



# Workforce and Economic Development

## AN AGENDA FOR PENNSYLVANIA'S NEXT GOVERNOR



TRF is a \$120 million community development financial institution dedicated to building wealth and opportunity for low-wealth communities and low- and moderate-income individuals and families. As an active investor and lender to small businesses TRF understands first-hand many of the key workforce challenges facing Pennsylvania's employers.



### Regional Workforce Partnership

RWP is a coalition of more than 100 employers, educators and community organizations that annually publishes reports on Greater Philadelphia's labor market. In 2001 it organized an information technology initiative called *Businesses Educating Students in Technology (BEST)* that addresses the critical need for information technology workers through skill standards and internships for high school and community college students. RWP has also developed, along with Jewish Employment and Vocational Services (JEVS) and the National Retail Federation (NRF), the *Customer Service Training Collaborative (CSTC)*, which is a standards-based approach to preparing and certifying the competencies of customer service workers.

*//The Governors are vitally concerned with the competitive position of our states and the nation in addressing the challenges of the new economy, which increasingly require both high-performance firms and workers . . . Government should support these private sector modernization and quality improvement efforts and must radically restructure its own strategies in order to build a world-class workforce. To ensure that these efforts succeed, we must strengthen partnerships among business, labor, education, and all levels of government and make workforce development an integral component of national, state, and local economic development policies.<sup>1</sup> //*

The Reinvestment Fund (TRF) and its workforce initiative, the Regional Workforce Partnership (RWP), believe that Pennsylvania's next governor can invigorate the Commonwealth's economy and lay the basis for sustained growth through strategic and productive investments in human capital. The purpose of this briefing paper is to focus the attention of the 2002 gubernatorial candidates on the principles and strategies that can transform workforce development into a major catalyst for economic development.

Every business executive, educational leader and public official understands the critical importance of a high quality workforce to Pennsylvania's future economic vitality. Yet this apparent unanimity has not led to workforce development policies that fully support the Commonwealth's economic development priorities. This paper sets out the most salient principles underlying this objective, cites examples of best practices and poses specific questions to the candidates about their intended policies and action plans.

The centerfold of this paper provides a schematic diagram that visually summarizes the departments, programs, funding sources, and clients for Pennsylvania's \$1.2 billion workforce system. We provide this information to highlight the extraordinary variety of ways that Pennsylvania invests in human resources as well as to report on some of the publicly available outcomes of these programs. Unfortunately, even for the few programs with employment outcomes it is difficult to judge whether their performance is tied to an economic development strategy.

In addition, we could not uncover any overall report on the outcomes of this enormous public investment. Individual programs have performance measures but there is no consistent set of standards and/or impacts measurement used by the entire system. Although developing a "report card" on workforce development for the Commonwealth that would report system-wide performance would be difficult, without such information, no one can honestly report to Pennsylvania's citizens the return on their workforce development investment. This would be disappointing in and of itself, but considering the financial resources involved, it begs the question about whether there are substantially better ways to invest these resources to promote Pennsylvania's economic growth and quality of life. To this end we ask the gubernatorial candidates to endorse these principles.

<sup>1</sup> *Governors' Principles to Ensure Workforce Excellence Policy*, Policy Positions, National Governors' Association (NGA), Effective Winter Meeting 2000 – Winter Meeting 2002.

**What is YOUR workforce development strategy for the Commonwealth?**

**What specific steps will YOU take to make investments in human capital a major driver of PENNSYLVANIA'S economic development?**

**How will YOUR administration ensure that PENNSYLVANIA'S incumbent workforce has the appropriate skills to retain, attract and grow companies?**

**How would YOUR administration generate additional resources to meet the demand for flexible training dollars?**

**How should PENNSYLVANIA reorganize most of its workforce development programs to be more effective?**

## **PROVIDE LEADERSHIP AND STRATEGY**

The transformation of business into a knowledge-dependent enterprise requires a workforce honed to high quality standards and specific, relevant experience. New technology and intense global competition make skilled, flexible human capital a crucial asset for all sectors of the economy. Pennsylvania should elevate workforce quality and life-long learning into a competitive advantage. To accomplish this challenging goal, the new governor must provide strong leadership and a coherent strategy with clear lines of accountability.

A good plan will include a coordinated set of well-formulated objectives, addressing the requirements of the modern economy. It will concisely emphasize the overall workforce development principles guiding the new administration while including sufficient new initiatives to achieve those standards. Employers and workers should be at the center of this effort — providing the latest new ideas, trends and best practices.

But good ideas are not enough. Entrenched interests and practices will make implementation a tough challenge. Pennsylvania's next Governor must appoint a strong and capable executive to carry out this strategy so that everyone clearly understands the Governor's commitment to a world-class workforce and who is responsible for making it happen.

## **INVEST IN NEW SKILLS**

Employers are responding to the demands of the modern economy by upgrading skill requirements and investing in their workers. Continuous learning is a given and high performance companies assume their workforce will invest personal time and energy into this endeavor. Consequently, private investments in human capital dwarf public funding, but government is sometimes needed as a catalyst to leverage

<sup>2</sup> "EPF News Release," Employment Policy Foundation, December 5, 2001.

<sup>3</sup> *Workforce Investment Act: Better Guidance Needed to Address Concerns Over New Requirements*, GAO Report to Congressional Requesters, October 2001.

<sup>4</sup> Clymer, Carol, Roberts, Brandon, Strawn, Julie. *States of Change*, Public/Private Ventures, May 2001.

targeted investments. This is especially true for small/medium businesses that fear, because of their vulnerability to a talent drain, the loss of trained employees.

A purposeful workforce development strategy will direct public dollars to employment clusters and cross-industry occupations where skill improvements can build on existing industry strengths and/or where there is clear evidence that a more highly trained workforce will provide a future competitive advantage. For example, according to the U.S. Bureau of Labor Statistics (BLS) over the next ten years, eight of the fastest growing occupations will be related to information technology.<sup>2</sup>

Pennsylvania's customized job training program helps address this challenge, but every year there is more demand than available funds. If the performance data documents the effectiveness of this program, more state investment could make a substantial difference. Other states provide some good examples: New Jersey and California are generating additional and flexible training resources through the state's unemployment compensation system. Louisiana has doubled its investment in incumbent worker training. North Carolina is a leader in using the community college system to support and attract new companies.

## **ORGANIZE A PERFORMANCE DRIVEN WORKFORCE SYSTEM**

The 1998 Workforce Investment Act (WIA) is filled with lofty goals and organizational challenges. But the imperfections of WIA should not impede the development of workforce development systems that respond to regional labor markets, employer requirements and the skill needs of individuals.<sup>3</sup>

Some states responded to the requirements of welfare reform and the impending WIA system by reorganizing their workforce delivery mechanisms. In 1996, Utah undertook an ambitious consolidation that unified all workforce development services, including those for welfare recipients, into one department, the Department of Workforce Services<sup>4</sup>. In 1999, Michigan created a new Department of Career Development that merged traditional workforce development programs, such as job training and labor exchange services, with education programs, such as adult education, and

vocational education. Indiana has a Department of Workforce Development that oversees WIA, employment security, labor market information, vocational education and school-to-work programs. In all cases leadership from the governor's office sent a clear message that a "unified" system was not just rhetoric, but a central strategic imperative.<sup>5</sup>

Following WIA's enactment Pennsylvania chose process and administrative coordination over consolidation and strategy. This didn't get the job done. Establishing a State Workforce Investment Board (WIB) is not the same as making tough choices about leadership and financial resources. Pennsylvania's next Governor must ensure that the Commonwealth's workforce development system is driven by a clear set of strategic economic development objectives that connect, even force, disparate departments to focus programs, personnel and budget on statewide performance objectives.

## ✓ MEASURE WHAT MATTERS

Pennsylvania provides little performance information about its \$1.2 billion workforce system. Although some state programs publish programmatic results, what is available is scattered throughout many departments. Without comparable performance data it is difficult to judge a program's effectiveness. Without measuring outcomes against strategy there is no way to judge whether the Commonwealth is achieving its goals.

Pennsylvania needs an annual performance scorecard published by an independent panel of evaluators. This report could provide crucial information about the overall performance of the state's investments, providing policy makers with the informational tools to analyze and make adjustments. This report should focus on the basics: number of job placements, wage and benefit levels, training cost per placement, overhead cost per placement, retention after six months, skill advancement, etc. It should also include similar performance data on training providers

<sup>5</sup> Transforming State Workforce Development Systems: Case Studies of Five Leading States. Ganzglass et al. National Governors' Association, 2001.

<sup>6</sup> Career Academies: Impacts on Students' Initial Transitions to Post-Secondary Education and Employment, Manpower Demonstration Research Corporation, December 2001.

having state contracts. Most importantly it must speak to the long-term economic impact of these investments. For example, can Pennsylvania companies find the quality labor they need? Are higher skilled workers leading to gains in productivity? Are more workers able to find employment at family sustaining wages? Are Pennsylvania's workers prepared for the jobs of the future?

To be credible the report should be published by a group of respected individuals appointed by the Governor, but as free as possible from political interference. This group should have access to all state performance information including state Unemployment Insurance (UI) data. It should report on an annual basis and make recommendations for improvements in data collection and accountability. It should be able to speak freely on how workforce investments are supporting economic development objectives.

It is also important that employers, unions and other stakeholders be involved in defining "success" for the state's system. The next Governor can have a major influence on all state programs by holding the system to high performance standards and ensuring that everyone knows there are performance measurements in place to judge success.

## ✓ CONNECT STUDENTS TO CAREERS

One cornerstone of a state's workforce system is the quality of its K-12 educational system. Pennsylvania's public school districts spend more than \$14.8 billion each year to provide educational services to more than 1.8 million children. Although there are many successful schools, too many school districts operate schools where students are not performing well. Pennsylvania's next Governor must directly address this issue and implement policies for making all public schools perform better.

However, the next Administration cannot wait until a "solution" lifts achievement levels. Thousands of high school students are poised to graduate in the next few years. The Commonwealth must motivate and assist current students to find promising careers. Well-designed partnerships with strong business and community leadership can make a difference<sup>6</sup>. For example, two years after graduation almost 90% of all high school graduates who participated in the Philadelphia Academies, Inc. program are in college, working, or in the armed forces. National studies have documented the significant



**What changes would YOU make to ensure that the dozens of PENNSYLVANIA workforce programs are well understood, run efficiently and not duplicative?**

**As Governor, will YOU require an independent annual report on all of PENNSYLVANIA'S workforce investment programs?**

**What will YOUR administration do to strengthen and replicate proven programs that motivate students to choose promising careers?**

**How will YOUR administration measure the workforce preparedness of PENNSYLVANIA'S high school students?**

**What are YOUR specific plans for responding to the needs of the thousands of families who have left welfare and are now working, but still live in poverty?**

**What is YOUR strategy and potential tactical plan for providing workforce and literacy skills to thousands of PENNSYLVANIANS who need them to succeed in the modern economy?**



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success of the Academies approach.<sup>7</sup> Programs like this need strong public support.

One idea to further Pennsylvania's economic development through workforce education-related partnerships would be to establish a Governor's Workforce Education Council. South Carolina has recently come to the same conclusion when it realized that its 1994 School-to-Work Transition Act was not being fully implemented.<sup>8</sup>

The \$26.5 billion Education Act signed by President Bush on January 8, 2002 will provide new opportunities for Pennsylvania to improve the performance of all school districts. It will also incorporate systematic testing throughout elementary schools. Achievement scores are very useful performance tools, but they are not the only measure of success. Pennsylvania must also know whether its students are prepared for the 21st Century workplace. This will require a more systematic evaluation of how students perform after graduation.

## ✓ IMPLEMENT INTELLIGENT WELFARE REFORM

Pennsylvania's "Work First" policies have been very effective in getting adults off the welfare rolls. From its peak in 1993 the state's welfare rolls have dropped by more than 50% and the Commonwealth's financial support for cash assistance has dropped by more than \$700 million. But these policies have not contributed to a more highly skilled workforce where companies can find the workers they need and most individuals can find a job that supports a family.

Although it is a welcome and important first step, Pennsylvania should not limit its goals to getting individuals off the welfare

rolls. Its focus ought to be on preparing individuals for a career. Welfare funds should contribute to supporting the state's education and training system but Pennsylvania's Department of Welfare should focus on determining eligibility and helping people remove the barriers to getting a job, not being another workforce development department.

In March 2002, approximately 8,000 Pennsylvania families reached their 60-month lifetime limit for cash assistance. Although there may be some individuals who deserve to be cut off, there are others who are working and making so little that they still qualify for assistance. Under federal law these people can be exempted from the cutoff.

For some individuals any type of work is an important first step. But for too many others it is bad public policy. Because of Pennsylvania's demographic trends, its low education achievement level and its high illiteracy rate, education and training should be the major focus of its welfare reform efforts. In addition, Pennsylvania needs special attention on literacy, not in a narrow sense, but in the definition used in the National Adult Literacy Survey. We cannot be a leader of states, when by these national standards 50% of Pennsylvania's adult population functions below level three literacy.<sup>9</sup>

## CONCLUSION

**//The Bureau of Labor Statistics (BLS) estimates that 22 million new jobs will be created in the next nine years and 36 million more openings may result from retirements.<sup>10</sup> //**

Investments in workforce do not carry the same immediate excitement and economic stimulus as the opening of a new stadium or a convention center. Yet everyone agrees that substantial improvements in the Commonwealth's collective skills, knowledge and literacy will pay huge dividends down the road.

Labor market projections and demographics suggest major skilled-labor shortages by 2010 and beyond. Those communities with the best-prepared human capital will attract the jobs. To ensure a promising future, Pennsylvania needs a Governor who will make workforce development one of his top priorities and stay the course with strong leadership and wise choices about the investment and allocation of public resources.

<sup>7</sup> *Pathways to Prosperity: Success for Every Student in the 21st Century Workplace*, Governor's Workforce Education Task Force, October 2001.

<sup>8</sup> *Pathways to Prosperity: Success for Every Student in the 21st Century Workplace*, Governor's Workforce Education Task Force, October 2001.

<sup>9</sup> The National Literacy Survey, developed by Educational Testing Services, defines five levels of literacy. Level 3 is considered the minimum level necessary to be successful in the modern economy.

<sup>10</sup> "EPF News Release," Employment Policy Foundation, December 5, 2001.