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Response: US Public Workforce System

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Public workforce development investments in the United States (US) are a response to business and individual behaviors thought to be incompatible with achievement of national priorities. Careful study of the history of public workforce development investment in the US reveals a distinctive pattern of creative destruction—Schumpeter's term for the "incessant process of mutation" that revolutionizes and improves how things get done. Workforce development legislation and administration in the US has been episodic—a series of connected but separate events that are components of a continuing narrative.

Barnow (this volume) delivers an excellent status report about positive component returns during the most recent phases of US Department of Labor (DOL) investment in workforce development—the Job Training Partnership Act of 1982, followed by the Workforce Investment Act (WIA) of 1998. He then offers practical recommendations for actions that might be taken to improve overall performance.

My single lament about Barnow's choice of focus, which reflects the evaluation literature that he knows so well, is that concentration on average component performance fails to detect what state and local program managers need most—definition of the elements of exemplary and failing initiatives, so funds can be reallocated from failing to exemplary. The tails of the performance continuum are typically under-examined.

Because Barnow provides thorough coverage of some of the titles of the WIA that address the needs of unemployed people, I select a different part of the workforce development investment portfolio—incumbent worker training. Within this segment, US DOL responses to small and medium-size enterprise (SME) challenges are highlighted.

The Employment and Training Administration, US DOL, has begun a new High-Growth Job Training Initiative. Prospective success of this initiative can be promoted by heeding lessons learned from the life cycles of previous demand-driven strategies.

Four principles define the historical legacy of public workforce development investment in the US. "This too shall pass" is a common theme among these four principles. The High-Growth Job Training Initiative is an opportunity to break from this tradition.

The Congress repeatedly defines new strategic themes, priorities, and performance criteria. The reach of each new law is typically limited by the scope of a Congressional committee's authority to act. Separation of components of the workforce development system begins here and continues throughout the life cycles that follow.

- There has been a growing tension between Congressional performance accountability expectations and delegation of strategic decisions to subordinate components of the workforce development system.
- Some front-line staff members delivering workforce development services have not had a full understanding of higher-level

[1] Edited remarks presented at the EU-US Seminar, Washington, D.C., July 1, 2003.

strategic goals or have not joined in an enthusiastic pursuit of these goals.
- Local authority to manage how and to whom services are delivered has often resulted in a dynamic process of many players looking elsewhere for promising approaches to improve local performance.

The challenge is substantial, but so is the potential gain from successful integration of employment, continued learning, and economic development initiatives. Desirable elements to succeed include trust, channeling of the investment flow to the intended recipients, and responsiveness to fluid personnel policies that react to global events.

Success of the High-Growth Job Training Initiative will be determined by how trust, targeting, and flexibility are blended. Precise targeting is difficult in a fluid environment. Mistakes diminish trust. Distrust causes limits to be imposed on the creation and maintenance of a desired investment portfolio.

The National Research Council Committee on Techniques for the Enhancement of Human Performance: Occupational Analysis published an important book in 1999 titled *The Changing Nature of Work: Implications for Occupational Analysis*. The book summarizes "changes in work and the adequacy of occupational analysis systems for charting and managing the changes." Three themes are

1. The workforce continues to become more diverse, resulting in greater heterogeneity *within* defined categories.
2. The boundaries *among* defined occupational and industry categories continue to become more fluid.
3. The dynamics described in 1 and 2 mean that businesses have an expanding range of production design choices.

The authors conclude that available occupational categories are losing descriptive and analytical relevance. This consensus among experts places a high hurdle in the path of those responsible for defining targeted demand occupations in high-growth industries. The challenge is most serious for the SME segment of these industries.

Fortunately, the Alfred P. Sloan Foundation has recognized the importance of continued fading of occupational and industry definitions. The Foundation's Standard of Living and Economic Performance Program supports 19 Industry Centers at 15 universities to engage in observation-based research leading to practical contributions to the industries studied.[2] Some of the activities in these centers resemble work underway in the London Skills Forecasting Unit of the London Training and Enterprise Council.[3]

A joint message from these forward-looking programs is "help is on the way." Meanwhile, caution should be exercised. Fiscal stress encourages adoption of generic projections that are unlikely to reflect known

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[2] Sloan Foundation Industry Centers Program information is available at www.sloan.org/programs/stndrd_industries.

[3] Simon P. Ellis (2003), "Anticipating employers' skills needs: the case for intervention," *International Journal of Manpower*, 24:1, pp. 83-96. Ellis correctly defines a general skill shortfall as a *shortage*, while a sector-specific deficiency is properly defined as a *gap*. The distinction is important because a *gap* may be closed by attracting existing skills from other businesses, industries, or locations. A *shortage* can be addressed only by expanding the reference skills pool (or redesigning production to reduce dependence upon the reference skills).

levels of heterogeneity and fluid personnel assignment dynamics.

Innovative responses to skill gaps and shortages often begin at the state level of governance in the US. The historical record of state-sponsored industry-specific training reveals Arthur Ross's "orbits of coercive comparison" in action.[4]

Beginning in 1936 with Mississippi's Balance Industry with Agriculture Act, but more often associated with North Carolina's 1957 initiative to establish a statewide network of area vocational-technical schools that would respond to the immediate skill requirements of employers, there has been a series of state-triggered "shocks", each resulting in responses by neighboring and sometimes distant states to regain competitive equality or advantage. The managers of the High-Growth Job Training Initiative are learning important lessons from these state programs about what to do and not do.

The California Employment Training Panel (ETP) program is a particularly rich source of lessons about the causes and consequences of program life cycle maturation.[5] The State Legislature created the ETP in 1982. By 1990-91, the $100 million of available funds to be allocated that year had been earmarked as follows:

- 15.6 percent for new hires and those who had actually received layoff notices
- 20.0 percent for small business projects
- 20.0 percent for retraining programs
- 20.0 percent for the California Supplier Improvement Plan supporting small-business suppliers to larger aeronautical, aerospace, and defense manufacturers (or similar programs)
- 8.0 percent to Interagency Special Considerations that "will give special consideration to training programs developed with the Chancellor's Office of the Community Colleges and the State Department of Education in these [California Supplier Improvement Plan] skill areas or to the development of standard curricula for these occupations that are shared among groups of small and medium sized employers"[6]
- 5.0 percent to plant closure responses
- 2.7 percent to upgrade training projects
- 2.7 percent to demonstration projects
- 6.0 percent to Immigration Reform and Control Act projects.

Managers of the High-Growth Job Training Initiative will have to be vigilant to maintain flexible control over spending in the face of advocacy for earmarking.[7] Two types of

[4] David W. Stevens (1986), *State Industry-Specific Training Programs*, New York, NY: The Ford Foundation, 42 pp.; now available at www.ubalt.edu/jfi/stevens.

[5] Current information about the California Employment Training Panel program is available at www.etp.cahwnet.gov. David W. Stevens (1992), *Advancing Adult Workforce Skills: Opportunities and Requirements for State Action*, EQW Working Paper 02, Philadelphia, PA: National Center on the Educational Quality of the Workforce, University of Pennsylvania, pp. 5-10, analyzes the first 10 years of ETP maturation—1982-91. The ETP Web site references other more recent studies.

[6] California Employment Training Panel (1990), *Annual Plan 1990-91*. This was the first published annual plan, mandated by the State Assembly, which also created new accountability standards and specified the funding priorities described here.

[7] State members of the National Association of Industry-Specific Training Directors can offer

spending coalition advocate competing uses of available funds. The entities that are already receiving funds seek presumptive deliverer designation in law or administrative practice, thereby avoiding a need to compete for continued funding. At the same time, as awareness of a new flow of funds spreads, non-recipients seek access through legislative action. Every study of the maturation of state investments in industry-specific training documents this pattern.

Decades of collaborative state, business, and labor investments in industry-specific training have resulted in a national network of public community colleges, universities, and private providers of training services that are available to partner with eligible businesses to respond to the new High-Growth Job Training Initiative. This is not to say that public education and job-training institutions in the US have achieved a uniform level of resource and content flexibility that is consistent with the requirements for a successful High-Growth Job Training Initiative.

Scale economies have lured public and private training providers to focus on large businesses that hire many students with similar hard-skills qualifications. SMEs are often found on the heterogeneity frontier described earlier—being innovators in what is produced and the configuration of needed skills to get this done.

Public community colleges and all surviving private providers know from experience how to customize hard-skills content. The community colleges, and universities that are giving more attention to customized revenue generating offerings, struggle to achieve enough flexibility in instructional staff qualifications and assignments, coupled with needed equipment and facilities, to respond to new skills training needs.

Individually, SMEs are less likely than larger businesses to find a receptive continued education partner because one SME does not represent enough promise of profit to redesign current offerings. Bundling of SME needs has been one successful response to this challenge. But again, uniformity of need is less likely to occur among SMEs, and continuity of membership is difficult to sustain when unsuccessful start-ups disappear and some successful ones grow out of the SME designation.

Having mentioned SME success and failure, it is important to comment about a persistent tension that challenges managers of industry-specific training programs in the US. Public disclosure of the investment portfolio triggers two complaints that cannot be reconciled but must be addressed.

Some critics express dissatisfaction with the award of public funds to successful prospering businesses. At the same time, others complain when public funds are invested in struggling businesses that would be expected to close without the subsidy. Public investment sends a signal that reinvention of struggling businesses is preferred to allowing them to languish or die.

The High-Growth Job Training Initiative has to recognize and respond to these concerns. Early evidence suggests that a balance has been found. Priority attention is being given to improvement of communication among the partners in state and local workforce development systems—the WIA, education,

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valuable counsel to their Federal colleagues about the program maturation challenges that have emerged and what responses have succeeded or failed.

economic development, business and labor partners.

Alignment of interests and priorities will not proceed quickly or completely in all parts of the system, but early success by some will encourage replication and convergence by followers. This has been the "orbits of coercive comparison" experience of continuing state investments in industry-specific training.

Promotion of voluntary state and local adoption of successful practices elsewhere is the hallmark of US experience to date. That is the good news.

Unfortunately, we are often unable to identify and replicate the essential elements of success. Earlier in these remarks "responsiveness to fluid personnel policies that react to global events" was identified as a basic criterion for successful intervention to modify business and individual behaviors, so these behaviors become more compatible with national priorities.

Global events and reactive business personnel practices shorten the life cycle of institutional stability. *The Wall Street Journal* recently reported that there is growing evidence of a substantial redirection of Latino immigration from the US to EU countries. This comes at a time when home-country employment outside the US is being chosen as a preferred hiring option by some businesses, particularly multinational corporations. Simultaneous demand-driven and supply-side phenomena of these magnitudes translate into more pressure for successful leadership of US workforce development investment strategies.

Many of the institutional components for successful accomplishment already exist in the US. Fortunately, in this time of fiscal challenge the most urgent remaining need is to build trust in the correctness of the investments that are made. This need not absorb a large amount of Federal funds.

A high priority should be given to improvement of SME access to public community colleges, accompanied by community college responsiveness to SME needs. Access and responsiveness have a common component—each requires awareness of an opportunity to begin the development of a successful partnership.

Because of the interaction of global events and fluid personnel practices, caution is urged against overinvestment to improve our statistical ability to identify skills gaps. We struggled to attempt this in more tranquil times working with clearly understood definitions of occupation and industry. It was difficult then. It is more difficult today.

With customization of response to skills need comes fragmentation. This is a growing threat to our ability to maintain a common language of enhanced competency certification.

Responsiveness to immediate need does not automatically translate into a reliable portable signal of qualification. Current employers know more about incumbent employee strengths and weaknesses than can be easily described to other businesses. Disparate efforts continue to design portfolios of accurate work experience and continued learning descriptors. Again, the challenge is substantial, but so is the potential gain from success.