

FEDCAP SOLUTION SERIES

BUSINESS IN THE 21ST CENTURY

The Intersection of Workforce and Economic Development

A JOB MAKES A DIFFERENCE

Solution Series is a project of Fedcap's Community Impact Institute



A Letter From Fedcap's President & CEO

Dear Friends,

Welcome to our 7th Solution Series. The topic that we chose for the event—the intersection of workforce and economic development —**is** one we believe to be critically important to the future of those we serve, business and to the communities across the country.

Economic and workforce development are the engines that drive growth and jobs in our communities. When the two are aligned —**when** employers, employees, community colleges, and non-profits collaborate in smart, sector-based development projects —**everybody** wins.

In a time of tight budgets and reduced government funding, workforce and economic developers have to find innovative ways to collaborate. Skills gaps are forecast for the coming decades in high-growth sectors like health care, technology, services and "green" industries. For employers in these and other sectors, a pipeline of trained, job-ready workers with skills that match their current and future needs is a strategic advantage that lowers training costs, reduces turnover and drives productivity.

The goal of Fedcap's Solution Series is to generate ideas, consider possibilities, raise the level of discourse, and generate solutions that effectively leverage talent and resources across a broad spectrum.

The conversation does not stop here. We engage our business partners and entire stakeholder community year-round on our blog— a product of our Community Impact Institute —**in** ongoing dialogue about this and other issue critical to our community. We invite you to join the conversation!

Thank you,



Christine McMahon
President and CEO, Fedcap

The Emerging Reality

Workforce Development is defined as strategies to prepare and place people with barriers in sustainable jobs and provide support to ensure on-the-job success.

Economic Development leverages public and private resources to strengthen and build communities.

Economic and workforce development are the primary engines of community improvement and growth. Yet, for decades, the public policies of economic and workforce development have not been aligned. Though there have been occasional overlaps, usually inspired by one-time federal initiatives, these have not led to broad and consistent integration. In fact, almost without exception, local and state economic development policies do not require hiring from within their own jurisdictions, much less coordination with workforce development initiatives.¹

The lack of integration of these efforts may seem puzzling, as increasing local employment is one of the goals of economic development efforts, but the deeper one delves into the background of each initiative, the disconnect becomes clearer.

Workforce programming is viewed and advocated for as an intervention to help citizens with one or more barriers to employment -poverty, long-term unemployment, criminal record, incarceration, drug and/or alcohol abuse, health and mental health problems, skill deficiency, weak educational record, welfare receipt.

Workforce development policy is usually promoted by supporters and funders as a way to solve "social problems" that will incur considerable public expenditure if individuals with barriers and long histories of unemployment are unable to find sustainable jobs.

This focus makes most economic policy makers wary of pursuing deep coordination, much less integration. The priority for economic developers is to attract or retain particular businesses, or to position cities, regions or states as attractive destinations for entire industry sectors. That means offering as many incentives as possible -financial investments and tax exemptions are common -and making as few requirements as possible, including job training or hiring mandates .²

"The first and most obvious challenge is that the two functions are not promoted, implemented, or staffed as if they are two parts of one broader social policy function."

— William Grinker
Consultant
Past commissioner, HRA

¹ *Integration of Workforce and Economic Development Strategies*, Grinker, Bill and Walker, Gary. (2014)

² Grinker and Walker. (2014)

While to some, the strategy of linking –**if** not full-scale integration –**of** these two functions makes good sense, with potentially high payoffs to individuals, communities, corporations, and the public purse, others are skeptical of its viability.³

The interesting reality is that demographic and economic trends are starting to break down obstacles to integration. Major gaps in skills and available workers are forecast for coming decades.

The number of U.S.-born workers age 25 to 54 increased by 44% over the past 20 years; for the same demographic, zero growth is projected for the next 20 years. Similarly, the number of workers with more than a high school education increased by 19% over the past two decades but is expected to increase by only about 4% going forward, according to the National Technical and Assistance Research Center.

The skills gap is of special concern for industries with the highest projected rates of job growth, including health care, retail, services, "green" industries and niche manufacturing.

With employers looking for specific skills and funders wanting quantifiable, evidence-based results –**amid** powerful demographic and economic trends –**sector-based** training and job placement strategies have emerged as a convergence point for economic and workforce development.

³ Grinker and Walker. (2014)

A Logical and Effective Intersection

Most experts agree that by employing "sector-based strategies," economic and workforce development logically intersect.

"After 40 years of trial and error, sector-based economic development and workforce training has proven to be the only kind of effort that has consistently achieved strong and positive results," said Gary Walker, Former President of Public/Private Ventures.

Sector-based strategies bring businesses and other stakeholders together -including economic developers, labor organizations, community colleges, local governments and workforce trainers -to ensure a pipeline of job-ready workers. Together they develop training curriculums that focus on the skillsets and technologies needed for particular jobs within specific sectors. Tailoring the training increases the speed and reduces the costs of producing ready and reliable employees.

According to the National Skills Coalition, sector strategies are among the few workforce interventions that statistically demonstrates improved employment opportunities and wages for individuals and increased competitiveness of business.

Sector-based strategies benefit both employers and employees.

Industries with the highest projected rates of job growth are well-suited to sector-based workforce training and development. Overall labor market trends are favorable to sector-based development as a means to close skills gaps.

"When workforce and economic development are aligned from the beginning through sector partnerships, there is significantly greater return on investment (both short- and long-term) from these projects for individual workers and the local economy," said Rachel Unruh, Associate Director, National Skills Coalition.

That said, even as economic and demographic trends drive linkages between workforce development and economic development, significant challenges exist. While city officials from across the nation believe that workforce development is a critical component of economic development, especially in the wake of the recession, this belief has not translated into widespread action. Only one in three city officials (36 percent) responded that their cities directly connect economic development and workforce development efforts. According to the National League of Cities, this disconnect suggests a lack of formalized policy relationship between economic and workforce development efforts on the city level.

Sector-based development -the targeted development of workers for specific jobs and industries - is fast becoming the main point of intersection between workforce and economic development.

Where the Intersection is Working

There are an estimated 1,000 sector partnerships operating across the country, with at least half of the states exploring or implementing sector strategies. There is much to be learned from these efforts.

In Michigan, where efforts are underway to address a skills gap that is seen as a threat to the state's economy, structured sector partnerships are being designed to alleviate skills gaps by creating capacity for workforce development entities to build customized training partnerships with multiple firms within specific industries.

The **Chicago** Jobs Council, a workforce advocacy group that also serves as a facilitator for workforce development projects, participated in Opportunity Chicago, a workforce/economic development collaborative project that helped 5,185 public housing residents prepare for and find quality jobs in targeted high growth sectors including health care and retail. Partners in the \$27.5 million initiative developed comprehensive, sector based training for Chicago's public housing residents. Fifty-four percent of those placed in jobs in these high growth sectors, retained employment for two or more years, and 80 percent of participants placed in transitional jobs transitioned into unsubsidized employment.

The **City of Baltimore** Accelerating Connections to Employment (ACE) Initiative, was designed to expand services to low-skilled individuals seeking training and support services, preparing them to enter and succeed in good jobs and advance within specified sectors. The initiative, based at six Maryland community colleges, targets 1600 low-skilled job seekers including individuals with limited English proficiency and individuals with low reading, writing and math skills, by increasing access to and completion of accelerated, integrated training programs. The training programs have been developed in close partnership with employers. Similar ACE initiatives are in place in four states and involve nine workforce investment boards.

In Illinois, The Illinois Department of Commerce and Economic Opportunity (DCEO), the Illinois Department of Economic Security (IDES), and the Illinois Community College Board (ICCB) are working together to scale up and sustain six to eight regional sector partnerships to address skilled worker shortages in manufacturing. This project will yield evaluation findings that will help guide federal and state sector initiatives seeking to scale up and sustain regional sector partnerships. It will also measure and relate net impact estimates of the benefits to employers.

To train a new generation of sector-based leaders, the **Greater Seattle** Sector Skills Academy, funded by SkillUp Washington and facilitated by The Aspen Institute Workforce

Strategies Initiative, provides professional development opportunities to emerging leaders in the sectoral workforce development field. Sector Fellows learn how to incentivize people to work together across systems.

And it is happening here in NYC!

For decades, Fedcap has been a partner in integrated workforce/economic development projects in New York City.

One such effort, Employment Works, a program of the New York City Departments of Probation and Small Business Services and run by Fedcap's Wildcat Division, helps those involved with the criminal justice system to be placed in transitional jobs and provided the training and support to prepare them for long-term employment. In 2013 Fedcap served over 1,500 people through Employment Works, creating a pipeline of trained and pre-screened employees for Bronx-based businesses and improving the community by helping to reduce recidivism.

Fedcap's work in supporting the economic development in the South Bronx began when it leased 10,000 square feet of space in the refurbished Bank Note building. Built in 1909, the landmark office and retail complex has over 400,000 square feet of affordable and professional space and is a hub for non-profits, community organizations and schools. Fedcap operates its Mail Solutions and Document Imaging business and Employment Works program out of the Bank Note building, bringing jobs to the community and contributing to the revitalization of the South Bronx.

"We believe strongly in the power of sustainable education and jobs programs," said Peter Febo, Senior Vice President of Taconic Investment Partners, one of the building's redevelopers. "Fedcap's commitment to the South Bronx is demonstrated by its move to the BankNote building."

Fedcap's efforts in the Bronx evolved further when it developed a partnership with FreshDirect, a fast-growing online grocer that serves the New York metropolitan area. Fedcap and FreshDirect are collaborating on job training and hiring to bring more jobs to the Bronx. Fedcap worked closely with FreshDirect to identify their skill needs and create a training curriculum specifically tailored to those needs. Fedcap case managers monitor job performance and career progression, and provide post-employment support and real-time interventions as needed.

To date FreshDirect has hired 65 people -**most** of them Bronx residents -**trained** by Fedcap.

"The best thing from an employer's perspective is to have a strong, ongoing relationship with an organization that serves as an extension of who we are," said Melanie Kirk, Senior Vice President.

What This Means for Business

A pipeline of well-trained, job-ready workers is a competitive advantage and strategic asset for employers that results in reduced training costs, lower employee turnover and higher productivity.

For many companies, hiring people with barriers is a bottom-line business decision. Walgreens, the nation's largest drugstore chain with sales of \$63 billion, worked with regional economic and workforce development partners to train and hire thousands of people with barriers for jobs in its distribution centers in multiple states. They are full-time employees, performing the same jobs for the same pay and benefits and held to the same standards.

"We wanted to end the belief that people with barriers can't perform just as well as anybody else, and that has paid off for us," said Randy Lewis, Senior Vice President of Supply Chain and Logistics. "We're not a charity. We only make three cents on the dollar. We can be as hard-nosed as anyone, and we have shareholders that drive us just like anyone else."

According to Walgreens and other employers of people with barriers, these trained and job ready workers offer:

- Reduced recruitment costs through access to a pool of new talent, trained in the specific skills required for the industry;
- On the job support to ensure stable work performance;
- Commitment by a larger group of stakeholders in the economic stability of a community;
- Reduced turnover costs.

What This Means for Communities

Coordination of workforce and economic development is extremely important for communities. When workforce and economic development aren't aligned, the local labor force doesn't have the skills needed by local industries. Businesses may not locate or stay in an area if they can't access a skilled workforce. This can result in lost revenue and job opportunities.

The benefits of investing in workforce development, as a component of broader economic development goals, are just beginning to be understood. The Workforce Development Council of Seattle-King County commissioned a study by Economic Modeling Specialists Inc. (EMSI) to examine the economic benefits generated by federal workforce dollars in Seattle-King County. The researchers found that benefits extended well beyond the original investment by taxpayers to include multiple parties; job seekers benefitted from higher incomes, employers are beneficiaries of increased worker productivity, and the community benefitted from reduced unemployment costs and increased tax revenue. In total, the Federal Workforce Investment Act (WIA) funding returned \$10.45 for every dollar invested in Seattle-King County, with \$146 million generated for the regional economy by adults and youth placed in jobs through WIA programs during a single program year.

"I started out as a home health aide, then I went back to school and obtained my certification as a nutritionist, and now am back in school studying to be a nurse. I am not the only one... others in my class have had a similar path. And many of us live in the same neighborhood... We are all able to shop more as a result of our bigger paychecks!"

— Sylvia H.

What this Means for People

A study by Public/Private Ventures found that sector-based training provided significant advantages for low-income, disadvantaged job seekers in obtaining steady employment, higher wages and benefits. The intersection of workforce and economic development provides

low-income and low-skilled individuals with tremendous opportunities to build careers in high growth industries.

Among the Findings Were:

Participants in sector-focused programs earned significantly more than control group members:

Participants earned 18%-about \$4,500-more than the control group over the 24-month study period.

Participants in sector-focused programs were significantly more likely to work and, in the second year, worked more consistently than control group members:

Over the 24-month study period, program participants were much more likely to be employed, working on average 1.3 more months than those in control groups. During the second year, program participants were significantly more likely than those in control groups to work all 12 months (52 percent versus 41 percent), an indication that sector-focused training programs helped participants find steadier employment.

Program participants were significantly more likely to work in jobs with higher wages

Over the full study period, program participants worked two more months than control group members in jobs that paid at least \$11 an hour. The likelihood of working a job that paid at least \$11 an hour was 14 percentage points higher for program participants (59 percent) than controls (45 percent) over the entire study period, and equivalent for the second year.

A Role for Community Colleges

Over the long term, human capital —the skills, educational attainments, talents, and creativity of a workforce —is the single most important determinant of a community's economic success or failure. But there are a significant number of individuals who are basically walled off from

the economic growth of their community. Virtually every industry most crucial to a community's current and future prosperity, from finance to health care to information technology, relies upon a robust supply of highly educated and skilled employees. Across the country, states, counties and cities will need to produce significantly more middle- and high-skilled workers to meet the demands of a labor market focused ever more sharply on "knowledge workers;"*

Overall community college enrollments continue to grow as traditional (recent high-school graduates) college-bound students, incumbent workers, and the unemployed increasingly become aware of the role a community college can play in obtaining a job with a long term career path. For example, with employment projections and health care reform implementation signaling increased job availability in our health care system ...demand for enrollment in — graduation from —community college health professions programs is growing significantly. "The more we tailor our courses to the distinct and emerging needs in the health care sector, the better off students, the employers and the college will be," says Roxanne Fulcher,

4 Closing the Skills Gap, Center for an Urban Future.

Director of Health Professions Policy and the Health Professions Education Center at the American Association of Community Colleges.

Community colleges possess a unique capacity to meet the changing workforce needs. And yet in many places this promise remains unfulfilled. While the mission of community colleges is to provide access to higher education and to workforce training to support economic development, few community colleges have developed strategic partnerships with business to ensure that their educational product is in line with workforce needs.

But for those who have, the future looks bright. Through a variety of outreach, relationship building, and data collection efforts, forward thinking community colleges have come to understand the specific training needs of key industries in their regions and use this information to keep programs current or develop new programs to address these needs.⁵

According to a 2012 GAO report, these effective and thriving community colleges are quickly adapting to demands of the times. By increasingly emphasizing the value of credentialed and non-credentialed knowledge and skill (some experiencing as much as a 30% increase in short- and long-term credentials) and projecting technological and other changes, community colleges can thrive as a force for meeting changing business demands and workforce needs.

Considering both the types of skills now being required by employers and the connection between education and earning power, the city institutions of higher education arguably have the most important role to play in expanding the skills of the current and future workforce.

Next Steps: Policy Changes and Public-Private Initiatives

Increasingly there are federal grants programs and initiatives that have been established to support sector partnerships, expand replicable sector-based partnership models and bring pilot programs to scale.

The U.S. Department of Labor is funding sector-based development through the Social Innovation Fund. In the last several years, the SIF granted \$7.7 million to 16 regional collaboratives to establish workforce partner-

5 *Changing Role of Community Colleges*, Kasper, Henry, Office of Occupational Statistics and Employment Projections. (2009)

ships -including employers, trainers, and community-based intermediaries -to provide targeted training and career support assistance to more than 20,000 low-income individuals. The grants were administered through the National Fund for Workforce Solutions, a funding intermediary supported by the DOL and the Casey, Ford, Hitachi and Weinberg Foundations to strengthen and expand high-impact workforce partnership initiatives across the country. While the results were promising, these initiatives were time-limited and reached only a portion of local areas.

Institutionalizing the learning from these kinds of efforts into a planful federal policy would go a long way toward advancing the integration of workforce and economic development.

Further progress may emanate from the National Skills Coalition. According to the Coalition's executive leadership, in the near future it is scheduled to coordinate a series of pilot projects designed to better link economic and workforce initiatives in several cities including: Seattle, the Twin Cities, Chicago, Boston, and New Orleans. This project is being designed to yield data for a set of policy recommendations on the subject.

There is also interesting funding possibilities on the horizon. A new social program financing technique, generally labeled "Social Impact Financing" has captured the imagination of several foundations, government, and major private sector entities like Goldman Sachs, Bank of America, and Prudential Insurance. Proponents of social impact investments suggest that they not only bring new private-sector discipline to social programs but open up opportunities to increase impacts by measuring outcomes in order to generate an investment return for both government and the private sector. For example, financing an energy conservation company that gave good opportunities to individuals with barriers to employment might attract the interests of states like New York, New Jersey, or Massachusetts. Supporting the growth of heart-healthy food production companies combined with worker training and entrepreneurship could be attractive to other parts of the country.

Finally, we suggest that there be a concerted effort on the part of local community colleges, workforce development providers and business to convene a series of educational and information sharing sessions to discuss the high-growth sectors and projected labor needs in their region. These convenings should result in a structured partnership to co-design training and skill building curriculum, short and long term certification programs, and on the job training opportunities that result in college credits -all intended to fill the projected workforce gaps.

In their paper, Grinker and Walker posit that it's possible that engaging the support of social impact advocates in creating more efficacious workforce and economic development venture programming, could develop interest for initiatives designed to improve results on both fronts.

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