

Sector Strategies: Revisioning State Workforce Policies

by Larry Good, Chairman
and
Lindsey Woolsey, Senior Policy Associate
Corporation for a Skilled Workforce

An increasing number of states are addressing workforce challenges by establishing sector strategies—policies that support regional, industry-specific programs implemented by an employer-driven partnership of relevant stakeholders. Sector strategies can increase state competitiveness, align resources and strategies, and provide multiple career pathways for all types of workers. In a large study of one sector initiative, the percentage of participants who worked rose from 74% to 94%, and their median earnings increased from about \$8,600 to over \$14,000 in the first year and to over \$17,700 in the second year. Based on earnings, almost half of the study participants moved out of poverty. Employers also benefited from a 41% decrease in turnover and a 23% reduction in customer complaints.

Today U.S. policymakers are facing the stark realities of a growing, persistent, low-skilled labor market. Low-skilled jobs almost always mean low wages, and today more than half of all jobs in the U.S. are poverty-wage or low-wage positions.¹ In fact, approximately 3 million people live in poverty in the U.S. despite working full time. On average, individuals who have exited from the Temporary Assistance for Needy Families (TANF) program earn less than \$10,000 per year.²

Meanwhile, employers confront growing shortages of adequately prepared workers. A recent analysis of the American Community Survey and data from the Bureau of Labor Statistics indicate that two-thirds of the 2020 workforce is already in the labor market, and half of the current workforce possesses only a high school degree or less. The economic vitality of our nation may be at risk, given estimates that by 2014, 24 of the 30 fastest-growing occupations will require postsecondary education or training (either an occupational certificate or degree).³

The shortage of skilled workers also presents a challenge to communities and states, which increasingly experience intense competition to attract and retain employers. Tax breaks alone are no longer a sufficient incentive to bring in new businesses. When making relocation and expansion decisions, businesses consider a region's ability to provide a steady supply of skilled workers. This chapter begins by describing how many states have responded to this workforce need by establishing sector strategies. We discuss their potential benefits, promising state examples, and important considerations for policymakers.

Why Do States Need to Revision Workforce Strategy?

A state's ability to be responsive to industry skill needs is currently hindered by several things, including:

Half the current workforce has a high school degree or less, and 80% of the fastest growing occupations require postsecondary education or training.

- (1) Regional labor markets that are misaligned with local, county, or state political systems;
- (2) The disconnect among overlapping but not identical jurisdictions of workforce, economic, and education agencies;
- (3) The lack of meaningful employer engagement making it difficult to develop an understanding of a particular industry-wide need; and
- (4) The lack of coordination among key stakeholders, due to separate funding streams, divergent organizational cultures, different missions, and disincentives to collaborate.

These challenges call for new approaches to workforce development. Traditional approaches simply do not address the multiple obstacles that industry must overcome to remain competitive and that workers must overcome to secure jobs and opportunities for advancement. An increasing number of states are addressing these challenges by establishing sector strategies—policy approaches that support regional, industry-specific approaches to workforce needs and are implemented by an employer-driven partnership of relevant systems and stakeholders.

What are Key Components of Sector Strategies?

- Sector strategies are regional approaches.
- Sector initiatives develop expertise in a particular industry or “sector” within a regional labor market (e.g., health care, manufacturing).
- Sector initiatives use workforce intermediaries to create regional partnerships that engage employers, training/education providers, community organizations, and other key stakeholders around a specific industry.
- Regional partnerships allow for coordination of information and resources to address employers’ need for a skilled workforce and workers’ need for good jobs.
- Sector initiatives are responsive to industry demand because they focus on specific problems within sectors, and they work with industries collectively, not as individual firms.
- Sector initiatives strive simultaneously to meet the skill, recruitment, and retention needs of employers; and the training, employment, and career advancement needs of workers.

What are Potential Benefits of Sector Strategies?

Benefits for Workers

An Aspen Institute survey of sector initiative participants found the percentage of respondents who worked at some point during the year rose from 74% before training to 94% after training. Among the 94% of respondents who worked, median personal earnings rose from about \$8,600 to just over \$14,000 in the year following training and to over \$17,700 in the second year after training. Based on their earnings alone, almost half (48%) of participants moved out of poverty.⁴ Other potential benefits of

Regional partnerships allow for coordination of information and resources to address employers’ need for a skilled workforce and workers’ need for good jobs.

sector initiatives for workers include improved working conditions for entry-level and low-skilled workers; expanded supply, accessibility, and coordination of work supports for low-income workers that lead to better job retention; and increased opportunities for education and training for high-demand occupations.

Benefits for Employers

In a similar evaluation of sector initiatives in Massachusetts, 41% of surveyed employers reported a reduction in turnover, 19% reported a reduction in rework, and 23% a reduction in customer complaints as a result of sector initiatives in which they took part.⁵ Virtually every participating employer found value in the partnerships they developed with other companies through sector initiatives. Potential benefits of sector initiatives for employers include sharing with other firms the costs and risks of developing skill training programs, increased availability of relevant skills training, and guidance on human resource practices to improve workforce quality and efficiency.

Virtually every employer that participated in sector initiatives found value in the partnerships developed with other companies.

Benefits for Communities

Finally, sector initiatives can benefit communities in several ways. They can close skill and labor gaps in the labor market; enhance a community's ability to attract and retain higher-wage employers; support the retention and expansion of local industries; address poverty and unemployment challenges; increase community cooperation; and use public resources more efficiently and effectively.⁶

For states to realize these benefits of sector strategies, state leadership and guidance at each phase of implementation is essential.

What are Some Promising Examples of State-Driven Sector Initiatives?

At least 25 states currently are implementing sector strategies as a policy approach to meet the needs of their regional industries and labor forces. In 2006, the National Governors Association (NGA), Corporation for a Skilled Workforce (CSW), and the National Network of Sector Partners (NNSP) launched a multi-year project to accelerate adoption and maturation of state sector strategies through a peer-to-peer learning network, policy academies for states in beginning phases of sector strategy adoption, and a knowledge exchange of support tools. During 2008-2009, Wisconsin participated in one of the policy academies to refine and develop the state's sector strategies. Below are examples of several state sector initiatives:

- In 2004, **Michigan's** Department of Labor and Economic Growth used competitive start-up grants to create 34 Regional Skills Alliances that operate in the state. Recently, Michigan announced a second generation version of what are now called Michigan Skills Alliances, which include a major component of Green Sector and Regional Alliances. To support their development and growth, a full-time staff of 10 state employees is dedicated to working with the Alliances.
- **Massachusetts** has a 25-year history of state-supported sector initiatives, currently led by a quasi-public entity, the Commonwealth Corporation.

The rich history of sector success played a significant role in securing \$11 million for a new Workforce Competitiveness Trust Fund, a mechanism to implement local sector initiatives in critical industries across the state.

- Since 2000, **Washington State** has been a leader in sector partnership approaches, competitively building 41 local Industry Skill Panels, and establishing 11 Centers of Excellence within community colleges that focus on building training programs that meet the needs of key economic clusters (i.e., geographic concentrations of firms that do business with each other and draw from the same pool of talent, technology, and infrastructures). The Community and Technical Colleges, Employment Security Department, and State Workforce Board collaborate in leading these activities.

Almost every state using sector initiatives is distributing competitive grants to regional partnerships. This is a concrete way to take a highly customized model of demand-driven workforce development (i.e. sector initiatives) to scale. States consider multiple factors to determine awards: relevant active partners, industry selection, definition of region, long-term funding strategies, demonstrated knowledge of the target industry, and evidence that the partnership is employer-driven. State sector funding is often targeted to support the work of sector initiative conveners (intermediaries), who play a powerful role in pulling partners together and facilitating implementation.

What are Some Policy Considerations?

State sector strategies provide an opportunity to increase state competitiveness, align resources and strategies, and provide entry-level and career pathways for low-income workers while simultaneously growing and maintaining middle-class jobs. Partners involved in the NGA project believe that the following are important considerations for state leaders desiring to build sector strategies.

Funding It

State policymakers can address funding challenges by driving the development of new funding streams, redirecting existing streams, and incentivizing private investments. States utilize several federal, state, and private sources to fund sector initiatives, most commonly tapping public Workforce Investment Act (WIA) discretionary funds. Other potential resources include surplus TANF (Temporary Assistance for Needy Families) funds or state general revenue funds. Many states have also used investments from state and federal funding sources to leverage additional funding from employers, industry associations, and foundations.

Identifying Industry Needs and Skills Gaps

State agencies can use their access to labor market information from various data sources to examine the current state of a regional economy, explore the root causes of skills gaps, and help sector initiatives plan for long-term labor market trends. Some states provide training to help sector initiative partners learn how to collect and use labor market information for decisionmaking.

State and federal dollars can be used to leverage funding for sector strategies from employers, industry associations, and foundations.

Defining Appropriate Regions Within the State

Regions should make sense economically and reflect geography relevant to the sector involved, and not be divided by arbitrary or artificial boundaries.

Aligning Agency Policies and Resources to Support Sector Strategies

This may involve establishing a culture of interagency collaboration, redefining department missions, reallocating resources, and/or reorganizing agencies.

Building Capacity

States can build capacity with sector initiatives in several ways, including offering training and/or technical assistance to leaders of regional partnerships within the state.

Assigning the Right People to Do the Work

Having someone engaged from the governor's office is an important element, as is having a cabinet or associate cabinet-level leader with access to the governor lead the initiative. When this is the case, leading business executives seem more likely to be involved.

Marketing

Inform as many partners, stakeholders, employers, and citizens as possible about what the strategy is, why they would want to be part of it, and how they can become part of it.

Measuring Success

It is important to get baseline data at the start of a strategy as well as gather performance benchmark data throughout the lifespan of the strategy. The NGA project has co-created an evaluation framework that is available at http://sectorstrategies.org/system/files/draft_skill_panel_dashboard.pdf. It is also important to have buy-in of the evaluation framework from those lending their resources and those being evaluated.

Planning for Sustainability

An effective sector strategy will be structured in a way that will build over time and not fizzle with a leadership change. This means that, beyond political and monetary support, it also has solid infrastructure to support it.

Conclusion

The strength of sector strategies is their ability to understand their target industry and to work effectively with business to identify and fill workforce needs. Despite gaps and yet-to-be realized scale, key components of a sectoral approach to workforce development are emerging across the country. When included as part of a comprehensive state policy framework, these sector strategies help states address the rapidly changing economic and demographic challenges they face.

Larry Good is co-founder and Chairman of the Corporation for a Skilled Workforce (CSW). He has an MBA in Finance from Michigan State University and a BA in Political Science from Oakland University. He engages with national policy and practice

The strength of sector strategies is their ability to understand their target industry and work effectively with a business to identify and fill workforce needs.

leaders to inform change in public policy and investment in workforce development. His organization has also partnered with the National Governors Association and the National Network of Sector Partners in managing a 25-state learning network to accelerate use of state sector strategies. Good leads the Corporation's work with state governments in transforming their workforce strategies, having consulted with California, Colorado, Illinois, Michigan, Minnesota, Oklahoma, Washington, and Wisconsin. For six years, he led a major initiative with the Michigan Department of Energy, Labor, and Economic Growth in developing and implementing a total rethinking of state workforce policy, initiatives, and structure. In recent years, his work also has focused on (a) reinvention of adult education and integration of basic skills development with career pathways, and (b) development of sector strategies at a state and regional level to engage groups of employers in developing shared workforce solutions. As CEO, Good has led the growth of CSW from a start-up to a \$3 million per year enterprise with a solid reputation for high-quality work. He and his wife have been married for 36 years.

This chapter was adapted from the following three articles available from the Wisconsin Family Impact Seminar in their entirety:

NGA Center for Best Practices, Corporation for a Skilled Workforce, & National Network of Sector Partners. (2008). *Accelerating state adoption of sector strategies: An eleven-state project to promote regional solutions to worker and employer needs* (Phase I Project Report). Retrieved December 19, 2009, from <http://www.sectorstrategies.org/system/files/AcceleratingSectorStrategies-PhaseIReport.pdf>

NGA Center for Best Practices, Corporation for a Skilled Workforce, & National Network of Sector Partners. (2006). *State sector strategies: Regional solutions to worker and employers needs* (Issue Brief). Retrieved December 19, 2009, from <http://www.nga.org/Files/pdf/06STATESECREG.PDF>

Woolsey, L. (2007). *The policy intersection between sector strategies and low-income workers: The state responsibility to make the connection*. Retrieved December 19, 2009, from <http://www.sectorstrategies.org/sites/all/files/Integrating%20Sector%20and%20Low-Income%20Policies.pdf>

References

¹Mitnik, P., & Zeidenberg, M. (2007). *From bad to good jobs: An analysis of the prospects for career ladders in the service industry*. Retrieved December 19, 2009, from <http://www.aspenwsi.org/Publications/02-008.pdf>

²Hoffman, L. (2007). *State strategies for improving the employment outcomes of TANF and low-income families*. Retrieved December 19, 2009, from <http://www.nga.org/Files/pdf/0706IMPROVINGTANF.PDF>

³Strawn, J. (2007). *Policies to promote adult education and post-secondary alignment*. Retrieved December 19, 2009, from <http://www.nationalcommissiononadultliteracy.org/content/strawnbriefrev101807.pdf.pdf>

⁴Rademacher, I. (2002). *Working with value: Industry-specific approaches to workforce development, a synthesis of findings of the Sector Employment Development Learning Project*. Retrieved December 19, 2009, from <http://www.aspenwsi.org/Publications/02-008.pdf>

⁵Lea, C. (2004). BEST benefits: Employer perspectives. *Research and Evaluation Brief*, 2(4). Retrieved December 19, 2009, from <http://www.commcorp.org/researchandevaluation/pdf/ResearchBrief2-04.pdf>

⁶Marano, C. (2004). *Creating winning partnerships* (PowerPoint Presentation). Oakland, CA: The National Network of Sector Partners, a project of the National Economic Development and Law Center.