

# Industry-Specific Workforce Development: Key Research Findings and Implications for the Workforce Investment Act

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## Summary

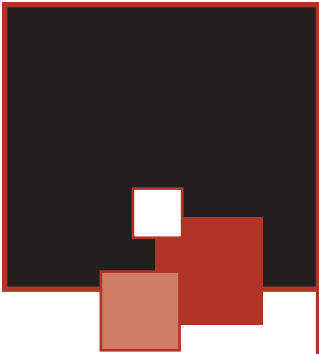
The Aspen Institute's Workforce Strategies Initiative has conducted a multi-faceted investigation of industry-specific or "sectoral" workforce development over the past few years, and has found that this approach holds great promise for helping workers to advance in the labor market and for helping employers to meet their needs for a skilled workforce. Based on this research, which is described in greater detail below, the following recommendations are offered for consideration in reauthorizing the Workforce Investment Act:

- 1. Eliminate the sequential ordering of services stipulated in current WIA legislation and make occupational training services available to any WIA participant.** The Aspen Institute's survey of training participants found that many of the individuals who apply to training programs are capable of finding employment, but the *quality* of the jobs they can access is often poor, with limited opportunity for advancement. The longitudinal survey data collected as part of the study show that participation in industry-specific training helped individuals upgrade their skills and succeed in accessing better quality jobs that provided benefits and career opportunities. Many of these individuals would have been unlikely to receive training services under the sequential WIA system.
- 2. Dedicate and track funds to be used for occupational skills training.** Many of the industry-specific, privately operated and community-based programs the Aspen Institute has researched have found it difficult to create partnerships with local One Stops under WIA. Those that have become certified providers have seen marked drop offs in the number of individuals that are referred to their programs as compared to the numbers they served under the former JTPA system. In order to improve the ability of quality training programs to participate in the public workforce system, WIA reauthorization should require that a substantial level of resources be specifically dedicated to providing training services for low-income workers and job seekers. At the very least, local and state Workforce Investment Boards should be required to report the level of resources that they dedicate to training.

*This policy brief has been produced as part of the Aspen Institute's Workforce Strategies Initiative, a project designed to evaluate and advance industry-specific and demand-driven approaches to developing the nation's workforce.*

  
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- 3. Recognize that workforce development programs perform other critical functions in addition to training that must be supported to effectively meet the needs of workers and employers.** The Aspen Institute’s research on sectoral approaches to workforce development shows that programs that employ this approach engage in an array of brokering, convening and planning functions that involve a range of stakeholders in the region and industry. These activities enable programs to coordinate essential training and support services so that the needs of workers and employers are well met. Programs, their employer partners, and their participants have all informed us that these additional functions, rather than being “extra,” are precisely the reason that sector programs are so successful at improving job placement and retention rates. The WIA legislation should acknowledge the critical labor market functions that programs engage in to create effective, employer-responsive training programs, and should build greater flexibility into existing funding streams in order to support and accommodate these functions.
- 4. Provide access and funding to training providers to utilize unemployment insurance wage records to track wage and retention rates for program participants.** Aspen research found that employers are much more likely to engage with and hire from workforce programs that can demonstrate value by providing information about the placement, retention and wage rates of their training population. For programs that do not have access to unemployment insurance (UI) data, tracking this type of information through other methods is costly and inefficient. The WIA legislation should require states to make UI wage records accessible to training providers who are certified or seek to be certified with One Stops. Safeguards need to be established to facilitate this data-sharing process. WIA should address this concern and, in doing so, enable information that states already collect to be leveraged in order to improve the efficiency and quality of data collection among training providers. WIA legislation should also dedicate funding to support the data collection and analysis function that enables training providers to monitor and improve their services.

## A Word about Industry-Specific Workforce Development Programs

The logic that underpins the industry-specific approach to workforce development is that in order to shape any sustainable improvements in or expansions of the employment opportunities available to low-income workers, an initiative *must* find a way to make a noticeable and valued contribution to the targeted industry. This is only possible when the parties involved in setting up the initiative understand the

workings of the industry, its stakeholders, and its operating context well enough to be able to identify the types of activity and assistance that will address the key problems that challenge the industry. Given this operating framework, industry-specific workforce development programs exhibit the following four characteristics:

1. They target a selected industry or subset of an industry to address the workforce challenges that are specific to the industry.
2. They position themselves as a strategic partner within the industry – one that possesses deep knowledge of the targeted industry and understands the culture, competitive pressures and regulatory environment that shape workforce issues.
3. They excel at leveraging employment opportunities for low-income job seekers. This purpose is their core mission.
4. They work with the relevant labor market stakeholders – community colleges, community-based nonprofits, employer associations, policy makers, etc. – to develop systemic solutions to recurring workforce challenges faced by both employers and low-income job seekers.

The Aspen Institute has investigated industry-based workforce development from a variety of perspectives in order to gain a full picture of the operating principles and potential benefits of the approach. Its investigation has included a three-year longitudinal survey of program participants, in-depth focus groups and individual interviews of participants conducted four years after training completion, case study research on six different industry-specific workforce development programs, a survey of 32 Workforce Investment Boards that the U.S. Department of Labor funded to undertake industry-specific approaches, a brief survey of programs and employers in the health sector to assess how they estimate the benefits that programs provide to employers, and an on-going exploration of how program benefits to employers can be better measured. Some of the key findings from this research include:

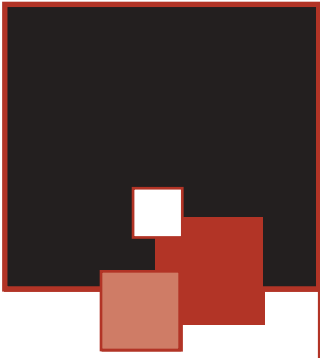
- Industry-specific workforce programs have helped workers advance in the labor market. For example, median personal earnings of program participants rose from \$8,580 at baseline to \$14,040 in the year following training, to \$17,732 in the second year after training, due to an average 31 percent increase in wage rates as well as increases in hours worked.<sup>1</sup>
- Employers valued the programs, citing, among other things, the programs' success in finding new sources of talent for hard-to-fill positions.<sup>2</sup>

<sup>1</sup> Zero earners are excluded from this calculation.

<sup>2</sup> Many programs also provide various industry-specific services that employers valued, such as advocating for the industry in public arenas, providing information, and brokering services that help employers access new markets, etc.



“Industry-specific workforce programs have helped workers advance in the labor market.”



“...virtually all interviewees described the important link between education and advancement.”

- Of 32 Workforce Investment Boards surveyed, 21 stated that the industry-specific approach helped them improve relationships with employers.
- Four years after training, participants identified particular skills and opportunities developed through the training program and described how these skills and connections have continued to help their careers.
- Of 26 participants interviewed four years after training, virtually all interviewees described the important link between education and advancement. They often stated that they have renewed support for their children’s educational achievement in addition to striving to continue their own education.
- Participants’ ability to continue their education varied greatly and depended upon finding support to defray the costs of child care, housing, transportation and/or food. Industry-specific training programs had often helped participants access these supports during their training program. Interviewees who were able to continue their education generally had access to public subsidies and/or family resources that helped meet at least some of these needs.

## Information on Aspen Institute Findings

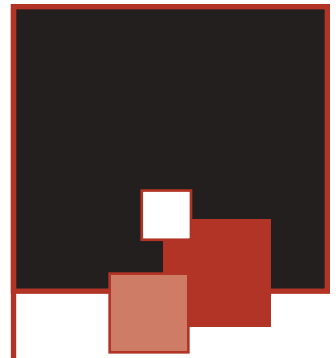
The Aspen Institute’s investigation of industry-specific workforce development programs revealed a number of findings regarding the outcomes that programs achieve for workers, and the benefits that programs offer employers.

### *Outcomes for Workers*

The Aspen Institute investigated outcomes for workers through two primary means: a longitudinal survey of participants in six programs that included extensive phone interviews prior to training (or three to six months prior to training completion for longer programs), one year after scheduled training completion, and two years after scheduled training completion. In addition, a selected sample of 26 survey respondents participated in focus groups and in-depth interviews approximately four years after their scheduled training completion. These interviews gave Aspen researchers a fuller understanding of the most useful aspects of training, the ability of participants to maintain employment gains in a softening economy, the interplay of labor market advancement with family issues, the continuing aspirations of participants for education and advancement, and the remaining obstacles to achieving those goals.

From the survey we learned that most participants came to these programs with a history of work experience. Ninety-six percent had previous labor market experi-

ence, and participants had been in the labor market for an average of more than 11 years. The majority, 72 percent, had at least a high school degree or a GED. Nonetheless, the annual earnings of these workers remained quite low. After participating in programs providing industry-specific training and education, however, participants' labor market outcomes shifted. Study findings show their wages improved, and the number of hours they worked increased during the year, leading to a substantial increase in overall earned income. Also, in the second year following industry-specific training, workers generally built on their initial improvements, further increasing their wages, hours worked, and overall income—in contrast with past patterns. The following chart outlines these findings.<sup>3</sup>



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### Participant Survey Sample\*

Employment Status	Baseline	Year 1 Follow-up	Year 2 Follow-up
Employed during past year	72%	94%	93%
Employed year-round	23%	57%	67%
Unemployed in the past year	28%	6%	7%
Earnings	Baseline	Year 1 Follow-up	Year 2 Follow-up
Median	\$4,144	\$13,650	\$16,894
Average	\$9,036	\$16,456	\$19,809

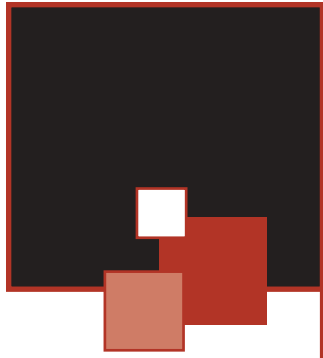
\*Employment status numbers shown are for the 332 respondents who completed all three waves of the survey; earnings numbers reflect the experience of the 296 among the 332 that reported their personal earnings in all three waves.

In addition to greater wages, many participants received job benefits such as health insurance, paid sick and vacation leave, pension plans and others. Specifically, 78 percent of the main jobs that participants held during the first and second years after training provided access to health insurance, compared to 50 percent prior to training. The proportion of participants who actually received health insurance through their jobs rose from 53 percent, in the first year following training, to 65 percent, in the second year, an increase perhaps due to improved employment stability. Substantial percentages of participants also reported receiving other employment benefits such as paid vacation (77%), paid sick leave (64%), and pension other than Social Security (59%).

Participants reported feeling better about the quality of their jobs and their opportunities for advancement, and they attributed this improvement to their

<sup>3</sup> Data reported here reflect longitudinal findings. Other Aspen Institute publications also report findings for the full sample contacted. 732 individuals were interviewed at baseline, 543 were interviewed one year after training, and 371 were interviewed two years after training. Both longitudinal and full sample analyses reveal similar findings.





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experience with the training program. For example, 82 percent of all respondents said that they believe their future job prospects are better today due to their participation in industry-specific training programs. Many also expressed an increased desire to further develop their skills and education credentials, and exhibited confidence in their ability to achieve their goals.

In focus groups and in-depth interviews conducted four years following the training, most participants continued to identify aspects of the training that had helped them. The elements of the training program that participants identified as useful to their particular path varied, but generally involved a combination of technical skills, communication and problem-solving skills, and a better understanding of the particular workplace culture they would be entering.

The interviewees varied in the level of success they had achieved in the labor market to date, but virtually all of them recognized the important role that education had played in the opportunities that were (or were not) open to them thus far.

*...all along my grandmother had told me you might as well go to school while I'm here. I'm going to help you raise your son...But me, no, I wanted to go make some money; I didn't have time for school. I wanted to go work, work, work, work, work. I should have listened to the advice because who knows, by now I could have had my engineering degree. I didn't, so I worked and worked....I was a supervisor at a janitorial service. I did that for about six years...Until I just got fed up. I said this is not getting it, I need to make some more money so I decided to go to school [Focus:HOPE]...It [Focus:HOPE] is a step toward engineering because I can use it towards my engineering degree. Now I want to go back to school...I don't care how old I am, I want to get my degree.*

*Shanelle Bates, former welfare recipient, single mother of two. Now a quality control specialist for a manufacturing company earning about \$29,000 per year with full benefits.*

Many individuals also noted the important role that programs played in providing not only training and education, but access to critical human service supports that were essential to their ability to complete the program and qualify for better jobs. Respondents with continuing unmet needs for such supports may lack the ability to pursue further educational goals.

*For my four little ones, the daycare bill in the summer was \$1,600 or more; and then during the school year, it was \$900 or more because of their ages. At that time, I probably could've gotten a job here in San*

*Antonio as an office manager maybe for \$1,600 a month. So that means – what – that I get to pay for my daycare, but who's going to pay for rent and who's going to pay for the diapers and electricity, food and all that good stuff?*

*...through that Family Self-Sufficiency Program, Project Quest was paying for my childcare, my tuition, my books; they paid for transportation – and at that time, we were catching six to eight buses a day – me and all the little ones...*

*Renee McGhee, divorced mother of four and computer network administrator earning approximately \$40,000 per year plus full benefits.*

### **Outcomes for Employers**

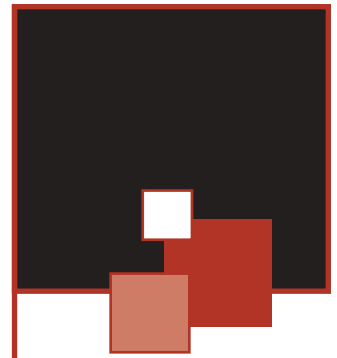
The Aspen Institute's research on outcomes for employers has, to date, included employer interviews conducted in case studies of six industry-specific workforce development programs, as well as employer focus groups and interviews conducted during a focused investigation of the strategies programs employ to communicate to and build relationships with employers. In addition, researchers at the Aspen Institute have begun a project that seeks to determine how industry-specific programs should better evaluate the services they provide to employers. As part of the planning phase for that work, researchers conducted a brief survey of programs and employers involved with industry-specific workforce development in the health care sector. This work is on-going.

In the majority of interviews with employers, we heard that the key reason that businesses valued their relationship with industry-specific training programs was because their approach to training created better, more productive workers.

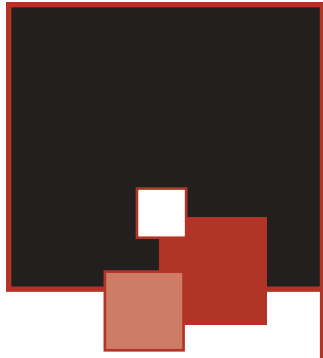
#### **Example – Focus:HOPE, Detroit, MI**

Focus:HOPE offers a variety of training programs, including machinist training. Training is primarily oriented toward the automotive industry. Focus:HOPE trainees are educated in machining skills, and agreements with local colleges ensure that Focus:HOPE coursework will help students fulfill requirements toward earning advanced degrees.

*Managing a technical recruiting operation always presents new and unforeseen challenges. To stay ahead of the competition we are continually seeking out new pools of talent, especially as they relate to geographically diverse resources. Our partnership with Focus:HOPE has enabled us to meet this challenge. Their seemingly endless supply of diverse technical talent is always available when the need arises. The key to Focus:Hope's*



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“...employers and the economy benefit when job seekers can participate in training programs that prepare them to work in hard-to-fill occupations.”

*success is in the structure of their program. Not only do they focus on training in cognitive skills and instilling the need for continuous education, but also on the often forgotten interpersonal skills required to make a potential employer take notice. Over the past five years we have placed nearly 50 Focus:HOPE graduates, in various technical capacities throughout the automotive industry, and I am still amazed at the level of candidates that they continue to provide whenever requested.*

*Ron Peace, Contract Resource Manager  
Lear Technical Staffing Group*

## Implications for the Workforce Investment Act

The following recommendations are offered as important ways that the Workforce Investment Act can better support industry-specific workforce development programs to achieve success for both local employers and workers. These comments are based on conversations with leaders of industry-specific workforce development programs as well as the research and analysis discussed above.

- 1. Issue:** The Aspen Institute’s baseline year survey of 732 individuals enrolled in sectoral programs showed that trainees had on average over 11 years of labor market experience. Work experience was spotty, however, and the series of low wage jobs that individuals churned through had not helped them amass the skills needed to advance in the labor market. After participating in industry-specific training, however, follow-up surveys indicated that participants’ labor market outcomes shifted: Wages and employment retention improved, and jobs were more likely to provide access to employer-provided benefits such as healthcare, paid vacation and paid sick leave. Employers who hire workers from sector programs, or contract with them to upgrade the skills of incumbent workers, also have noted the value that sector programs provide for their companies. These findings suggest that both businesses and job seekers who utilize the WIA system would benefit if individuals who receive only core and intensive services under WIA’s tiered service sequence were given the opportunity to receive training services.

**Recommendation:** Eliminate the sequential ordering of services stipulated in current WIA legislation and make occupational training services available to any WIA participant. Acknowledge that employers and the economy benefit when job seekers can participate in training programs that prepare them



to work in hard-to-fill occupations. Rather than restrict access to training services only to those individuals who are least able to find work on their own, WIA should explicitly endorse the goal of assisting all clients to acquire job skills that lead to higher wages and that satisfy employers' needs for qualified workers.

- 2. Issue:** Sectoral training programs have shown that they can help workers advance in the labor market and actively engage employers in their activities because they are providing the skilled workers that employers need. But industry-specific workforce development programs cannot achieve the positive outcomes for workers and employers that clearly meet the goals of WIA, without funding for training services. Despite their achievement of strong participant employment outcomes, many of the privately initiated sectoral training programs that participated successfully in JTPA have experienced serious setbacks in their ability to serve as partners in the WIA system due to inadequate funding to cover the costs of training. The Center for Law and Social Policy (CLASP) found that about 121,000 fewer adults received training under WIA in program year 2000 than under JTPA in program year 1998 (42,000 adults completed some type of training in 2000 vs. 163,000 adults who completed training during 1998). CLASP goes on to note that these disparate results were achieved with roughly comparable funding levels for adult services.<sup>4</sup>

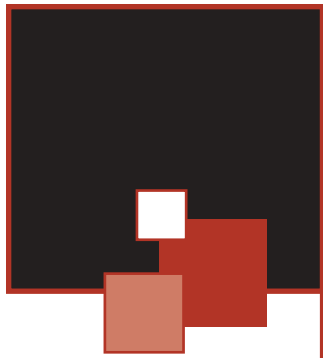
**Recommendation:** Funds used for training services should be increased and tracked separately from funds used for other non-training purposes. A substantial level of new funding should be specifically dedicated to providing training services, and every effort should be made to reverse the dramatic decline in the number of low-income adults and dislocated workers who are able to access training services under the Act. At the very least, Boards should be required to report the level of resources that they dedicate to training.

- 3. Issue:** One of the key functions of industry-specific workforce development programs is to play a brokering role. Programs often work with a range of employers in the local industry and with training providers, human service providers and others to coordinate training and services that meet the needs of both workers and employers. Analyzing local industries, convening

<sup>4</sup> Abbey Frank, Hedieh Rahmanou, and Steve Savner, "The Workforce Investment Act: A First Look at Participation, Demographics, and Services." Center for Law and Social Policy: March 2003, Update No. 1. Numbers cited do not include dislocated workers.



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employers, area training providers and other labor market stakeholders; and patching together resources to support local workers are all parts of industry-specific workforce development programs that are difficult to fund under typical training formulas. Yet these functions are important if training is to be appropriately tailored to local needs and, ultimately, if it is to result in the desired outcomes for employers and workers. Program leaders often cite the difficulty in raising funds for these expenses, but note that the activities are critical to program success. For example, respondents to the survey of Workforce Investment Boards participating in the Department of Labor’s Sectoral Demonstration Program stated that the flexibility of the funding in those grants allowed them to play an active convening role with employers that they otherwise would not have had the resources to play.

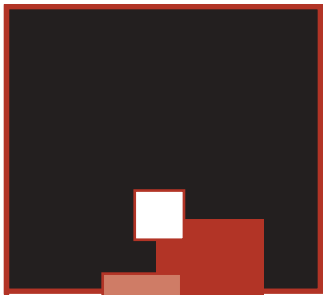
**Recommendation:** Recognize that workforce development programs perform other critical functions in addition to training that must be supported to effectively meet the needs of workers and employers. Industry-specific and market-oriented training, such as that studied by The Aspen Institute, should be encouraged under WIA. Specific new funding should be dedicated to support these functions. Alternatively, greater flexibility should be built in to existing funding streams in order to accommodate these functions and create a more supportive environment for this approach.

- 4. Issue:** Employer focus groups have indicated that sector programs can demonstrate the value of their training services by documenting performance outcomes that convey participant success within the industry following training. Indicators included information about participant employment retention as well as changes in wages and annual earnings over time. Similarly, in individual employer interviews, employers recommended that programs track information on employee retention rates and job performance. While industry-specific training programs are interested in tracking information that is useful to their employer partners, they often lack the resources to do so. For example, they may not have the resources to track individuals for more than their initial 90 days on the job. A requirement that training providers track participant outcomes for a year or longer, without the provision of funding to facilitate this data gathering or access to state-maintained data systems that track wage records and unemployment, has been an impediment for industry-specific training providers who wish to participate in the WIA system.

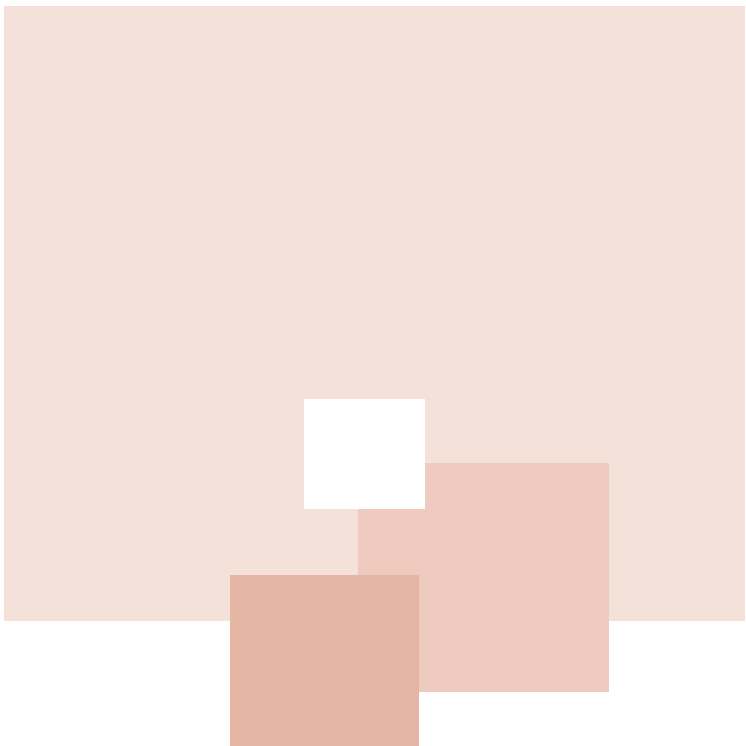
**Recommendation:** Provide access and funding to training providers to utilize unemployment insurance wage records to track wage and retention rates for program participants. Accountability in the workforce system should be promoted at every level from Workforce Investment Board to training affiliate by requiring the tracking of outcome measures that are easily understood by and useful to WIA customers—both employers and workers. Meaningful outcome tracking requires resources, and WIA should ensure that adequate funding is provided to cover the expense of the data gathering required by any mandated set of outcome measures. In addition, WIA should seek to leverage the data that states already collect, such as state unemployment insurance wage records.

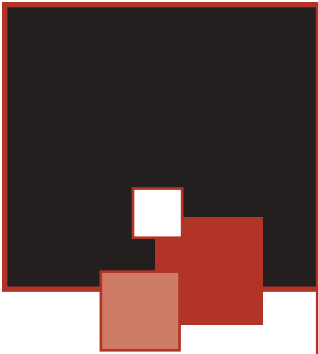
## Concluding Note

In today's economy, a highly skilled workforce is more important than ever to ensure American competitiveness. For businesses, finding appropriate skills to meet the demands of global competition is imperative for success. For individual workers, advanced skills are the key to moving up in the labor market. However, for many low-income workers who are struggling to support families, the ability to invest family resources in an education, and to take time away from work to pursue educational goals, is an unattainable dream—unless there is public support. While this brief addresses the Workforce Investment Act, legislators also should consider additional policy opportunities to open doors to market-based education and training for low-income adults.



“In today's economy, a highly skilled workforce is more important than ever to ensure American competitiveness.”





# The Workforce Strategies Initiative (WSI)

The Workforce Strategies Initiative (WSI) undertakes projects designed to evaluate and advance industry-specific and demand-driven approaches to developing the nation's workforce. WSI is the natural outgrowth of research which indicated that workforce training programs that use an industry-specific approach are successful in preparing low-income individuals for steady work, better wages, good benefits and improved career opportunities.

WSI follows an earlier, multi-year evaluation of industry-specific workforce development programs that focused both on the operating strategies and participant training outcomes of six initiatives working in the construction, manufacturing, health care and office technology sectors of regional economies.

WSI currently is engaged in several new research projects that focus on important aspects of industry-specific workforce development, including an investigation of the value that programs create for employers, and the usefulness of the approach as a strategic framework for Workforce Investment Boards.

Over the years, our research has been supported by grants from the Annie E. Casey Foundation, the Charles Stewart Mott Foundation and the Ford Foundation. WSI is a project of the Aspen Institute Economic Opportunities Program.

*This policy brief was made possible by the support of the Charles Stewart Mott foundation. The authors would like to extend special thanks to Jack Litzenberg for his vision and support of SEDLP in general and this project, in particular.*

Additional copies of this brief and other related reports on industry-specific workforce development are available from the Workforce Strategies Initiative (WSI) at the Aspen Institute, and from the WSI web site, [www.aspenwsi.org](http://www.aspenwsi.org). These publications include:

- Case Studies: In-depth case studies of six industry-based workforce development programs.
- Research Reports: A series of reports detailing participant survey findings from the Sectoral Employment Development Learning Project (SEDLP).
- Policy Papers: A series of reports that benchmark performance outcomes from industry-based programs against those from well-respected workforce development demonstration projects.
- *Working With Value: Industry Specific Approaches to Workforce Development*, a synthesis of findings from the Sectoral Employment Development Learning Project.
- *Jobs and the Urban Poor: Privately Initiated Sectoral Strategies*.

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