

Principles and Practices for Creating Systems Reform in Urban Workforce Development


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A Great Cities Institute Working Paper



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The Great Cities Institute

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Principles and Practices for Creating Systems Reform in Urban Workforce Development

Abstract

This brief provides advice for state and local governments as they define their One-Stop Employment Centers and broader workforce development systems. Seven principles are developed to provide a framework for analyzing how to create systemic reform in urban workforce development. The principles identify several key issues that will have to be addressed in thinking through systems change, including the role of various stakeholders, accessibility, the role of intermediaries in coordinating services, curriculum, and performance accountability.

Principles and Practices for Creating Systems Reform in Urban Workforce Development

Overview

Throughout the country, state and local governments and several leading foundations are struggling with the question of how to create integrated workforce development systems that connect inner-city residents to employment. Although the federal government has determined that One-Stop Career Centers will be the chosen path for consolidating a job training system that has been described as fragmented and inaccessible, some cities are exploring alternative approaches that target the urban poor.

For example, the Annie E. Casey Foundation is funding an eight-year, six-city Jobs Initiative to identify workforce development strategies for connecting inner-city residents to employment. The initiative supports local actors from various organizations in these cities to pursue a systems reform agenda that promotes the creation of and training for jobs with career potential that provide family-supporting benefits. In Chicago, the John D. and Catherine T. MacArthur Foundation has funded a 3-year initiative, the Chicago Workforce Development Partnership, to strengthen the connection to employment for the urban poor and improve the effectiveness of workforce development systems in Chicago and the surrounding region.

In addition to the move to One-Stop Career Centers, these attempts to create systemic reform are being affected by the Personal Responsibility and Work Opportunity Act of 1996. This legislation is aimed at moving people out of welfare into jobs as soon as possible, while limiting the number of people that can be enrolled in training and the length of time they are eligible. What this policy will achieve is moving people into the ranks of the working poor. In contrast, the Casey and MacArthur initiatives aim to move people out of poverty. This policy brief identifies seven principles as a framework for analyzing how to create systemic reform in urban workforce development to achieve this goal. The principles identify several key issues that will have to be addressed in thinking through systems change.

Principles of Effective Workforce Development

1. Effective workforce development initiatives go beyond being “employer driven” to working with employers to create more high-skill, high-wage jobs.

The buzz word for workforce development reform seems to be “employer driven.” Indeed, a critique of the nation’s schools and job training programs is that they are not sufficiently responsive to employer needs. Correcting this problem is one of the single most important reforms needed in workforce development. But unless more employers restructure work to create more high-wage, high-skill jobs, the goal of placing people in family-supporting jobs cannot be achieved.

The widely cited 1990 report of the National Commission on Education and the Economy, *America’s Choice: High Skills or Low Wages*, concluded that the majority of U.S. firms, rather than choosing to become high performance work organizations, are opting for a low-skills, low-

wage path. Eight years later, there is little convincing evidence of an *overall* upward shift in the skill mix of employment since the 1980s.¹ There is, of course, considerable variation in this pattern within and between industries. It is this variation that creates opportunities for workforce development initiatives to be the impetus for firms to create more high-skill, high-wage jobs.

For example, there is considerable variation within manufacturing in how employment is being restructured.² Evidence shows small- and medium-sized enterprises (SMEs) in manufacturing that adopt high performance forms of work organization experience impressive gains in productivity and wages. The problem is that the proportion of manufacturing SMEs taking this path is declining, and firms continue to under invest in upgrading the skills of their workers.³

There has been limited response to this problem. At the federal level, the NIST manufacturing extension program involves local actors in providing management and technology adoption assistance to SMEs. Most states fund community colleges to operate business outreach centers that provide the same services. But technology adoption does not necessarily translate into higher skill demands. Indeed, studies of manufacturing and clerical occupations⁴ and the retail and food service industries⁵ have found that firms that adopt more technologies do not necessarily have higher skill requirements than those who do not. Rather, skills upgrading is the result of managers choosing high-productivity workplace organization strategies as being in their long-term interest with respect to employee productivity and job satisfaction (and thus reduced turnover).

These findings reveal why being “employer driven” does not take workforce development far enough. Workforce development initiatives need to work with employers to restructure jobs in ways that allow them to become high performance work organizations. This approach to workforce development centers around firms providing structured on-the-job training to increase skills and pay, and to promote advancement. It involves unions, workers and management working cooperatively in conducting annual employee skill evaluations to identify training and career advancement possibilities.⁶

Manufacturing has been a target for this approach because there is a base of firms with high demand for employees in relatively high skilled occupations. The Casey sites are taking a gradual strategy of establishing legitimacy with manufacturing employers as being reliable sources of dependable workers, and then approaching employers about restructuring employment. This approach has good chances of succeeding with machine tooling, metalworking, and electronics firms that are experiencing labor shortages. These firms are eager to work with training programs, and there is potential for career advancement in many of them. Other industries with high employment demand in many cities, such as printing and retail trade, will present more of a challenge as they are characterized by having mostly low-wage, low-skill jobs, and limited room for advancement.

Unfortunately, the type of labor market information and analysis proposed to underpin the nation’s One-Stop Employment Centers focuses mainly on occupational forecasts. The problem is that, depending on how managers restructure employment, there can be “high road” and “low road” prospects even within the same occupations. Instead, more emphasis should be placed on understanding which firms in which industries are improving job quality and investing in worker training and why. Once identified, these industries and sectors could become the focus

of sectoral economic development strategies that are integrated with workforce development, the next principle.

2. Effective workforce development programs are linked to economic development initiatives in *targeted industries or occupations* that offer a living wage and opportunities for advancement.

Targeted industry or sectoral strategies identify industries or occupations that are a significant source of well-paying jobs in a local economy, and create an environment in which they can grow. Sectoral strategies often include workforce development initiatives (including school-to-work programs) to help meet the labor force needs of that sector.⁷ These strategies have received considerable attention because they focus local economic development efforts and create opportunities for connecting poor people to employment. Perhaps the most important aspect of sectoral strategies is that they have the potential to work with employers in restructuring employment to create more high-skill, high-wage jobs.

In a 1995 Aspen Institute report, *Jobs and the Urban Poor: Privately Initiated Sectoral Strategies*, Clark and Dawson examine how local sectoral strategies can increase access to good jobs and restructure low-end jobs to require more skills and provide better pay.⁸ The report describes how initiatives in manufacturing and other industries are restructuring low-end jobs. For example, in the health care sector low-paying temporary home-health aide jobs have been restructured into higher skilled and better paying jobs by the Cooperative Home Care Associates (CHCA) in the South Bronx. Employers are pleased as turnover has been reduced significantly. CHCA employs 300 women and has been replicated in Philadelphia and Boston.

This same strategy is being employed in the banking industry. Several large Chicago banks, including LaSalle, Harris, SouthShore, and Pullman, have considerable hiring needs for entry level teller positions. Even though these institutions expect that the overall number of tellers they employ will decrease due to consolidation, a significant number of tellers are hired each year. For example, LaSalle Bank hires 650 tellers a year and has an annual turnover rate between 60-65%.

In 1995, Nancy Bellew, a workforce development specialist at Wright College, one of Chicago's City Colleges, saw the potential for linking welfare clients to entry-level teller positions. She called a meeting of bankers to discuss creating a welfare-to-work program, and they were willing to come, as they were finding it increasingly difficult to find skilled workers. Although Bellew wanted to respond to employers' needs, she made it clear from the onset that her goal was not simply to train tellers, but to create internal career ladders starting from teller positions. The banks agreed, and the Professional Bank Teller and Beyond program was started.

Bank Tellers and Beyond is a 13-week non-credit, continuing education program that prepares students with 8th grade reading and 6th grade math levels to take the entry level exam for placement in bank teller positions paying between \$7.00 and \$10.00 per hour. Students must have a high school diploma or be enrolled in a GED program to enter. The program boasts a 100% placement rate for completers of the first three sessions. Once on the job, students return for a monthly seminar, where their on-the-job performance is reviewed. These sessions also present stress management techniques and generally build job-keeping skills.

The bank partners are actively engaged in the program by assisting in student selection, developing a screening instrument, developing competencies and providing instructors for classroom teaching. Harris Bank is comparing the retention of these students to tellers hired through the regular application process. Like CHCA, Bellew is working to develop training programs that would allow for advancement in the banking industry.

These examples illustrate that how employers restructure employment is a matter of choice. Low level health-aide jobs can be restructured to be more interesting and to provide better pay and advancement opportunities. The banks affiliated with the Wright College program have chosen to emphasize personalized customer service through personal contact with tellers for most transactions. In contrast, First Chicago, NBD has made a major commitment to converting its customers to increased use of ATMs, and thus in relying more on part-time and “peak-time”⁹ workers in teller positions. As part of this strategy, First Chicago makes it clear to part-time and peak-time workers that these jobs are not the first rung of a career ladder at the bank. Employment and training programs that provide a reliable source of workers can be a factor in employers restructuring jobs to include more skills and to provide higher wages.

There are three issues to consider in taking this path. The first is that it is not simply a strategy for providing better employment training, but it is also a way to motivate employers to provide more on-the-job training (OJT) once a pipeline of reliable entry-level employees is established. Twin Cities Rise, a comprehensive employment preparation and training program focusing on African-American men in Minneapolis, is testing ways to motivate employers to assume some costs of initial training and to provide OJT for workers to move up career ladders.

Second, we need to have better understanding of the extent to which and how internal and external career ladders operate in specific industries. The emphasis many workforce development initiatives are placing on career ladders assumes that most of their trainees see themselves on a path of lifelong learning. Yet much available evidence shows that there are class differences in who seeks continued education into adulthood. For the most part, those with the most educational credentials are most likely to pursue continuing education as adults. This is not to say that a career ladder approach for the poor is not feasible. But we do need to have a better understanding of whether the constraints to continuing education after job placement are logistic or social in order to make this choice feasible.

For example, I have been examining the advancement potential of women employed in low-skill manufacturing jobs with Chicago Women in Trades. In looking at the low participation rates of these women in after-work job training classes, we first thought that more day care was needed to allow their participation. In focus groups, however, we learned that women often chose not to participate because they wanted to be at home with their families, not because they lacked day care or transportation. The obvious response is for employers to build skills upgrading into the working day. But the point is that it cannot be assumed that if career ladders and training programs are created all, or even most, workers will be willing or able to take advantage of them.

Third, it is somewhat of a misnomer to call these examples economic development initiatives. They are sectoral workforce development initiatives. Workforce development could have even more impact as one component of a city’s targeted economic development strategy. For example, Chicago’s Model Industrial Corridor program focuses on the physical and infrastructure

needs of firms in 12 geographically defined manufacturing areas. CBOs and CDCs act as delegate agencies to the city and engage in strategic planning with local businesses to determine their needs. The CBOs and CDCs act as liaisons between the businesses in the corridors and the City. Although some of the organizations also offer training, workforce development is not presently integrated into the Model Corridors program. Likewise, several targeted industry programs initiated by the City have not developed a strong workforce development component. The Chicago Workforce Development Partnership, an initiative of the John D. and Catherine T. MacArthur Foundation, will be attempting to connect a strong workforce development component to the City's economic development programs.

3. Effective initiatives involve a network of providers that provide a comprehensive range of services to connect the unemployed and underemployed to entry-level jobs with career advancement potential.

The recent work of Harrison and Weiss (1998) illustrates the importance of networking in workforce development. Their research project, *Networking Across Boundaries*, examined how community-based training providers are networking with employers and other organizations to provide a comprehensive package of services that connect low-skill and low-income people to employment.

Many CBOs have identified a range of social services and pre-employment "soft" skills that need to be provided in addition to specific skills training and job placement skills after placement. Few CBOs or education institutions are equipped to provide all the services needed. Indeed, any one organization cannot be all things to all people. The most effective providers have become effective at creating networks to provide the range of services needed to connect the unemployed and underemployed to jobs with growth potential. Effective CBOs and community colleges have learned by trial and error how comprehensive their individual programs can be before they experience "mission creep."

The partnerships formed under a networking approach are very different from those being created under the One-Stop Employment Centers (see Table 1). The One-Stops are based on the assumption that the major barrier the poor have to employment is lack of information about job opportunities. The networking model assumes that a major barrier is lack of connections to the world of work. A core component of the One-Stop approach is the computerized information system through which employers post job openings. This emphasis on information systems ignores the fact that it is through social networks that most people find employment.¹⁰ In contrast, the most effective CBOs and CDCs in the *Networking Across Boundaries* project developed long-term relationships with employers that led to hiring of their clients. A system based on technology cannot by itself replicate the personal interaction and access to employers through which the majority of jobs are found.¹¹

Another contrast between the networking and One-Stop models is the extent of case management. The voucher-based system being employed in many of the One-Stops provides no structure for monitoring and evaluating a client's progress, either during or after training.¹² Community-based providers are better able to provide the kind of case management that starts when clients walk in the door and continues after they have found employment.

4. Intermediaries are necessary to sustain workforce development networks.

The world of employment training is being restructured dramatically with one-stops, welfare-to-work programs and cuts in JTPA funding. Fewer funds are available to serve needier populations. This situation has created an environment of competition rather than cooperation in some cities. Because of historical fault lines that have developed among different education and training providers, a trusted intermediary is required to establish and maintain workforce development partnerships.

Table 1
Partners in Urban Workforce Development

Partner Organization	Roles
Community Colleges	<ul style="list-style-type: none"> - Offer certificate programs to prepare entry-level technicians and associate degree programs for more experienced technicians - Provide career counseling and job placement assistance to students - Provide short-term customized training to support learning and career development by incumbent workers - Provide technical assistance to employers - Collaborate with other community colleges in region in sharing resources and creating centers of excellence in particular technical specialties at each institution
High Schools (school-to-work or career programs)	<ul style="list-style-type: none"> - Provide instruction in applied “tech prep” foundations - Encourage students to pursue careers in technical fields by providing exposure through career awareness, internships, etc. - Provide college and job placement assistance
Community-based Organizations	<ul style="list-style-type: none"> - Recruit community residents for employment programs - Provide basic literacy for youth and adults tied to technical education and employment - Offer career advisement counseling - Provide support services for community residents in community college or other training programs - Provide job and college placement assistance - Provide job-keeping skills programs for clients after placement to promote job retention.
Social Service Agencies	<ul style="list-style-type: none"> - Provide transportation - Recruit community residents - Refer for health care - Provide day care
Economic Development Agencies and Organizations	<ul style="list-style-type: none"> - Identify emerging employment and training needs among local employers - Identify key industries and occupations around which to build comprehensive economic and workforce development programs - Recruit employers to advise on education and training programs - Assist colleges and high schools in identifying internship and employment opportunities for students

Partner Organization	Roles
Employers	<ul style="list-style-type: none"> - Advise on curriculum - Encourage students through job shadowing and mentoring programs - Provide internships for students and teachers - Establish hiring agreements
Labor	<ul style="list-style-type: none"> - Advise on curriculum - Work with employers on restructuring occupations - Establish new points of entry for apprenticeship programs
Universities	<ul style="list-style-type: none"> - Offer baccalaureate programs in applied science and technology for graduates of associate degree programs in technical fields as part of 2+2+2 tech prep programs - Serve as intermediaries in developing integrated pathways or systems for workforce development

Source: Adapted from Fitzgerald and Jenkins, 1997

Clark and Dawson (1995) refer to intermediaries in sectoral initiatives as “social entrepreneurs” that create a vision of the system to guide groups whose participation is needed. The intermediary role can be played by different institutions or organizations---from community-based organizations, community colleges, or universities to trade associations. The choice will vary, depending on the historical relationships that have been established in a city.

Intermediaries serve two important functions. First, they make connections. It is not always obvious to potential partners that they can assist each other in achieving their organization’s goals. That community college technical programs need better prepared students does not necessarily lead to partnerships with high schools or CBOs. That employers need better trained workers does not necessarily lead to partnerships with community colleges or CBOs.

That CBOs and community colleges struggle to provide social services to their students does not necessarily lead to partnerships with social service agencies. Intermediaries serve the critical function of identifying partners to create comprehensive workforce development systems.

Second, intermediaries can resolve conflicts that emerge among partners. Although some degree of competition can be useful, in many cases it prevents organizations from seeing the potential for partnership. Different turf battles are emerging as organizations and institutions position themselves in the restructuring of workforce development.

These turf battles typically are between similar organizations wanting to provide the same service or training program. In many cities, CBOs and CDCs compete for a diminishing pot of JTPA funds. In Chicago, for example, the major turf battle is between the community-based providers and the Chicago City Colleges (CCC). The community organizations have long been critical of CCC’s service to the poor. The overall relationship worsened when many contracts held by community organizations to provide adult basic education were pulled by CCC in 1993.

Currently, as funding streams are being reorganized and reduced, education and training funds

that traditionally had been allocated by the City to community-based providers are now being redirected to the City Colleges to operate One-Stop Centers. In Milwaukee there is competition between city and suburban technical colleges over which will provide the new training programs being funded by the Jobs Initiative there.

In Phoenix, Arizona, a different turf battle has emerged as community colleges try to position themselves to fill the increasing demand for skilled technicians. The Maricopa Community College system has responded quite effectively to serve the needs of different client groups and employers for technical occupations. In fact, programs in such areas as health care, law enforcement and manufacturing technology have become so successful that legislation was proposed to allow community colleges to offer 4-year applied baccalaureate degrees in these and other areas. Even though the applied degree offerings do not compete directly with universities, the presidents of the state's three public universities waged a vigorous campaign to kill the proposal. The governor vetoed the legislation, and further studies are underway for a revised proposal.

5. Effective initiatives provide multiple points of entry for new entrants to the labor market, the long-term unemployed, displaced workers, and incumbent workers seeking to upgrade their skills for advancement.

One of the key advantages of networking is that it allows for the creation of industry or occupation targeted workforce development initiatives that have several points of access, and several types of programs to serve different client groups. These include incumbent workers, the unemployed, underemployed, displaced workers, and those still in school.

A key reason for the failure of so many past federal employment training programs, including Manpower Development Training Assistance, Comprehensive Employment Training Assistance and Job Training Partnership Assistance, is that they focused exclusively on the poor, thus stigmatizing clients in the eyes of employers.¹³ With few exceptions, there is little evidence to demonstrate that these programs have done much beyond subsidizing the filling of low-wage employment.

The separation of the poor into inferior programs also is evident in community college adult basic education (ABE), GED, and English as a second language (ESL) programs. These programs expanded rapidly in the 1980s and continue to enroll the majority of students in many urban community colleges. Yet few community colleges have been successful in moving students from these into credit or even certificate programs.¹⁴

The Chicago Workforce Development Partnership for Manufacturing illustrates how a workforce development network can be structured to provide several points of access for different client groups. The Partnership has created a system of training programs that provide initial access and continued career development for skilled manufacturing jobs in high demand in the Chicago area. Two of the Chicago City Colleges, Daley and Wright, offer certificate programs to prepare students for entry-level skilled manufacturing jobs. In addition, in 1992 Daley began an associate degree program in manufacturing technology. In 1995 the program became part of the only 2+2+2 tech prep program in the City of Chicago when the Illinois Institute of Technology opened its Bachelor of Manufacturing Technology program. This addition created the opportunity for associate degree graduates to work towards a bachelors degree while working and for continued

skills upgrading of incumbent workers. But the public perception that manufacturing is a dying industry and that blue-collar jobs are unskilled combined to produce little interest in these manufacturing programs.

In 1996 Davis Jenkins and I, out of the University of Illinois at Chicago's Great Cities Institute, began acting as intermediaries in developing bridges for disadvantaged Chicago residents to the post-secondary training programs of the manufacturing partnership. Jenkins has facilitated the formation of the Chicago Manufacturing Technology Bridge, which is designed to prepare unemployed young adults from high poverty communities for community college technical training and entry-level employment as manufacturing technicians. The 16-week program was launched in March 1997. It is offered by Daley and Wright Colleges in partnership with CBOs. Students take classes in workplace mathematics, applied physics, and computers at the community sites. Once a week they go for training in a manufacturing laboratory at one of the community colleges.

The CBOs recruit participants and provide case management and counseling to ensure that they succeed in the rigorous program. Graduates receive five credits of advanced placement in Daley's manufacturing technology program. Jenkins reports that of the 63 graduates, 49 have secured entry-level manufacturing technician jobs at an average wage of \$9.35 per hour plus benefits. Further, 22 Bridge graduates are enrolled in community college associate degree programs in manufacturing technology.

We also are providing technical assistance to one high school in developing a school-to-work program to feed into the Daley manufacturing technology program. Additional schools are being added, with a high school teacher working with us to facilitate program development in these schools. The teacher understands the issues in creating change within the schools, and can provide the long-term assistance needed for program development.

Urban workforce development initiatives can also connect with regional and state sectoral initiatives that assist SMEs in adopting high performance practices. These initiatives engage firms in learning networks through which they work cooperatively in adopting high performance work organization practices. The Center on Wisconsin Strategy's Wisconsin Regional Training Partnership (WRTP) is an example of this approach. The WRTP works to promote high performance practices among manufacturers that provide living wages. The services provided include technical assistance to firms in adopting new technology, incumbent worker training, assisting technical colleges in developing curriculum for certificate programs in manufacturing occupations, and working with high schools to develop school-to-work programs to insure a future supply of skilled workers. The WRTP approach to manufacturing modernization engages larger firms in working cooperatively with their supplier firms, rather than pitting the latter against each other as low cost bidders.

6. Effective workforce training uses *contextual learning approaches* that simulate the workplace environment.

A long-standing criticism of both federal job training and high school vocational education programs is that there is too much classroom learning and not enough on-the-job training and work-based learning.¹⁵ In response, both of the major legislative initiatives framing vocational education¹⁶ mandate integration of academic and applied knowledge and work-based learning. Although best practice examples of contextual learning strategies are emerging in community

colleges and community organizations throughout the country, this approach remains the exception rather than the rule.

The pedagogic advantages to integrating academic and skills-based learning are well documented. Contextual learning allows students to acquire work discipline along with specific technical skills. Staff at the Center for Employment Training (CET), arguably one of the most successful community-based training providers in the country, believe that socialization to work discipline is as important to employers as the specific skills needed for the job.

Contextual learning is proving highly effective in shortening the path from basic literacy to employment. Few people with low literacy can afford to attend school or training programs for extended time periods. Further, welfare reform “work first” requirements and time limits on education and training make it necessary to shorten the time to job readiness. This increasingly is a problem with urban community colleges where poor people seldom make the transition from non-credit literacy courses to certificate or degree programs. Combining basic literacy or English as a second language (ESL) and vocational training shortens the path from literacy to employment. The San Diego Community College District (SDCCD) has been a pioneer in the development of curricula for VESL (vocational ESL). VESL provides students instruction in English in the context of basic training in technical fields such as machining, electronics, nursing assistant or automotive repair. Instruction is provided in self-paced modules with students spending about half their time on general language skills and half on occupation-specific modules. The SDCCD VESL program has been able to raise reading scores from 4th to 8th grade level in 10 months, and has placed 90% of completers in more advanced vocational training. Likewise, community-based training providers CET and Jane Addams Resource Corporation in Chicago have had great success in teaching basic skills (in English and mathematics) in the context of specific job skills.

7. Funding of occupational training programs should be based on *performance*.

Accountability has become a key issue in both education and job training circles. Indeed, in both education and job training more stringent standards of accountability are needed. Although JTPA funding is performance based, the standards are weak, at best. Clients are surveyed 90 or 120 days after completing training to see if they are employed. There is no attempt to determine if the jobs and the availability of benefits have any relation to the training or to assess the quality of the job, other than by wages. Studies that examine gains in earnings due to participation show mixed results, and there are many debates over appropriate measures and methodologies.¹⁷ There is no consistent outcome evaluation of most community college training programs, and unlike JTPA training programs, funding is based on enrollment, not on placement.

Performance-based funding has to provide strategic incentives to move the poor into jobs with career advancement potential. The new performance-based systems some states are developing for post-secondary institutions illustrate how this can be done. They also reveal how complicated the issue of performance-based assessment is.

Traditionally, states fund community colleges based on full-time equivalent enrollment (FTE), with little emphasis on student outcomes. This funding practice came under debate in the early 1990s as private sector management concepts such as Total Quality Management began penetrating the language and practice of the public sector. The result is that some form of

performance-based funding for post-secondary education has been introduced in 14 states. The states vary widely in defining performance-based funding, though in general funding criteria include some combination of input, process, output and outcome goals. Defining fair and meaningful assessment measures and putting them into practice has raised many concerns, as illustrated by Florida's recent attempts to implement performance-based funding.

Florida began offering performance incentives to community colleges in 1994, with the Performance Based Incentive Funding Program (PBIF). The PBIF enables community colleges and high schools to earn incentive funds above their allotted budgets for preparing and placing students in targeted high-wage, high-skill occupations. The state distributed approximately \$5.5 million in both Fiscal Years 1995-96 and 1996-97. Targeted occupations must pay at least \$7.50 for an entry level position.

The PBIF calculates an institution's funding based on a point system. Points are accumulated based on the number of students who complete programs and are placed in targeted occupations. Extra points are assigned for designated populations such as the disabled, economically disadvantaged, public assistance recipients, or those with limited English skills. The PBIF began as a voluntary program, but now is mandatory for all community colleges.

In 1997, Florida moved a step further by requiring that a percentage of a community college's general funds be based on performance indicators. Previously, the state distributed education funds to three divisional units, K-12, community colleges, and higher education, based on enrollments. The bill created a fourth division for distributing workforce development funds, which were formerly distributed as part of the three divisions. Further, workforce development funds are partially based on performance, with 85% being based on enrollment and 15% on completions. The law directs colleges who earn funds in excess of their costs to use the funds to improve their workforce programs. Community college administrators had so many reservations about the new law that the legislature delayed enacting it for more than a year until a task force could investigate implementation issues.

The experiences of the states experimenting with performance-based funding raise two issues. The first is defining what performance should be measured, and the second is how it should be measured. In fact, there is little commonality in how states are measuring educational performance. A recent study of performance measures in 10 states found that 8 of them didn't include job placement as a criterion for community colleges, even though it is a central part of their mission.¹⁸ Determining how performance-based criteria translate into actual funding also is complicated, which is why critics contend that the amount of time spent on data gathering exceeds benefits associated with program improvements.¹⁹

Performance-based funding can create tension when one group of providers is subject to different standards. In Chicago, this is one source of the tension between community-based training providers and the City Colleges. Illinois is only now investigating performance-based funding for higher education. The City Colleges are approved training providers under the City's One-Stop Employment Centers, while many community-based providers have been excluded. The community organizations argue that they have been able to prove their effectiveness because they are subject to the performance criteria of JTPA, while the City Colleges are funded solely on the basis of enrollment.

A final caution is that performance-based funding should not just be penalizing. We do not know enough about what works and why to exclude more process analysis into assessment and evaluation of workforce training. As important as the “return on investment” figures performance-based assessment generates is understanding the process of how some CBOs and community colleges produce better outcomes. Qualitative indicators such as leadership, curriculum and organizational redesign are key in determining outcomes, and cannot be captured by conventional performance indicators.²⁰

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Notes

1. Mishel and Teixeira, 1991; Levy and Murnane, 1992; Howell, 1993; Howell, Duncan and Harrison (1998).
2. Cappelli, 1993.
3. Luria, 1996. Luria reports on a survey of manufacturers conducted by the Industrial Technology Institute that found that smaller companies invest less than .5% of payroll on worker training compared to 2% for larger companies. U.S. employers, on average, spend just over 1% of payroll on training, while leading foreign firms spend up to 6%.
4. Cappelli, *ibid*.
5. Bailey and Bernhardt, 1997.
6. Brown and Reich (1996) detail how this approach, using elements of the Japanese and German work-based employment training models, can be applied in the U.S..
7. Clark and Dawson, 1995; Carlson and Wiewel, 1991.
8. Building on this work, the Aspen Institute is leading the Sectoral Employment Development Learning Project. This 3-year research program is funded by the Ford and Charles Stewart Mott Foundations. Six leading practitioner organizations from throughout the country are part of this evaluation and program development initiative.
9. A peak-time worker acts as a relief worker in times of high teller demand. Unlike part-time workers, they are not eligible for any benefits, and thus are paid a higher hourly salary, and work fewer hours.
10. Peck, 1996; Moss and Tilly, 1992; Neckerman and Kirschenman, 1991; Holzer, 1996; Mier and Giloth, 1985.
11. Melendez, 1996; Melendez and Harrison, 1998; Lautsch and Osterman, 1998.
12. See Osterman 1988:151.
13. See Osterman 1988:93.
14. See Fitzgerald and Jenkins (1997) for examples of community colleges that are effective in mainstreaming the poor into credit programs.
15. Orfield and Slesserev, 1986; Leigh, 1989; Grubb, 1996.
16. These are the Carl D. Perkins Vocational and Applied Technology Education Act of 1990 and the School-to-Work Opportunities Act of 1994.

17. Grubb, 1996.

18. Burke, 1997.

19. The South Carolina Commission on Higher Education identifies four possible approaches: 1) a direct percentage multiplies an institution's cumulative score on all the performance indicators by budget requirements; 2) a performance range method is similar to the direct percentage except that institutions in similar ranges on the performance indicators are grouped together; 3) deviation from the mean methods provides budget supplements to institutions above a middle range and penalizes those below the mean; 4) a continuous improvement method compares an institution to its previous performance level and lowers or raises funding according to declines or improvements.

20. Interview with James Mingle, Executive Director, State Higher Education Executive Officers (12/10/97).

