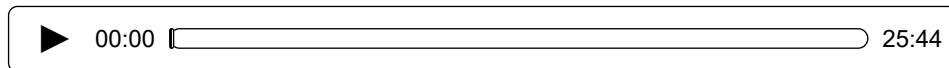


The Developing State of Workforce Development



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Tom Heintjes: Hello, and welcome back to another episode of the Economy Matters podcast. I'm Tom Heintjes, managing editor of the Atlanta Fed's Economy Matters magazine, and today we're talking about trends in workforce development with Stuart Andreason, an economic policy analyst in the Atlanta Fed's community and economic development department. Stuart is the editor of a recently published book, *Models for Labor Market Intermediaries*, which examines a number of case studies from around the country and the world. Thanks for making time for being with us today, Stuart.

Stuart Andreason: Happy to be here.

Heintjes: Stuart, workforce development has been a topic of a great deal of discussion lately, and your book contributes a good deal to the conversation. But the concept of workforce development is hardly a new one, is it?

Andreason: No, it really dates back decades and it's, I guess, coming up on nearly its 50th anniversary. You know, it has ties back to the Great Society, it has ties back to even the Works Progress Administration and some public employment programs. Really, what we think of as the workforce development system of today started in 1973, with the Comprehensive Employment and Training Act, which had characteristics of what we would call today's workforce development system in terms of job training, but it actually still had some of the older, more public employment programs that came out of the New Deal, including government and nonprofit employment.

There's been variations of it since then that have kind of changed things, in terms of the program. Today what we have is called the Workforce Innovation and Opportunity Act. It was passed in 2014 and is really just becoming law. It's what we really kind of consider the federal workforce development program that funds workforce development boards across the country and [in] states and local communities.

Heintjes: You know, there have been economic developments, like when the cars came along and the buggy-whip manufacturers suffered. There have always been these kinds of upheavals and disruptions. What gave rise to this in the modern era?





Stuart Andreason

Andreason: You know, it kind of comes back to changes in the labor market and the advancement of technology. Now, some of the things that you talked about obviously caused big changes in the labor market. Even the advancement of cars really changed the ways that workers worked. It kind of invented the modern production-line factory.

But things that have happened today, including the growth of the computer and the acceleration of change, has really changed not only workforce development but education into something that's a lifelong endeavor. So workers are going to be engaged in the system at various points of their careers.

Heintjes: *Your book makes clear the changes in workforce development, but has workforce development's role in the economy evolved as the economy itself has changed?*

Andreason: Yes. In some ways, there's a higher bar now for employment. You're going to need really some basic skills, in terms of getting a job. One of the things that's actually happened with that is that the way that workforce development organizations actually work has not completely changed, but there has been really a lot of evidence that things are beginning to change, where employers are going to be much more involved in developing training programs. That's one of the things that in the book, we found to really be a best practice, was a close relationship with employers.

Heintjes: *They obviously have a vested interest in a trained and capable workforce.*

Andreason: Yes, to the point that a lot of people that have been interested in the workforce development system are actually now calling [this] the "state of the art" in workforce development—a dual-customer approach, where job seekers and employers are really considered equal clients to training organizations.

Heintjes: *Right. Stuart, why are workforce development initiatives not more numerous, given the widespread need for a workforce suited to modern needs? Is it purely because of economic constraints?*

Andreason: I actually have a slightly different answer to that question. I actually think that workforce development initiatives often seem pretty scarce, but there's actually a lot of investment from a lot of different sources, that probably aren't enough from like one source. There's federal Workforce Innovation and Opportunity Act money, there's money that comes from Pell Grants and student loans that goes a lot towards job training, not just going to college. There's private and philanthropic efforts to develop training programs. There's small, voluntary training programs, employer-led training, union training. So it's pervasive, but there's not necessarily one centralized area where someone can really get their hands around the scope of everything that's happening. That creates a different challenge, which is in coordination and figuring out how there can be scale, because with so many providers, some are better than others. So, it's really a challenge, I think, of coordination and scale.

Heintjes: *So have the sums devoted to workforce development grown over time or is there a relative baseline constancy?*

Andreason: It's hard to figure out, they change a lot. We talked a little bit about the federal funding, which is down quite significantly. Even since the 1980s; there's an estimate that it's in terms of an inflation adjusted investment for the federal government into whatever line of the federal workforce system. Workforce boards, in particular, is about 83 percent lower than it used to be, which is astounding, since 1980. That estimate was a change between 1980 and 2008.

Heintjes: *So it's fallen to what...the private sector, and local and regional governments, to make up?*

Andreason: Exactly, and Pell Grants and it's fallen to the Higher Education Act. Pell Grants have doubled in the last few years, from about \$15 billion a year to about \$30 [billion]. That's pretty significant change but it really changes the venue in which workforce development can happen sometimes. A place has to be able to accept student loans or be engaged in local and independent fundraising.

Heintjes: *Stuart, the book you edited concerns, among other things, a discussion of some of the most promising practices to prepare workers for the labor market. In your opinion, what practices have in fact had the most success, and do they have common denominators?*

Andreason: I would actually say that it's not so much common practices but common foundations that they all have. The practices play out really differently, depending on the local context. The foundations they all have is they're linked to their local labor market. They're tied to in-demand jobs that pay pretty good wages. They meet the skill needs of employers and job seekers, and there's a much more significant role for the business community in a lot of these programs.

It actually plays out differently in different places. There's a case on Cleveland and the Cuyahoga County WIB [Workforce Investment Board] that took on almost a job placement strategy, where they were working to build connections with employers on specific jobs that they actually had open, where they looked through the people that they had been training and said "we saw that you're advertising for that job," and really kind of playing a placement role.

Collective education organizations, philanthropies and foundations in central Louisiana worked to understand some of the needs for certain industries and actually kind of really tie that into the traditional K-12 and post-secondary education programs and work on soft skills. It plays out really differently. It might look like a very different organization but they were kind of working from the same place.

Heintjes: *Right. How important is it, Stuart, to draw a distinction between private sector workforce development efforts and those with government involvement? Are the approaches different?*

Andreason: Successful programs do similar things, but they operate in different environments. The government based programs have, like you would expect, a certain set of constraints on them. They have to meet the guidelines and the legislation that funds them. This might be the Workforce Innovation and Opportunity Act organizations or it might even be the Pell Grant organizations. Pell Grants can only be spent at certain institutions, the same way that workforce boards have specific boundaries. They can only spend a certain amount of money on youth that are still in school because

those youth are served by the education system. Private efforts don't have that same level of boundaries or restrictions or reporting on them, but they're likely to face different donor-driven requirements. They might only be able to fund programs that lead to employment at a certain employer, or something like that, if the employer was the funder.

Heintjes: *We've been discussing the various levels of effort involved in workforce development. What challenges are involved in coordinating these efforts of various players, different levels of government, technical schools, the private sector, etc., so that the right hand knows what the left is doing?*

Andreason: Well, I think you hit it on the head that it's really, really difficult to get all of these people together.

Heintjes: *I would imagine.*

Andreason: You're ranging, not only with a whole bunch of different organizations, but different organizations that have different rules and different motivations. The smaller organizations are probably facing different challenges than larger organizations. So, it's a diverse group that has similar goals. One of the things that we've found that's helpful is figuring out how all of these organizations can play into an effort that makes a difference on things that they agree on, which is typically promoting better employment for people that are looking to move up and supporting the local economy in terms of making sure that the skills are right for employers.

Heintjes: *Let's bring the conversation a little closer to home, if we can. How does the Southeast compare with other regions of the U.S. in terms of workforce development, and why?*

Andreason: You know, it's difficult to say how different it is. There are things that we know that are historically different about the Southeast. We don't have unions that are as strong as other parts of the country just because of the way our history has played out. So that means that there's probably a little bit different context that people are working in, but it's not necessarily completely different. We know that there are unions in the South, and they play a huge role in training workers across the whole Southeast.

There is a huge focus, though, on workforce development. The Southeast, in a lot of places, is growing quite a bit and in other places, not as much. But that's a different workforce development challenge. I think that all of the places—whether it's growing and urban, or more steady state and rural—they're working on trying to build skills for different reasons. I think there's a huge entrepreneurial spirit in that a lot of organizations are starting to think differently. We've seen some really promising cases out of Nashville and Birmingham, Atlanta, and Miami, really across the district that we cover in the Southeast.

But, it's difficult to say. I would say that from a lot of the models that we've seen, the Southeast isn't late to the game but they're not necessarily early. We're starting to see a lot of new, exciting things happening.

Heintjes: *Stuart, your book discusses workforce development efforts across the entire U.S., but I wanted to discuss a couple of them in the Southeast. As per your book, several years ago some healthcare providers in the Nashville area began having a hard time finding qualified employees. Healthcare is a growing sector everywhere of course, so I have to imagine that this sort of situation is being encountered elsewhere. But, how did the Nashville area deal with its workforce development need in this case?*

Andreason: In Nashville, much of the concern was not only on healthcare positions but actually healthcare information-technology positions. It's really a growing field as medical records become digitized. Hospitals are processing prescriptions to local drug stores by computer rather than picking up the phone or writing out a prescription and handing it to someone.

So, this was a challenge not only for the actual hospitals in Nashville, but a lot of the hospital management companies in the area that have just grown there and are managing networks of hospitals across the country. What they did is they actually set up what I would call brain trusts for the healthcare industry in Nashville. They got a collection of business leaders that formed what they called "skill panels" to help inform educators and trainers to understand what was happening, to get ahead of data and say, "these are the things that we're planning for and we're planning for these types of changes, so we think that you might be able to match your education and training to some of these changes." They actually did this, not only with healthcare, but they did it in advanced manufacturing.

Heintjes: *Ah, interesting. Stuart, one chapter in the book focuses on manufacturing employees in North Carolina. Having grown up in North Carolina, I can attest to the fact that that state's economy has changed dramatically in the span of a few decades. Major employers use to include textiles, tobacco, and furniture manufacturing, but they're presence today is greatly diminished. So, when advanced manufacturers wanted to set up shop there, what sort of workforce needs did they encounter?*

Andreason: Well, one of the big challenges in a place like North Carolina was that the way that production work happens has really changed. Advanced manufacturing is often different than things like textiles or furniture manufacturing, in that those used to be really hands on. A lot of advanced manufacturing now is really mediated work, where production workers are actually kind of behind a computer or they're behind a piece of technology. They're not actually hands-on working a machine, but they're operating and overseeing a machine that's producing something. As new products come out, as things change, the actual intermediating machine—or computer or software that they're working with—changes as well, pretty quickly. A new product comes in and there might be a whole new kind of process that happens.

Heintjes: *And a learning curve to accompany it.*

Andreason: Yes, and the initial learning curve as well. Especially as you work to transition someone who has really kind of fit chairs together or something like that, into a position where they're doing something like computer numeric-controlled laser cutting.

Heintjes: *So how did those behind the efforts there meet those challenges?*

Andreason: One of the things that they did was to look to change what people were learning. They did some things like teaching people basic CNC processing. But the big thing that they did was, with a couple large federal grants for seed money, they actually worked with the training organizations to purchase the types of equipment that people would be expected to use in their jobs. So workers would go in for training and actually learn on the machine and the software that they would ultimately use in the jobs that they found. That made a big difference. I think that one of the challenges is figuring out how you continue to keep the training equipment current with the equipment of today.

Heintjes: *That makes sense. How important is it for workforce development efforts to reach students versus people who are already in the workforce but*

have perhaps been displaced by economic disruptions? It might sound Darwinian, but do providers of workforce development see a benefit to reaching certain types of workers to better benefit employers?

Andreason: You know, it's a big question, and I think one way of saying it is, should programs focus on the unemployed, or should programs focus on the currently employed looking to move on? The programs are really different, and one thing that I would say is that people who feel uncomfortable about a program that only works with people already on the job, is really to just remind them of the concept of a job chain. Let's just say a worker is a nursing assistant; they go into a training program, get additional skills, and are able to become a nurse themselves, a licensed nurse or on their way to becoming a registered nurse. Ultimately, they are going to leave a position and move up to one that's fitting of their new skills. Then that position will get filled by someone and ultimately the hope is that it will reach down to someone who is unemployed.

One of the benefits of working with people on the job is that there may be better employer buy-in, because they've already passed what might be thought of as the "employability" test or the "soft skills" test. Employers could invest in workers that they know have the right attitude, show up, and have the bedside manner they need to do their job.

Heintjes: *The soft skills we hear about.*

Andreason: Exactly. Then you've really narrowed it down to just the technical skills problem. Someone needs some additional training or certification to have a different job. I think that's really powerful. I think that what needs to happen on the other end is that when you're working with unemployed workers, you need to be prepared to fill those jobs as they come open to help complete that job chain so that it actually gets transitioned into a position for someone who is unemployed. That really means focusing on the soft skills, and it means focusing on even things like adult basic education for a lot of people to get them up to speed on the basics.

Heintjes: *Stuart, in editing this book and observing numerous national as well as international approaches to workforce development, you must have seen some common denominators among successful strategies. Could you discuss those common denominators?*

Andreason: Sure. I've said it several times already, but employer engagement is really a key. I'd actually say that's a principle, though, and not a tactic, because the cases show that employer engagement really plays out differently. The case on the Lancaster County Pennsylvania WIB and Berks County worked to build an alliance and training program to fit the needs of food processors. That actually turned out to be in industrial maintenance and actually helping to make sure that there were people there to keep the processing companies going when a machine faltered. That is what I would say is a really traditional type of program that built the alliance between employers.

I think that the Cleveland one is borne out differently, with the WIB working to help place people that have already gotten training and done specific things. I would say it really plays out differently. In Nashville it was setting up that brain trust or advisory council, so it can be really different. What I would actually say is that beyond that, what that means is that the principles include a strong connection to local challenges.

In Cleveland it was a little bit different in that there was a lack of communication or understanding between job seekers and employers. It means creativity in identifying the problems that need to be solved in the specific community. A close connection to the local labor market is one of the key things, and not getting stuck in what's always been done or the way that the organization has always worked. Cleveland was able to do this really innovative approach using the same federal government source of funds that people have always complained is not flexible, but they were able to do it. So I would say that thinking outside of the box and solving local employment issues is really the central thing.

Heintjes: *Well, let's look at the converse for a second. Your book also discusses some instances when workforce development efforts didn't perhaps pay off as meaningfully as intended. When these efforts didn't quite pan out, are there reasons that are clear in hindsight and thus inform the thinking behind future efforts?*

Andreason: Well, I would say that actually most of these cases are reactions to programs that were not working as well as people wanted them to. There's a case on the New York City Jobs Plus program, which was really a pilot program between public housing authorities and workforce development agencies, and a lot of the wraparound services that come with getting people that are unemployed into work and maintaining affordable housing.

I think what that case showed was that people were unhappy with the individual successes of the workforce development programs in New York or the public housing programs in New York, and what they found was that by creating a much more comprehensive wraparound program they started to see much more successful programs. Instead of having a barrier when someone started to make so much money that they had to leave their affordable housing, they were able to pass laws and policies that allowed people to stay where they were, build assets, and get training and better employment.

It's led now to programs that are being replicated across the country, including in the Southeast, because they were able to think comprehensively. I'd say the previous programs that hadn't worked as well were too focused on one line of service, one customer. That needs to be broader. Doing innovative things, thinking outside the box, working with more people and organizations, agencies, job seekers, employers, finding more partners, not less, is really key.

Heintjes: *The Southeast is attracting more and more manufacturing employment, which implies the need for, obviously, a capable workforce. For my last question I'm going to kind of put you on the spot here, Stuart. What's your prediction for the future of workforce development in the Southeast?*

Andreason: That's a good question. The Southeast is a very dynamic area and is very diverse, too. I would say the challenges that South Florida has are very different from the ones that we'd see in eastern Tennessee. What I think that means is that as the economy really changes, it's going to play out differently. Some places are going to be dealing with preparing new residents and workers—and people that even are new to the country—to fit into a workforce that is already moving and going along. There's going to be a challenge between that. As the economy continues to change the type of work is going to change.

We know that Chattanooga has had great advances in the technology that they have, and the communications that they have, the broadband support that they have, and that's meant there are new opportunities that haven't been in the Southeast ever before. I may be taking a long way of saying that I think the Southeast is undergoing a lot of changes. It's starting to look very different than it ever has in the past—in some ways very different than the rest of the country, but in a lot of ways very much the same. We're seeing innovation, and that's going to mean completely new types of work as well as very new types of people that are moving to the area. It's going to be a challenge of matching those two things together.

Heintjes: *Right; we'll have to get you back in the studio at some point to talk about how things evolve later on down the road. Stuart, I just want to thank*

you for taking the time to talk with us today.

Andreason: It's been fascinating, thanks for having me.

Heintjes: *And that's it for this episode of the Economy Matters podcast. Again, I'm Tom Heintjes, and thanks for spending some time with us today. You can download a free electronic version of the book we've been discussing, Models for Labor Market Intermediaries, on our website at frbatlanta.org, and I encourage you to get it. It's a multifaceted discussion of a timely and very important topic. Let's get together again next month! Thanks for listening.*

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