

The Principles of the National Fund for Workforce Solutions and Their Implications for Public Policy

November 2009

Executive Summary

The National Fund for Workforce Solutions is an approach to workforce development designed to meet the needs of 21st-century workers, employers, and regional economies. It is built upon a set of principles that are grounded in over a decade of innovation, research, and evaluation. This policy brief summarizes these principles and their policy implications in order to inform efforts to reform the U.S. workforce development system. Our recommendations are:

Build Public-Private Regional Funding Collaboratives

- Establish public-private regional funding collaboratives that:
 - Develop a shared vision for regional prosperity that builds on local strengths and resources to address regional development; and
 - Invest funders' aligned capital to strengthen and expand workforce partnerships or intermediaries.
- Empower collaboratives to convene leadership and align resources from multiple sources.
- Encourage the participation of philanthropic and other “nontraditional” funding partners in regional collaboratives as equal partners with public funders.

Organize Workforce Partnerships Around Dual Customer Sector Strategies

- Organize workforce development by key industry sectors, focusing on the needs of both employers and workers.
- Nurture meaningful employer participation in long-term sector-based workforce strategies—not just short-term exchanges—by supporting employers that invest in training and supports for lower-skilled adults.

- Adopt performance measures that reflect desired outcomes for both employers and workers.

Build and Promote Career Pathways

- Support workforce partnerships that organize seamless career pathways for lower-skilled adults and lower-wage workers to make progress towards postsecondary education or training that prepares them for the mid-skilled jobs that make up almost half of the nation's employment opportunities.
- Support longer-term career advancement solutions to employment and labor shortages, and move away from “work first” and other rapid attachment approaches to workforce development when serving the least skilled individuals.
- Revamp performance measures to encourage the career-pathways approach to education and training for incumbent workers, especially low-skilled, low-wage workers.

Facilitate Results-oriented Coordination Across Workforce Programs and Systems

- Encourage states and regions to develop a unified vision and purpose for their workforce and economic development systems.
- Align federal programs and supports across multiple agencies to encourage alignment at the state and regional levels.
- Encourage states and regions to develop unified plans that demonstrate the alignment of multiple programs and funding streams to support their unified vision.
- Revamp performance measures to encourage meaningful program integration and alignment.

Responding to the Current Economic Challenge

The American economy faces a serious challenge. The dawn of the 21st century has been marked by economic turbulence and churning labor markets, driven by a knowledge-based, global economy that demands agile, skilled, and innovative workers. However, an alarmingly large segment of our workforce is not prepared for this new era because they lack the education and skills required in American workplaces.

The U.S. Bureau of Labor Statistics projects that about 45 percent of all new jobs over the next decade will require a college degree or postsecondary credential (Dohm and Shniper 2007).¹ In fact, by 2014 it is estimated that 24 of the 30 fastest-growing occupations will require postsecondary education or training (Strawn 2007).

Yet experts predict a shortfall of 7 million workers with a college credential by 2010—and 14 million by 2020 (Carnevale and Desrochers 2003). In 2005, the National Assessment of Adult Literacy reported that 93 million adults over age 16 lacked the literacy skills needed to enroll in the postsecondary education or job training program that current and future jobs require (Kutner, Greenberg, and Baer 2005).² More than 12 million adults without a high school credential are in the labor force today, and more than 1 million young adults drop out of high school each year. Compounding this challenge is the depletion of skills that will come as an aging labor force retires.

Simply put, the supply of educated workers is not keeping up with the demand. Workforce skills are critical to U.S. prosperity, especially in a global, competitive, and uncertain economic environment. Even in loose labor markets, many sectors of our economy face skill shortages, low productivity, threats to regional competitiveness, and increasing disparities between those with and those without education and skills.

Workforce partnerships are a new entity that shows promise in addressing these tough challenges. They differ from traditional workforce development programs in several important ways. They have a dual customer orientation, engage employers and other partners in identifying workforce needs, align funding from

various sources, and provide or broker services that address the needs of both employers and employees. Their solutions extend beyond training or education programs into the ways in which services are provided, and they drive improvements to systems or policies. At their core, workforce partnerships are results-driven and entrepreneurial, and they tend to elicit trust and engagement from both employers and workers.

In 2009, several national foundations launched the National Fund for Workforce Solutions to address regional workforce challenges by strengthening sectoral workforce partnerships. The National Fund will ultimately disburse \$30 million for direct support of regional funding collaboratives, technical assistance, research, evaluation, and policy advocacy. It currently invests in 22 regional funding collaboratives around the country and expects to increase that number to 25 by 2010. Interest in this model is gaining momentum with regions across the country in the process of developing this approach.

The National Fund for Workforce Solutions is driven by four major principles, derived from a decade of research and program experiences:

- Build regional funding collaboratives that align vision, strategies, and resources toward regional prosperity.
- Organize workforce partnerships in key industry sectors using a dual customer approach that serves the needs of employers and employees.
- Build career pathways that provide career advancement opportunities for lower-skilled workers and job seekers through workforce partnerships.
- Facilitate results coordination across multiple funding streams and programs.

This report outlines policy recommendations for the U.S. workforce development system that have emerged from the National Fund and a decade of previous field experience and evidence of success.

SkillWorks: Building a Regional Partnership in Boston

Before the launch of SkillWorks in Boston, local philanthropy was spending more on workforce programs than the training money available to the city through the Workforce Investment Act. However, the foundations' scattered and uncoordinated programs were largely invisible, while WIA funding was inadequate to meet the city's training needs. In 2003, sixteen funders came together—ten local and four national foundations, the City of Boston, and the Commonwealth of Massachusetts—in a collaborative effort to build the capacity of the Boston-area workforce development system. The goal was to better meet the needs of low-income job seekers, incumbent workers, and employers.

With a common set of investment principles, the partnership injected \$15 million over five years into improving Boston's workforce development system. Each investor made multiyear commitments to the initiative, using a "mutual fund" approach. Since then, the funders—both private and public—have pooled their resources into a single fund. One philanthropic partner manages the funds, but all investors take equal part in investment decisions. Initiative funds are more flexible than public workforce funding, so they can augment services provided through public systems and meet the needs of Boston residents and employers more effectively.

Through this joint venture, workforce efforts in Boston have significantly expanded, particularly for low-income job seekers and low-wage workers in search of family-supporting jobs. SkillWorks launched Phase II in 2008, set to progress over the next five years.

Policy Implications of the National Fund Approach

These guiding principles of the National Fund for Workforce Solutions have important implications for national workforce policy.

Build Regional Funding Collaboratives

The workforce challenges confronting America are too massive, too complex, and too urgent for any one public or private entity to solve alone. To provide all workers—especially those who are lower-skilled—with the education and training they need to succeed in a demanding labor market, America needs an adequately resourced, comprehensive workforce development system.

In a growing number of regions, funding collaboratives have come together to align public and private resources in joint efforts to address problems beyond the scope of any single organization or agency. Regional funding collaboratives tend to be innovative, have the clout to implement their plans, and have flexible funding due to the infusion of philanthropic and other private funds with multiple public funding streams. A key strength of a regional funding collaborative is its potential to move beyond a “one size fits all” approach to workforce development.

The collaboratives in the National Fund convene community leaders with decision-making authority over resources to:

- Develop a shared vision for regional prosperity that builds on local strengths and resources to address regional development; and
- Invest their aligned capital to strengthen and expand workforce partnerships or intermediaries.

Policy Implications

Regional funding collaboratives are central to the National Fund, which urges that they be a central component in any reform of the nation’s workforce development system. The convening and aligning functions at the core of the collaboratives’ work should be incorporated into any workforce reform. It is especially important that philanthropic and other non-traditional funding partners be encouraged to participate in such collaboratives—on equal footing with public-sector participants. Not only will these public/private funding collaboratives leverage limited federal dollars, they will broaden the base of support for far-reaching solutions to complex problems—solutions that may not be possible if funded solely with public money.

Organize Workforce Partnerships Around Dual Customer Sector Strategies

Increasingly, states are developing sectoral approaches and a dual customer focus as important components of their workforce and economic development strategies.

This is a key element of the National Fund’s workforce partnership approach—to address employers’ workforce needs in key industries, while also addressing the employment and career advancement needs of lower-skilled, low-wage workers in those industries. The dual customer workforce partnership responds better to complex industry requirements than traditional job matching and training services by aligning the resources and services of multiple agencies in a coherent response to industry needs. Dual customer approaches also serve lower-skilled workers better by assuring that services are geared towards real employment opportunities.

Based on nearly a decade of implementation and evaluation, sector initiatives have shown great promise for workers, employers, and the regions in which they are carried out.

Industry Partnerships in Pennsylvania

The Commonwealth of Pennsylvania is transforming its workforce development system through Job Ready PA. This initiative supports nearly 100 regional industry partnerships across the Commonwealth in high-priority sectors of the economy. It is an integral component of Pennsylvania’s strategy for economic development and enhancing its competitiveness in the global economy.

For example, each of Pennsylvania’s several

Advanced Manufacturing Industry Partnerships is comprised of a diverse set of firms representing different sub-industries, with firms of varying sizes at different stages of the manufacturing supply chain. Each industry partnership identified a chronic need for workers with technology, math, science, and problems-solving skills. In response, the partnerships offered training on a variety of topics ranging from maintenance training to advanced manufacturing.

One participating company reported a significant increase (10 to 12 percent) in uptime and throughput after training its maintenance workers.

Many partnerships facilitate networking and sharing best practices among firms. For example, the Southwest Pennsylvania Manufacturing Industry Partnership hosted meetings focused on the System for Assessment and Group Evaluation (SAGE) and using competency-based evaluations and

apprenticeships. On their own, small companies would not have been able to bring the SAGE resources to their firms. The industry partnership helped raise the competitiveness of the region’s manufacturing sector by aggregating demand from several firms.

Since 2005, through the leadership of the Rendell Administration, the state has appropriated \$20 million annually to implement industry partnerships.

Advancement in Baltimore

The Baltimore Alliance for Careers in Healthcare, a sectoral workforce partnership supported by the Baltimore Workforce Collaborative, uses a “career pathway” approach to help entry-level workers in health care advance to in-demand, higher-wage positions. BACH’s activities include: a career-mapping project for seven area hospitals to clarify how employees in lower-skilled positions can advance to higher-skilled, higher-paying jobs; career coaching in six hospitals to reduce employee turnover and help entry-level workers advance; and pre-college allied health bridge programs to improve the pipeline of underrepresented populations into entry-level health care jobs.

The outcomes are impressive. A recent class of incumbent workers seeking advancement has moved from entry-level jobs such as environmental services and nutrition aides to Patient Care Assistant positions. In 2007, career coaches served 585 low-income workers across 6 hospitals. Moreover, students in the first session of the bridge program raised their scores on the Test of Adult Basic Skills by two levels on average.

For workers, sectoral initiatives:

- Increase the relevance of education and training to labor market demand;
- Improve access to jobs offering decent wages, benefits, and opportunities for advancement; and
- Facilitate access to comprehensive education, training, and work supports for low-wage workers.

For employers, sectoral initiatives:

- Share costs of skill-training programs;
- Improve access to state-of-the-art training;
- Strengthen human resource practices; and
- Enhance workforce readiness and reduce turnover.

For regions, these initiatives can:

- Close skill gaps in the labor market;
- Enhance a region’s ability to attract and retain higher-wage employers;
- Support the retention and expansion of local industries;
- Address poverty and unemployment challenges;
- Increase regional cooperation; and
- Use public resources more efficiently and effectively.

By focusing on targeted industries and occupations, sectoral workforce partnerships increase the likelihood that workers and the unemployed will prepare for jobs with a future and that employers will be able to get the skilled workers they need.

Policy Implications

Based on documented positive outcomes in dual customer sectoral initiatives, a core principle of the National Fund is to organize workforce development around industry sectors. The National Fund strongly recommends that support for dual customer sectoral workforce partnerships be an important component of any workforce reform effort. Workforce partnerships provide the important brokering and connecting function between workers and employers, essential if lower-skilled workers are to succeed and progress and employers are to find the higher-skilled workers they need.

Dual customer sectoral approaches work collaboratively with employers to develop and implement workforce resources that are relevant to their needs. They encourage employers to invest in education, training, and supports for lower-skilled adults by demonstrating how this approach contributes to their overall business success. Workforce systems can support and sustain this approach with performance measures that reflect the desired outcomes for employers, workers, and job seekers.

Build Career Pathways

In both weak and strong labor markets, there is a chronic shortage of workers to fill mid-skill-level jobs, while there is an overabundance of workers with entry-level skills. Programs geared to lower-skilled adults (e.g., Adult Education, Workforce Investment Act, TANF, Food Stamp Employment and Training) make it very difficult for the lowest-skilled individuals to access the education and skill development resources they need to qualify for jobs that pay family-sustaining wages—the same mid-skilled jobs that employers have a hard time filling.

In recent years, a number of promising models have built seamless career pathways that make it far easier for adults—especially those with limited basic skills—to advance as quickly as possible through the education and training needed to gain skills of demonstrated value to employers. These comprehensive programs align adult education and literacy programs, postsecondary education and training (degree and non-degree technical certificate programs), and supportive services with employers’ skill requirements.

Career pathways are a core element of the National Fund’s strategy. Workforce partnerships work closely with employers in an industry sector to identify the competencies and skills expected in multiple job positions and plot them into career maps. These maps help job seekers and workers chart a career pathway for themselves, with reliable guidance on how to acquire appropriate education and skills required along the way. Progress along a career pathway often involves navigating among multiple agencies and organizations that have inconsistent or overlapping entry and outcome standards. Workforce partnerships provide a valuable service in aligning these resources to make pathways much more transparent and seamless. Policies that support a “career pathway” approach to workforce development can contribute to the well-being of both employers and workers.

Alignment of Adult Basic Education in Rhode Island

Skill Up Rhode Island—a regional funding collaborative—aligns funding from multiple public and private funders to support workforce partnerships. Funders meet to coordinate their joint investments and collaborate on strategic outcomes expected through their mutual investments in workforce partnerships.

In addition to direct grants to workforce partnerships, Skill Up Rhode Island advocates for public policies that strengthen the workforce development pipelines. For example, in 2007 the collaborative supported the efforts of the Office of Adult Education to stabilize adult literacy funding and foster the convergence of a wide range of adult education programs. One innovation was the release of a Request for Proposals (RFP) that aligned resources from multiple workforce programs, including Workforce Investment Act Title II, Temporary Assistance to Needy Families, the Trade Adjustment Assistance Act, Even Start Family Literacy, State General Revenue Adult Literacy, and the State Job Development Fund.

The unified RFP provided large grants to service and training providers instead of multiple small grants. It standardized reporting requirements and outcome standards for the multiple funders. Most important, it clarified the state's intent for all adult literacy investments: "All Rhode Island adults have the skills and credentials they need for upward mobility, for engaged citizenship, and for leading strong families." This alignment improves adult literacy services to low-literate job seekers and workers and it improves Rhode Island employers' access to a pool of workers with the skills they need to be competitive.

Policy Implications

A fundamental principle informing the work of the National Fund is to organize the workforce development system to facilitate career advancement opportunities for workers, particularly lower-skilled, lower-wage workers, through "career pathway" approaches to education and training. These reform efforts move beyond the notion of "work first" and short-term fixes for lower-skilled workers and job seekers and replace them with longer-term solutions that focus on career pathways and advancement opportunities benefiting both workers and employers. Reform in this direction would replace the current patchwork of programs with an aligned system of career pathways, postsecondary education or training, and higher-skilled jobs.

Facilitate Alignment of Programs and Systems

America's publicly funded workforce development system consists of multiple programs with diverse missions, ranging from those that target populations (e.g., Adult Education, Vocational Rehabilitation, Trade Adjustment Assistance, TANF Employment & Training, Food Stamps Employment and Training) to those designed to meet the needs of the general population and employers (e.g., Workforce Investment Act, Higher Education Act). Too often, these programs are fragmented across a large workforce development infrastructure and work at cross purposes. While the federal Workforce Investment Act was intended to integrate the design and delivery of workforce development services through Workforce Investment Boards and One-Stop Career Centers, system integration has not proceeded far enough in most states and regions.

With the overwhelming need for a better educated, more highly-skilled American workforce—in an era when federal and state funding deficits mount—it is vital that we make the most of limited public funding. Reducing the regulatory barriers to dual enrollment, co-investment, and articulation among systems will result in a comprehensive, high-quality workforce development system.

The regional funding collaboratives and workforce partnerships using the National Fund model integrate disparate workforce development programs and funding streams into a holistic response to labor market challenges. Regional funding collaboratives work at a "system" level to facilitate shared planning across organizations, align the financial resources of agencies and programs, and create shared performance measurement systems. Workforce partnerships work at a service-delivery level to integrate education, training, placement, supportive, and other services at the point where job seekers and workers access them. Together, working from the top and the bottom, these entities make the workforce development system more effective and efficient.

Policy Implications

Effective reform of the workforce development system will recognize that this system is broader than just those programs authorized under the Workforce Investment Act and the Wagner-Peyser Act. Effective workforce development reform will coordinate improvements in adult education, career and technical education, employment and training activities authorized under Temporary Assistance to Needy Families, training services provided under Trade Adjustment Assistance, Food Stamps Employment and Training, and postsecondary education for non-traditional students. It also will align these separate programs in ways that create a comprehensive workforce development system that is capable of preparing the agile, skilled, and innovative workers we need today and in the future. Federal leadership will be especially important: federal programs often drive state investments, and federal performance measures drive state and local programming.

In Summary

The National Fund for Workforce Solutions invests in workforce development efforts that respond to a modern knowledge-driven economy shaped by globalization, economic turbulence, and rapidly evolving education and skill requirements. The National Fund has learned that effective efforts adhere to four main principles, and

it prepared this brief to inform anticipated reforms of the U.S. workforce development system. The goal is to help make the system better for workers, employers, and regions across the country.

In summary, the National Fund recommends these reforms:

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 - Invest funders' aligned capital to strengthen and expand workforce partnerships or intermediaries.
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- Support workforce partnerships that organize seamless career pathways for lower-skilled adults and lower-wage workers to make progress towards postsecondary education or training that prepares them for the mid-skilled jobs that make up almost half of the nation's employment opportunities.
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Endnotes

¹The Bureau of Labor Statistics characterizes a college degree to include two-year, four-year, and graduate diplomas. BLS describes a postsecondary credential as a certificate or award—but not a degree—earned after a few weeks to more than one year in a vocational program.

²Thirty million adult Americans score at the “below basic” literacy level; another 63 million adults can only perform simple literacy tasks.

For More Information

To learn more about the National Fund for Workforce Solutions—or to join in this effort to target the financial resources and intellectual capital of hundreds of funding organizations on the challenge of preparing people for a post-recession economy—visit www.nfwsolutions.org or contact Maria Flynn, mflynn@jff.org, 617.728.4446.