to offer suggestions on how to improve processes and were given financial rewards if adopted. Management and unions also worked together to address social issues that impeded productivity, such as drug and alcohol abuse, and found ways to overcome transportation issues and family responsibility concerns such as childcare needs.

The union agreed to the workforce reduction. As one union leader offered, "it is better to lose 25 jobs than to lose all 97 if the company fails". It also agreed to forego a hierarchical job classification that impeded the flexibility needed by management to improve productivity. Under the new arrangement, workers have only one classification and a portion of their compensation is based on knowledge rather than a specific hierarchical placement. In this way, management has the ability to move workers into different tasks as demand changes. A gain-sharing incentive programme was also initiated to instil within workers a greater sense of ownership in the company's performance and more of an orientation toward the customer.

In exchange for implementing these changes, management was willing to share much more information and authority with the union than in the past. It was also willing to invest in the workers. A vice president of the company stated that "it had to invest in people for the company to grow and move ahead". WRTP assisted in setting up training programmes for incumbent workers, both low-qualified and otherwise, and in securing funds from various government sources to pay part of the cost. The organisation facilitated the establishment of employee working groups to resolve issues and to devise a strategy for the training programmes. One issue was the diverse makeup of the workforce, with six or more ethnic groups represented. WRTP brought in special counsellors to work with these groups, in particular recent immigrants from Southeast Asia.

Training focused on reading and language skills, job-specific skills, and empowerment teams. The company paid employees for participation in after-hour training (one hour of straight time and time and a half for the next hour). The company also paid for instructional materials.

Management reported a number of improvements since these new programmes were implemented. The incumbent worker training brought the skills of the workforce to levels sufficient for the company to qualify for ISO certification, which it had failed to attain in previous attempts. Management also sensed renewed commitment and greater morale on the part of workers. Conversations with workers and union representatives during the study tour confirmed this impression. The company also experienced a significant increase in productivity, as a result of work-life restructuring, work teams, and the installation of new technology. Management was pleased with the overall progress that had been made in the company's financial performance, worker skill improvement, and union/management co-operation.

Outcomes of WRTP

As indicated from the example of the intervention with the local manufacturer described above, the services and influence of WRTP go beyond training low-qualified incumbent workers. WRTP is a workforce intermediary that provides workplace solutions. In addition to providing training and facilitation, it works with state and local policy makers to effect systemic change in the current workforce system. Two of WRTP's core beliefs are that the workforce system does not have sufficient resources to make the necessary impacts, and that intermediary interventions can make these limited resources go further. WRTP recently partnered with several other workforce organisations – including the Private Industry Council of Milwaukee County, the Workforce Investment Boards for the Milwaukee area, and several technical colleges – to develop workforce solutions under the regional workforce and economic development venture, referred to as the Initiative for a Competitive Milwaukee (ICM). ICM is a major sectoral-based initiative of foundations, non-government social organisations, private industry and government to improve the competitiveness of Milwaukee with special emphasis on inner city residents.

With respect to the incumbent worker training programme, WRTP reports that they have placed 1 500 low-income residents, mostly from the inner city of Milwaukee, into high-wage jobs. These jobs range in wages from USD 10 to USD 12 per hour and most include full benefits. They also report that in a recent year, the average annual wage increase of those who went through the programme reached 150%, which brought annual earnings to USD 22 000-USD 24 000. The twelve-month retention rate is 75%. Many of the workers who report these outcomes have language barriers (about 33%), have below an 8th grade education (about 33%), and are predominantly of colour, mostly African Americans.

It is difficult to find appropriate groups with which to compare the outcomes of the WRTP programmes. Nationally, the employment rate of those who receive training through adult WIA programmes is 73.5% and the retention rate for the third quarter after exit is 82.6%. While the employment rate is not necessarily applicable since the WRTP training reported in this study is for incumbent workers, the 82.6% national retention rate after three quarters compares favourably with the annual retention rate of 75% reported for WRTP trained incumbent workers. Earnings reported by WRTP training participants also compare favourably with those for WIA adult programme participants; the latter's national pre-programme earnings average USD 13 777. The third quarter after exit, participants average USD 18 600, a 35% increase. Extrapolating another quarter to impute an annual increase would place the earnings at around USD 20 000. Therefore, the outcomes of incumbent workers who go through WRTP's incumbent training programmes are only slight better than the outcomes of those unemployed who received training through the WIA adult programmes.

Using data of local participants who go through programmes administered by the Workforce Development Board of Milwaukee County frames WRTP's outcomes in a more favourable light. The entered employment rate for Milwaukee residents who received training through WIA adult programmes is 60% and the retention rate is 68%. Pre-programme annualised earnings average USD 11 200 with a quarterly change of USD 1 200. Annualising this change yields an average annual earnings level of slightly over USD 16 000. These participants, however, may be harder to serve than the incumbent workers entering WRTP's programme. First, they are not employed; secondly, nearly 90% have dropped out of high school. In addition, 46% are single parents, and 85% are people of colour. But if the comparison is between incumbent workers and the unemployed, it still offers a useful benchmark to judge WRTP's performance.

WRTP's sustainability depends to a large extent on funding sources. It has benefited from the initiatives of two foundations that focused on sectoral approaches to improving the competitiveness and productivity of businesses by improving the skills of incumbent workers within these sectors. WRTP appears to be well situated in the community and is seen as a facilitator for management and unions to find solutions to workplace problems that benefit both sides. WRTP is also seen as an essential partner in workforce efforts that target low-wage workers. The organisation is a critical partner and leader in the recent regional economic and workforce development initiative, Initiative for a Competitive Milwaukee.

WRTP is also involved in efforts to find workplace solutions within individual businesses and to influence workforce and economic development policies at the city and state levels. The delegation saw first-hand the positive changes that a local manufacturer and its union achieved by partnering with WRTP. The delegation did not have an opportunity to talk with state and local public officials to determine its ability to effect systemic change in the workforce system. Yet, it is fair to say that WRTP is an active partner in local initiatives.

Conclusions

The training of low-skilled workers is critical, not only for the well-being and career advancement of the individual but also for the productivity of businesses and competitiveness of the nation. In recent years, government programmes have reemphasised the need for more training not only to help low-skilled workers find better jobs but also to fill the shortage of qualified workers faced by businesses. Efforts have focused on partnerships between businesses, the workforce system and non-government entities. Both government entities, in the form of workforce investment boards, and non-government organisations, in the form of workforce intermediaries, have formed such partnerships. This chapter attempted through three case studies to compare the efforts and outcomes of the three organisations in forming their respective partnerships to promote upskilling.

The two non-government organisations discussed, the Jane Addams Resource Corporation and the Wisconsin Regional Training Partnership, are among the first to embark on this approach and considered to be among the most successful in assisting both businesses and low-qualified incumbent

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workers. These organisations are employer-driven, with a primary emphasis on assisting the businesses with which they partner to become more competitive. They have developed innovative skill assessment tools that they use to help businesses determine their specific needs for skilled labour. By serving the needs of business, they ensure that the workers that qualify for their programmes and that they train can step into a job or advance in their current job. Both organisations offer training for incumbent workers, and both have developed innovative and contextual curricula to help ensure effective training. Training is provided at their facilities and at times at community colleges and technical schools. Employers provide time for their employees to take the courses and many pay employees for the time they spend in class. One difference between the WIBs and the sectoral initiatives is that the WIBs are required to serve everyone who asks for service while the sectoral initiatives can be more selective.

Evaluations of these two programmes and their own accounting show that past participants enjoyed higher earnings after they completed training, and these earnings increased over several years. Also, many workers received healthcare benefits with these higher-paying jobs. Retention rates after a year were also high. While the employment outcomes of participants of these organisations are beneficial, no one has conducted an evaluation that compares these gains to those who were not in the programme. This chapter attempted to construct comparison groups, albeit simplistic ones, in order to offer some perspective on the reported earnings changes. These comparisons showed that incumbent workers may do just as well if they enrol in other programmes. However, without conducting a rigorous evaluation with carefully constructed comparison groups, it is not possible to determine whether workforce intermediaries are more effective in helping low-wage workers achieve higher earnings and work retention.

Another issue is the size and sustainability of the programmes. The two studied have trained a relatively small number of low-qualified incumbent workers. JARC enrolled 95 in the Metalworking Skills Training Program in 2003, and WRTP has placed an annual average of 250 low-wage workers into jobs over a four-year period. While these are important accomplishments, the question is whether these programmes can be scaled up to reach the large number of people who need such assistance. Both rely significantly on government funds to provide services. JARC has experienced some difficulty recently, as government programmes have been cut. However, both organisations have been able to add foundation, corporate, and service-generated revenues to the public funds. In this respect, they have achieved one of the goals of the sectoral approach, and that is to augment public funds with private funds through partnerships.

As mentioned at the outset, proponents of non-government workforce intermediaries contend that organisations such as JARC and WRTP are more successful at forming partnerships to meet the needs of businesses and at serving low-skilled workers than are workforce investment boards. In some respects, this may not be the right issue to pursue. As revealed in the case studies and in the surveys of other non-government workforce intermediaries, the lines between these intermediaries and workforce investment boards are blurred. A number of boards have initiated intermediaries; intermediaries depend on boards for access to funding; and both engage businesses in meaningful partnerships. Yet, traditionally they approach the task of training low-skilled workers from two different directions. The workforce investment boards by law are required to provide universal access to all jobseekers and employers, while the non-government workforce intermediaries can be more focused in terms of the businesses and sectors they serve and the workers they enrol. Both approaches are needed and their efforts are complementary. The issue is not whether one form should overtake the other, but how the two approaches can work better together.

Several recommendations flow from these case studies and the background information:

1. *Provide more funding, both from government sources and private sources, for intermediary functions.*

   The workforce development system cannot be passive in delivering services. The needs of businesses and workers must be carefully monitored and assessed, the services have to be tailored to meet their needs, and these services have to be brought to them through effective engagement of the key partners. Some of the services go beyond the typical training function but include providing worker advocacy and offering business workforce solutions. All of this requires additional funding to support the administrative structure to provide these intermediary services. Currently the workforce investment boards receiving federal and state funding have little money to perform these functions. Several federal and state programmes have initiated sectoral approaches, but these are limited in scope and scale at this time. Additional funds must be made available and other entities – foundations and corporations – must step up and provide additional resources.

2. *Non-government workforce intermediaries and workforce investment boards must work together to engage businesses and other partners more fully in workforce development efforts.*

   Both entities have the same overall goal of providing workers with good jobs and career advancement, and employers with a qualified workforce. While they approach these goals from different directions, collaboration can bring about improved outcomes. Intermediaries may have the flexibility and the narrower focus to engage businesses from key sectors more effectively than the boards. The latter, on the other hand, have more sustainable funding sources for providing direct services, and the legislative mandate and broader perspective for a more comprehensive strategy for the local workforce area.

3. *The workforce development system must establish the means and incentives for the partners to evaluate the effectiveness of their services more effectively and comprehensively.*

   Rigorous evaluations that promote performance-oriented, evidence-based programme management are critical for the good management of programmes. Studies of sectoral employment initiatives have shown that the most successful initiatives commit to outcomes rather than programme inputs, benchmark their activities, and track outcomes throughout the duration of the programme (Giloth, 2004). This approach needs to be extended to all partners within the broader workforce development system. The system should also be tied together by an effective management information system that provides the "glue" necessary to keep the organisations together and focused on objectives and outcomes. Partners must also be held accountable for their outcomes through a meaningful incentive system that helps align activities with goals and outcomes.

4. *The workforce development system and the education system must collaborate to better provide tomorrow's workforce with proper education and training.*

   Much has been said about collaboration between workforce development and economic development efforts, and workforce intermediaries and workforce investment boards have made significant strides in establishing employer-driven partnerships. However, the education system – particularly secondary and community colleges – must be brought more in line with the needs of business and working students. Curricula must be tailored to the needs of business, courses must fit the lifestyle of non-traditional working students, and course offerings must be flexible to respond quickly to the changing needs of these constituents.

5. *More funding is needed to train low-skilled workers.*

   While collaboration through partnerships may leverage government resources and offer more effective service delivery systems, the presence of workforce intermediaries should not overshadow the reality that insufficient resources have been devoted to training low-skilled workers. Government programmes have been slow to address the needs of these workers to acquire occupational and workplace know-how skills in order to become qualified for many available jobs and to advance in their career. The "work-first" approach presumes that workers will have the opportunity to acquire skills once they are in the workplace. However, surveys reveal that less educated and lower-wage workers are far less likely to receive training from their employers than their more educated, higher-paid colleagues. More resources must be directed to these workers, through targeted government programmes and through incentives to businesses to include low-wage workers in their training programmes.

The confluence of demographic and economic forces only heightens the need for the United States to develop a more skilled workforce. The ageing of the workforce and the accelerating movement toward an information and knowledge-based economy place great pressure on the educational system and the workforce development system to join forces and provide a solid educational foundation, initial training for entrants into the workforce and continued training for incumbent workers. As shortages of skilled workers continue, the low-skilled workers remain the primary domestic workforce pool to fill these gaps. The nation must devote its attention to ensuring that they receive the training they need.

Notes

1. This included participation in college and university degree or certificate programmes taken for work-related reasons, post-secondary vocational/technical diploma or degree programmes taken for work-related reasons, apprenticeships, work-related courses, and work-related informal learning.
2. There is a statutory difference, based upon the funding source, in the use of the term "incumbent" worker and "employed" worker. The incumbent worker is an employed individual who is served as part of the statewide 15% set-aside funds. The federal regulations specify that these individuals do not have to meet the eligibility requirements for employed adults and dislocated workers covered by the local formula funds. The employed worker is an employed person covered at the local level through the adult and dislocated worker programmes. These programmes have specific eligibility requirements.
3. Statistics taken from a prepared statement by Jackie Edens, Commissioner of the Mayor's Office of Workforce Development, and transmitted to members of the Chicago City Council, 27 October 2003.
4. Training activities under TIFWorks typically include workplace English as a second language, hazard communication awareness, ergonomics, back safety and forklift certification, office software training, and the like.
5. This is the stated goal of a major initiative of the Aspen Institute's Sectoral Employment Development Learning Project, which was funded by major foundations to provide businesses with a qualified workforce and to assist low-income people in finding and retaining jobs (Zandniapour and Conway, 2002). The Jane Addams Resource Corporation was included in this study.

6. The Aspen Institute, mentioned in the previous note, has conducted an evaluation of several sectoral initiatives, but to date they have not conducted a net impact analysis with appropriate comparison groups.

7. All neighbourhood demographic information is obtained from the 2000 Census. The neighbourhoods served by JARC are defined as including 2000 Census tracts 410, 405, 318, 319, 501, 602. While JARC also serves other areas, these census tracts include the area in the immediate vicinity of JARC and the area that JARC initially targeted with their various programmes.

8. One instructor commented that some companies would rather donate equipment to JARC so that class instruction can be held outside the workplace without taking time away from production time.

9. The cost sharing and the paying of worker salaries while in training reflects the funding sources. In this case it follows the requirements of the Prairie State 2000 Authority, which was a major funding source for the Metalworking Skills Training Program.

10. JARC conducted an ambitious capital campaign to raise money for the construction of a larger and more modern Training Center for the Metalworking Trades. In 2003 they successfully raised 90% of their goal, much of which came from business partners, and the Center was in full operation in October.

11. These comparisons were based on the two occupational categories of cutting, punching, and press machine setters, operators and tenders and the drilling and boring machine tool setters, operators, and tenders as reported in the 2000 Metropolitan area Occupational Employment and Wage estimates, prepared by the US Department of Labor.

12. It is worth noting that the other incumbent worker programme included in the study also decreased, although not as much JARC's. Participants in training programmes for the unemployed and underemployed saw an increase in hours worked along with an increase in overall earnings during the year after exiting the programme.

13. The related industries included plastics, containers and protective coatings.

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Acronyms

AE	Adult Education (*Voksenuddannelse*) (Denmark)
AF	*Arbejdsformidlingens* – Name of the Danish Public Employment Service
AHRE	Alberta Human Resources and Employment (Canada)
AMU	Adult Vocational Training (*Arbejdsmarkedsuddannelserne*) (Denmark)
APEL	Accreditation of prior experiential learning (Flanders)
AVU	General Adult Education (*Almen VoksenUddannelse*) (Denmark)
AWES	Alberta Workforce Essential Skills (Canada)
BLOs	Business Links Operators (UK)
CEGEP	Collège d'Enseignement Général et Professionnel (Quebec)
CET	Continuous Education and Training
CPPI	Canadian Petroleum Products Institute
CTHRC	Canadian Trucking Human Resource Council
CVT	Continuing Vocational Training
DDMI	Diavik Diamond Mines Inc. (Canada)
ERIC	Effective Reading in Context (Canada)
ESF	European Social Fund
ESRP	Essential Skills Research Project (Canada)
ESWL	Essential Skills and Workplace Literacy (Canada)
ETPs	Employer Training Pilots (UK)
FOA	Public Employees's Union (*Forbundet af Offentlige Ansatte*) (Denmark)
FVU	Preparatory Adult Education (*Forberedende VoksenUddannelse*) (Denmark)
GCSEs	General Certification of Secondary Education (UK)
GED	General Equivalency Diploma (Canada)
GVU	Basic Adult Education (*Grunduddannelse for voksne*)
HF	Higher Preparatory Examination
HHX	Higher Commercial Examination
HTX	Higher Technical Examination
IAG	Information Advice and Guidance
JARC	Jane Addams Resource Corporation (US)
KAD	Women Workers' Union in Denmark (*Kvindeligt Arbejderforbund*)

LIRI	Local Industrial Retention Initiative (US)
LLL	Lifelong Learning
LMDAs	Labour Market Development Agreements (Canada)
LSEq	Low Skill Equilibrium
LO	Danish Federation of Trade Unions (*Landsorganisationen i Danmark*)
LSCs	Learning and Skills Councils (UK)
MOWD	Mayor's Office of Workforce Development (US)
NNSP	The National Network of Sector Partners (US)
NVQs	National Vocational Qualifications (UK)
PES	Public Employment Service
RAR	Regional Labour Market Council (*Regionale Arbejdsmarkeds Råd*) (Denmark)
SERV	Flemish Social and Economic Council (Flanders)
SID	General Workers' Union in Denmark (*Specialarbejderforbundet i Danmark*)
SSDA	Sector Skills Development Agency (UK)
SMEs	Small and medium-sized enterprises
STC	Sub-regional Employment Committee (Flanders)
TANF	Temporary Assistance for Needy Families (US)
TIF	Tax incremental financing (US)
TOWES	Test of Workplace Essential Skills (Canada)
UPL	Educational Planning (*Uddannelses Planlægning*) (Denmark)
VDAB	*Vlaamse Dienst voor Arbeidsbemiddeling en Beroepsopleiding* – Name of the Flemish Public Employment Service
VET	Vocational Education and Training
VESOC	Flemish Economic and Social Consultative Committee (Flanders)
VET	Vocational Education and Training
VEUD	Adult Vocational Education and Training (*Voksenerhvervsuddannelse*) (Denmark)
VEU-reform	Adult Education Reform (*Voksen- og Efteruddannelsesreform*) (Denmark)
VUC	General Adult Education Centre (*Voksenuddannelsescenter*) (Denmark)
VUS	Act on Educational Support for Adults (*Voksenuddannelsesstøtte*) (Denmark)
VVU	Further Adult Education *(Videregående VoksenUddannelse)* (Denmark)
WIA	Workforce Investment Act (US)
WLP	Workplace Learning Program
WRTP	Wisconsin Regional Training Partnership (US)

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