



Building Skills, Increasing Economic Vitality: *A Handbook of Innovative State Policies*

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EXECUTIVE SUMMARY

Many issues are competing for the attention of the nation's governors and their states' resources, including health care, education, crime, and security. Among the most compelling relate to economic development and the ability of a state's workforce to meet the needs of growing, high-wage industries.

Governors and policymakers are acutely aware of demographic and economic trends in industries important to state economies, and that the size and composition of the labor force are changing, as are the characteristics of many jobs. They are also sensitive to the ability of companies to move away from states that cannot provide a high-quality workforce.

With the march of globalization, state economies must be competitive based on innovation and quality, rather than cost. To achieve this, states must become innovative in how they train their workforces; workers must have higher-level skills to succeed when some degree of technical proficiency is a prerequisite to even entry-level occupations. Moreover, rapidly changing job and educational requirements mean that workers need not only skills but also ongoing opportunities to learn new skills, quickly and inexpensively.

Across the country, creative, entrepreneurial state policymakers and officials are considering new ways to build the skills of low-wage workers and increase the vitality of state economies. They see the importance of connecting education, workforce development, and economic development policies in better ways. And they see skill development as critical to long-term strategies to maintain and expand economic activity, raise standards of living, and address inefficiencies and inequities that limit a state's ability to adapt to new economic realities.

As states move to support and fund effective strategies, policymakers and public officials can look to their peers for ideas about how to seek advantage and opportunity in an era of heightened need and tightened budgets. *Building Skills, Increasing Economic Vitality* highlights some of the most promising developments in state workforce and skill development policy, focusing on four areas:



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• **Redesigning Financing for Workforce Development:**

Some state policies take a creative approach to financing. States have restructured existing funding streams or applied them in new ways. Iowa and Missouri, for example, have generated tens of millions of dollars to fund training through highly innovative bond financing mechanisms.

• **Strengthening Workforce Development/Economic Development Linkages:**

Some states have focused on encouraging and developing local or regional industries. They have established and strengthened links between workforce development and economic development in order to deliver services more efficiently and to ensure that outcomes reflect state priorities. Kansas, for example, has brought workforce and economic development into closer alignment: not only has it placed workforce development under the purview of the state Department of Commerce, it has created a forum for cooperation that puts higher education on an equal footing with both of them.

• **Building the Capacity of Workforce Intermediaries:**

States have built long-term support for workforce intermediaries that can take the lead in serving the skill needs of employers *and* the career needs of workers. These organizations help close gaps between what the public system can provide and what workers and employers need. For example, Washington State's Skill Panels act as industry-based coordinators of regional labor markets, collaborating with state agencies and community colleges to target training to meet the needs of high-growth industries.

• **Expanding Community College Capacity:**

Some states are finding innovative ways to make higher education more accessible to working adults. They have adjusted the funding formulas for community colleges, giving them more incentive to provide educational options and services that meet the needs of working adults and their employers. Between 1997 and 2000, Kentucky launched a series of reforms designed to make its community and technical colleges more responsive to these training and skill needs. For example, the state sped up the process for course approval and now provides academic credit for workforce training.



Several factors make states the locus of innovation and action in workforce and economic development. Among the most important are the dynamics that have moved a good deal of decision-making authority from the federal government into the hands of state and local policymakers. The Workforce Investment Act is a prime example, reflecting the recognition that states, with a more immediate sense of the needs of their populations and economies, are better situated than the federal government to deliver workforce development services. Also, community colleges, critical actors in workforce and economic development, are for the most part managed at the state level and guided by state policies.

Building Skills, Increasing Economic Vitality highlights state policies that respond to the complexities of the global economy. These policies address the changing demographics of the workforce, including slower growth of the labor force, the retirement of baby-boomers and the loss of their skills, and the expansion of populations in the workforce that tend to have significant skill deficits and face economic disadvantages. And these policies have been designed and implemented about despite tough fiscal conditions, restrictive federal regulations, and states' own institutional silos and roadblocks.

The states highlighted in this report have enacted workforce development policies that are not only innovative but also have the potential to be replicated elsewhere. This handbook for policymakers and practitioners showcases the range of policies and approaches that states have taken and their successes in meeting ambitious goals. These approaches are not necessarily easy to implement; in fact, most states have faced significant challenges to moving ideas to adoption and implementation. What has pushed the policies forward have been powerful drivers for change as well as creative solutions to making change possible.

Several state "stories" stand out both for their scope and for their innovative approaches to solving seemingly intractable problems. To provide a rich narrative of what it takes to advance an innovative workforce skills agenda in the current environment, case studies highlight four policies in five states, with details on how each policy was conceived, designed, adopted, and implemented.

The emergence of new, promising approaches emerging in states points to new ways to organize public and private-sector resources, take advantage of regional economies and their particular strengths, and develop public policies that promote flexibility, accountability, and learning in government implementation. *Building Skills, Increasing Economic Vitality* will help states learn quickly from the best efforts of their peers, accelerating the trend toward coherent state policies that build skills and promote economic vitality over the long run.