
The Policy Intersection between Sector Strategies and Low-Income Workers: The State Responsibility to Make the Connection

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Executive Summary

In the U.S. today policy makers and industry leaders face a growing low-skilled labor market. The persistent low skills and educational attainment of many Americans threaten current and future national economic competitiveness. This sober reality presents an opportunity for states to consider policies that deliberately advance low-wage workers through skills attainment as a mechanism for regional economic growth. For many states, this framework is challenging. State workforce and economic development leaders struggle to reconcile the goals of supporting their high-growth, high-wage industries with the goals of advancing low-skilled, low-wage workers. “Sector strategies” are one model to consider as a mechanism for integration. Sector strategies are regional partnerships of employers, training and education providers, community organizations, and other key stakeholders around a specific industry to address the workforce needs of employers, and the needs of workers for good jobs. At least a dozen states and many local areas are implementing sectoral approaches.

Despite their popularity as regional, industry-driven approaches to workforce development, it can be argued that sector approaches are not being utilized to their full capacity to address the needs of low-income workers. In turn, human service organizations may not recognize the validity of the sector model to lift low-income individuals to conditions of self-sufficiency. Toward the goal of uncovering disconnects, a “thought paper” was requested by the Seattle Foundation. The charge was given to begin to identify the policy intersection between supporting regional, industry-driven workforce development partnerships (i.e. sector initiatives) and human service and education policies intended to lift individuals out of poverty or low-income situations.

The thoughts presented are the result of observations and lessons learned by the Corporation for a Skilled Workforce from their extensive work with states to implement integrated workforce strategies, from research and conversations with national workforce leaders, and from informal interviews with states implementing sector approaches. This paper is intended to deepen national understanding of the policy features that integrate sector approaches and low-income worker success. It offers:

- Insights into why sector strategies and low-income worker advancement policies are theoretically but not practically linked;

- Guideposts for states that present policy principles for integrating sector strategies and low-wage worker success;
- Evidence as to why low-income worker advancement strategies are important to sector strategies, *and* in turn why human service policies should consider sector strategies as viable policy vehicles to achieve their goals; and
- Examples of state policy intervention, and where they fall short of the scale of change necessary to keep states competitive and individuals self-sufficient.

Background

Today U.S. public policy makers are facing the stark realities of a growing, persistent low-skilled labor market. Low skilled jobs almost always mean low wages, and today more than half of all jobs in the U.S. are poverty-wage or low-wage positions.¹ This makes some policy makers realize that attachment to the labor market does not necessarily mean economic independence. In fact, statistics indicate that approximately 3 million people live in poverty in the U.S. despite working full time, and that on average, individuals who have exited from the Temporary Assistance for Needy Families program earn less than \$10,000 per year.² For individual workers, the missing factor to success is a set of relevant occupational skills that allow them access to jobs that pay family-sustaining wages, offer benefits, and opportunities for advancement. In the policy realm, the missing factor is an acknowledgement that economic independence is more than getting a job, that education and job training must be connected to the industries that are staying and growing in a community, and that policies that upgrade worker skills can be used as an economic development tool. In fact, economic developers and employers across the country are recognizing a correlation between worker skills and economic growth, including productivity and profits. A 2006 study by the Cleveland Federal Reserve Bank and the UpJohn Institute identified a skilled workforce as having more significant impact on metropolitan growth in per capita income and worker productivity than any other factor.³

These figures and observations present a window of opportunity for states to consider policies that deliberately advance low-wage workers through skills attainment as a mechanism for regional economic growth. One way to frame this consideration is in the context of what is becoming nationally known as “sector initiatives.” Sector initiatives are regional partnerships of employers, training and education providers, community

¹ Mitnik and Zeidenberg define poverty-wage jobs as those paying less than a single, full-time worker would need to earn to keep a family of four out of poverty (less than \$8.97/hour in 2003), and define low-wage jobs as those paying less than 1.5 times the poverty wage cut-off (less than \$13.45 in 2003). Mitnik and Zeidenberg, *From Bad to Good Jobs: An Analysis of the Prospects for Career Ladders in the Service Industry*, Center on Wisconsin Strategy, January 2007.

² Hoffman, Linda, *State Strategies for Improving the Employment Outcomes of TANF and low-income Families*, National Governors Association Center for Best Practices, June, 2007.

³ NorthEast Ohio Dashboard Indicators, Fund for our Economic Future, W.E. Upjohn Institute for Employment Research and Kleinhenz & Associates, April 19, 2006.

organizations, and other key stakeholders around a specific industry to address the workforce needs of employers, and the training, employment, and career advancement needs of workers. The defining elements of sector initiatives include employer-driven customized solutions for a specific industry at a regional level, a central role for a workforce intermediary in bringing the industry-focused partnership together, and the dual goals of promoting the competitiveness of industries and advancing the employment opportunities of workers. Sector initiatives are intended to remove bottlenecks that inhibit recruitment, hiring, training or worker placement in a local industry. As such, they often incorporate a training-based solution (such as a new curriculum or credential), but can also take shape in a changed human resource hiring policy, an industry marketing campaign to the public, or other customized solution.

A scan of state activities indicates that at least a dozen states are currently engaged or thinking about launching a statewide sector strategy. States are adopting sector policy as a way to connect the goals described above, including meeting the needs of regional industries, and increasing the skills and incomes of job seekers and workers. Currently, however, many states involved in sector strategies struggle to reconcile the goals of supporting their high-growth, high-wage industries with the goals of advancing low-skilled, low-wage workers. Many states are making strides toward each goal independently. Some states are beginning to see progress towards their integration. These states present a springboard for identifying the policy intersection between supporting regional, industry-driven workforce development partnerships (i.e. sector strategies) and human service and education policies intended to lift families out of poverty or stagnant, low-income situations. This paper is intended to deepen national understanding of the policy design features that integrate the two areas. It offers:

- Insights into why sector strategies and low-income worker advancement policies are tightly linked in theory, but do not always tightly connect in practice;
- Guideposts for state decision makers that present underlying public policy principles for integrating sector strategies and low-wage worker success;
- Evidence as to why low-income worker advancement strategies are important to successful sector strategies, *and* in turn why human service policies should consider sector strategies as viable policy vehicles to achieve their goals;
- Examples of policy intervention, including tools that some states are using to incent the desired behavior change at the service delivery level that will align the goals of sector approaches and low-income worker advancement; and
- Ideas of necessary elements of “systems change” that will take successful models of policy and program integration to scale.

Disconnect: High-Wage, High-Growth or Low-Income Advancement

Economic considerations often push states supporting the development of sector initiatives to choose to support their high-skill, high-wage sectors without full consideration of how low-skilled, low-income individuals might advance into those

sectors. This approach is often used to bring employers to the table to participate in sector initiatives. States also feel pressure to provide financial incentives and other support to industries that are shown to make up a significant portion of the economy, even when they are made up of low-wage, often dead-end jobs with little to no opportunity for advancement. These choices are justified to some extent: all economies need “first jobs” and a healthy set of “support industries,” such as the service industry. Political pressures also drive the choice, particularly for term-limited administrations. Policies built on the premise of supporting the economy (i.e. more jobs) will almost always be preferential to a wider array of stakeholders than if built on the basis of improving the position of low-income individuals. The latter is frankly a more complicated set of issues, including addressing education gaps, social service supports, and job quality. In these cases, states struggle to see how the goal of supporting the sectors that are the real “drivers” of their economy (high-wage and high-skill) align with the goal of supporting the lowest skilled segment of the labor force. Until the projected skilled labor shortages become inhibitors to economic growth, the emphasis on developing the incumbent workforce will overshadow the potential to upgrade the bottom tier of the workforce.

Deliberations over the best fit for low-income worker advancement in sector strategies swing between assertions that such advancement is a central tenet of sector strategies to the belief that it is not a criterion, but rather a potential outcome, or an element to integrate into sector policy once employers’ immediate needs are met. In between rests the argument that if states want to design policies that solve short-term workforce challenges for critical industries in addition to promoting the long-term health of the economy, then they must be responsible for making the policy connections between human capital development at all levels and economic growth. Making this connection is particularly imperative considering the discouraging statistics on worker preparedness in today’s labor market.

At least two-thirds of the workforce in 2020 is already in the workforce (i.e. beyond high school age), and nearly half currently have only a high school degree or less. Of those adults with less than a high school education, only six percent participate in adult basic education or remedial coursework, and most do not persist long enough to advance even one grade level, let alone earn any kind of credential.⁴ These statistics hold true despite evidence that students who persist through at least 30 occupational credits (about a year of full-time coursework) to earn a credential, on average earn \$8,500 more per year,⁵ and despite estimations that eighty percent of available jobs by 2014 will require some post-secondary credential.⁶

⁴ Strawn, Julie. *Policies to Promote Adult Education and Post-Secondary Alignment*, Center for Law and Social Policy, August 2007.

⁵ Ibid.

⁶ Ibid.

Making the Case for Policy Integration

For the purposes of this paper, individuals representing fifteen state workforce systems were informally queried about why sector strategies are being adopted or expanded in their states.⁷ They offered a range of reasons, but most gave the opportunity to grow their state economy as a primary end goal. Those interviewed asserted that sector strategies are an effective approach to identifying the unique workforce gaps experienced by local employers, and for creating demand-driven solutions to fill those gaps. This in turn, according to respondents, is a useful tool for the state to retain important industries, and therefore to retain jobs. Those jobs create potentially sustainable employment options for workers. It's the responsibility of the education and training system to ensure that workers are ready to take those jobs.

State respondents agreed that local sector initiatives might target entry-level (and therefore likely low-skilled and low-income) workers if that is where the industry partnership identifies greatest need, but this is not a deliberate state level sector policy objective. The primary objective of sector strategies, according to respondents, is for local partnerships to address the workforce needs that will keep an industry competitive, thereby contributing to a vibrant economy. Yet respondents also agreed that the ability of low-skilled, low-income individuals to become self-sufficient is a significant factor of a vibrant economy, and that state human service policies are geared toward the goal of self-sufficiency. When queried about how human service policies in fact move individuals to self-sufficiency, respondents cited a range of strategies from labor market attachment, supports such as childcare during education and work, work incentives such as the Earned Income Tax Credit, and most importantly, post-secondary education attainment that provides relevant skills and credentials for a good-paying job. This brought most conversations with state respondents back to sector strategies as a viable tool for the advancement of low-income workers, in addition to regional industry competitiveness.

Wrapped up in these responses is an agreement that it takes both sector policies and low-skilled individual advancement policies to reach state goals of lasting economic vitality. In other words, both sets of policy fall under one umbrella: they ultimately support a healthy economic system, one by making industry profitable and competitive, and one by supporting individuals to actively participate in the economy.

Despite an acknowledgement in theory that individual economic success contributes to economic growth, and that skilled worker shortages contribute to the erosion of competitiveness, state examples of policy integration are not widespread, begging the question: why not? Interviews with workforce leaders indicate these possible reasons:

⁷ States included Arkansas, California, Colorado, Georgia, Illinois, Louisiana, Maryland, Massachusetts, Michigan, Minnesota, North Carolina, Oklahoma, Oregon, Pennsylvania, and Washington.

- A perception by policy makers involved in sector strategies that they cannot address the needs of low wage workers without sacrificing support to the high-wage, high-skilled industries that states want to grow;
- A lack of awareness by policy makers and practitioners involved in low-wage worker advancement about how sector strategies can be a viable vehicle to advance the goals of individual economic success;
- A lack of a deliberate decision to integrate the two sets of policies because the question has not been posed or answered: why should they?; and
- Because policy integration is cumbersome, and sometimes downright messy.

Guideposts and Underlying Public Policy Principles for Integration

In designing a policy framework that integrates sector approaches with low-income advancement strategies, states might consider the guiding principles below, offered during conversations with national experts and workforce development leaders.

Identify Market Failures and Fill in the Gaps

Political scientist Thomas Dye characterizes public policy as “what governments do, why they do it, and what difference it makes.”⁸ Policy is the result of something demanded and a decision made. Identifying the demand, or diverse demands, and responding with a decision that does not duplicate naturally occurring progress toward meeting the demand is the task for policy makers. This requires asking and answering the question: What is not happening that needs to, and what will make it happen?

In the area of skills advancement, employers provide the lion’s share of resources for training, compared to public or community-based organizations, but most on-the-job workforce training is geared toward higher skilled positions.⁹ Employers spend little on entry-level workers, despite an acknowledgement by many that finding and retaining good entry-level workers is a challenge. For some, their economic model includes substantial turnover and no focus on retention strategies. The public sector (including education, workforce development, and human service systems) can fill this gap. Many practices work to address factors of success for advancement of entry-level workers, including: the development of career pathways with marketable credentials; bridge programs from adult basic education to post-secondary courses; integrated education remediation with occupational skills training; flexible training locations and schedules; student support services; work release time subsidies; and tuition support. Several states have incorporated these practices into policy, including the adoption of career and work readiness credentials based on employer and industry-accepted standards.

Forty states use the WorkKeys System credential program, administered by ACT, a national education organization. WorkKeys provides more than 12,000 U.S. occupations

⁸ Dye, Thomas. *Understanding Public Policy*, 6th Edition. Englewood Cliffs, New Jersey. Prentice-Hall, 1987.

⁹ *Investigating Demand Side Outcomes: Literature Review and Implications*, The Aspen Institute.

and offers skills assessments in 10 areas of interest to employers. A similar credentialing program, used by *Florida, New Jersey, New York, Rhode Island, Washington* and *the District of Columbia* is the National Work Readiness Credential, a project of the U.S. Chamber of Commerce. States that use these credentials in unison with bridge programs or integrated education remediation offer low-skilled adults a chance at meaningful skills attainment. *Washington's* I-BEST program addresses the transition cliff between remedial and post-secondary programs by integrating adult basic education, remedial, and English as a Second Language classes with skills training in credit-bearing certificate programs.

Alter the Framework: Employers as Customer, Workers as Constituency

Maureen Conway, Director of the Workforce Strategies Initiative at the Aspen Institute, and leading expert in sector strategies, frames the approach to supply- and demand-side employment policy this way: State policy makers and program staff should consider employers as their customer, and workers as their constituents. This framework provides a way to ground every decision made by workforce and economic development entities in the question: Will this action meet the needs of the company or industry (the customer) on behalf of the needs of workers (the constituents) in our region or state? The framework is different from the dual customer approach only in that it begins to articulate more clearly *how* to serve each group.

Within the framework is an acknowledgement that the workforce needs of employers in a region must be met if that industry is to grow and provide jobs to residents. Also embedded in the framework is the choice to prioritize the needs of employers that provide good jobs to residents over those that do not. Theoretically this should not be a difficult decision by states for two reasons: 1) States are limited on resources, and therefore will support industries that contribute to the state's economic wealth over those that have little impact on economic growth; and 2) Industries that are predominantly made up of low-wage jobs will likely require low-skilled workers, of which currently across the nation there is no shortage.

Build the Foundation for Skills Attainment into Sector Strategies

As sector initiatives meet the needs of local industry for skilled labor, they improve access to good jobs by entry-level workers, and improve advancement to better jobs by incumbent workers. Advancement depends on workers' opportunities to upgrade their skills set relevant to industry. Two factors limit these opportunities: 1) Disconnected education and training systems, and 2) Missing designated funding streams for short-term skills training.¹⁰ Many sector initiatives that design a training-based solution to the needs of the target industry develop career pathways that identify the skills needed to advance to increasingly better occupations. This sometimes calls for newly created

¹⁰ *Final Report and Recommendations, Skill and Wage Advancement Committee, Minnesota Governor's Workforce Development Council, June 2006.*

marketable credentials, and associated curricula. States have the capacity to replicate career pathway models, and should consider it an effective mechanism to increase the number of marketable credentials, and the number of individuals attaining them. But states cannot stop there. Because half of current jobs in the U.S. are poverty or low-wage positions, and because nearly half of the current workforce are low-literate or lack even a high school diploma, states must reinvent how remedial education and occupational skills training are provided.

Some states are taking steps to accelerate basic skills development, to integrate work and learning, to bridge education systems, and make non-traditional learning modules (open entry/exit, flexible times/locations, subdividing courses and credits into smaller chunks, etc) the norm. *Arkansas, Kentucky and Minnesota* use TANF funds to design and implement career pathway programs at two-year colleges for low-income individuals and TANF recipients. These programs incorporate integrated remediation and occupational skills training; short, chunked coursework; and flexible schedules. Student support services during participation include childcare and transportation.

Sector policies and initiatives will need to increasingly take on these activities as part of their work, even if the immediate need of the industry involves high-skilled workers. The labor pool from which to draw on to “back-fill” entry- and mid-level jobs as workers advance is simply not there to do otherwise.

Design Sector Strategies and Cluster Strategies as Complements

The attraction by public and community-based entities to sector approaches is their ability to meet the needs of both workers and employers in their communities, i.e. their ability to link the skilled labor supply with the demand needs of a region. In that respect, they are complementary with regional industry cluster strategies, traditionally viewed as strictly economic development endeavors. Industry cluster approaches are regional systems of communication and collaboration that support a concentration of companies and industries interconnected by the markets they serve, the products they produce, and the networks of suppliers they may share. Unlike sector strategies that focus on the workforce needs of one industry in a region, cluster strategies focus on the many elements that keep multiple but related industries in a region competitive. Business clustering is intended to provide access to more suppliers, support services, and skilled labor pools, as well as transfer industry-specific knowledge, innovation and know-how. Firms benefit from synergy of association.¹¹

Because sector approaches directly address the skilled labor needs of companies within an industry, they represent a potentially critical slice of a successful cluster. Sector initiatives built with an eye toward their closest related industry cluster have at least

¹¹ *Sectors and Clusters: How are they Related?*, National Governors Association Center for Best Practices, May 2006.

two advantages. First, sector initiative conveners and leaders have the opportunity to replicate solutions (such as a new training curriculum or an improved employee recruitment policy) to more companies, simply based on the cluster infrastructure that promotes shared information. Second, they can offer career pathway opportunities within an industry to potential workers, *and* career lattice opportunities across related industries that require similar skill sets. For example, a sector initiative that fills entry-level sheet metal worker shortages to aerospace companies is likely inadvertently filling a similar need to other regional industries that also rely on sheet metal (e.g. the construction, automotive manufacturing, and ship building industries). Based on related labor supply needs, sector conveners could articulate career pathways within and across each industry, thereby offering workers more choices for advancement.

Take Customization to Scale

Central to the structure of sector approaches is the customized problem-solving process undertaken by a partnership in response to the needs of a group of employers within the target industry who are experiencing a similar labor market challenge. The approach demands an in-depth analysis of the factors behind an observed or documented skill shortage, including the demographic and skills profiles of available workers in the region. For many regions, the labor force available is unskilled and low-income. The reality of low-income or poverty populations is that the circumstances for each sub-population may vary. Each may face equally substantial, but unique, barriers to skill attainment and economic advancement. The highly customized approach by sector initiatives may provide a viable vehicle to address these barriers. This will be true if organizations familiar with low-income populations are tapped for expertise.

At least *a dozen states* currently are implementing sector strategies as a policy mechanism to meet the needs of their regional industries and labor forces.¹² In almost every case, states competitively distribute grants to regional partnerships. This is a concrete way to take a highly customized model of demand-driven workforce development (i.e. sector initiatives) to scale. States consider multiple factors of a potential sector partnership to determine awards: relevant active partners, industry selection, definition of region, long-term funding strategies, demonstrated knowledge of the target industry, and evidence that the partnership is employer-driven. State sector leaders must also consider the implications of sector initiative conveners, who play a powerful role in pulling partners together and facilitating implementation. In all cases, the convening organization must possess industry knowledge in order to serve the needs of employers. For any region with a low-skilled labor force, it can be argued that equally important is the convener's knowledge of low-income workers, and their

¹² The National Governors Association launched a project in 2006 that facilitated the transfer of learning from six states with advanced sector policies (Arkansas, Illinois, Massachusetts, Michigan, Pennsylvania and Washington) to states in the beginning phases of sector strategy adoption (Georgia, Minnesota, North Carolina, Oklahoma, and Oregon). NGA intends to expand the project to five additional states in 2008.

unique barriers to advancement. To integrate sector and low-income worker advancement policies, states have a choice to target organizations at local levels that possess both sets of knowledge.

Find a Champion for Integration.

Stakeholders involved in a recent statewide policy effort in Michigan to coordinate workforce development, education and economic development articulated the critical role of an “integrator.” The “integrator” is an individual in a position of political authority who is highly knowledgeable of the issues at hand; committed to taking steps to integrate diverse systems; and willing to amalgamate individual initiatives of high visibility into each other if it means achieving the coherent system established by a shared long-term vision. This individual must understand the intention of each independent initiative, while seeing the bigger picture of the initiatives working together. Additionally, in order to appropriately integrate the initiatives, this individual must possess a high degree of diplomacy and political courage to communicate the benefits of integration over the perceived downside that one system’s distinct initiative may be watered down as a result.¹³

The “Integrator” plays a role that is distinct from that of consultants as experts, conveners or intermediaries as third-party facilitators, or an advisory board as an arms-length decision-maker. This individual could be a governor, but is more likely an agency secretary who can devote time to communication and strategy sessions. A close relationship with the governor, however, is important in order to coordinate the latest governor’s initiatives with an overarching approach of systems integration. The Integrator identifies leverage points with other agencies, the Governor’s office, and other state-level stakeholders for coordination, and as such must be well-versed in multiple initiatives underway *and* the overarching vision of systems change that benefits end-users. He/she acts as the champion for a united effort across systems to achieve desired change. Such an individual can play a powerful role in integrating sector strategies with low-income advancement policies, including making the case for why each matters to the other.

In *Pennsylvania*, the Governor appointed a new Deputy Secretary of Workforce Development, and charged her with coordinating workforce development policy across six Departments: Labor & Industry; Community & Economic Development; Public Welfare; Corrections; Aging; and Education. Each agency participates in the Governor’s Human Capital Committee, and is directed by the Governor to collaborate to keep Pennsylvania competitive and improve opportunities for citizens. This formal mechanism of collaboration, along with the authority given to the Deputy Secretary by

¹³ Woolsey, L. *Reflecting on Reshaping Michigan’s Workforce Strategy: Lessons for State Policy Change Efforts*, Draft, Corporation for a Skilled Workforce, October 2007.

the Governor, has created one of the most integrated approaches to workforce development and economic competitiveness in the nation.

Why Low-income Advancement Issues Matter to Industry Approaches

Some states involved in sector strategies are highlighting their preparation of a skilled workforce through regional sector initiatives as a component of their business recruitment and retention strategies. Sector partnerships represent nimble and responsive, region-specific workforce development approaches to targeted industry needs. As such, they augment traditional economic development tools such as tax expenditures and business climate improvements toward the goal of retaining, growing and attracting high-growth, often high-skilled industry. With these industries comes regional wealth and prosperity in the form of good jobs, spin-off economic activity, and skilled workers that follow the industry to its new or expanded location.

For all states, if national statistics indicating low post-secondary education completion remain true, two factors threaten this scenario. First, as industries grow they need more skilled workers, the supply of which may be limited from in-state or out-of-state labor pools willing to relocate. Industry may leave for greener pastures. Second, if low skill levels persist in the local population, successful recruitment of high-skill, high-wage industry also brings the risk that a significant portion of a state's existing workforce will be left out of the growth that business recruitment is intended to create. States may see growth in high-wage sectors, but will not see their existing workforce able to take advantage of the good jobs. Without deliberate efforts to include them, these workers will be left to take the jobs they have now – low-wage jobs without benefits or opportunities for advancement. Few will disagree that low-wage sectors (such as the hospitality and service industry) have their place in a state economy. They are good “first jobs,” provide valuable work experience and soft skill development, and fill a specific consumer demand. No state, however, wants to see significant portions of its citizens stuck in these sectors for long periods of time, especially if they are supporting a family or expected to actively participate in the economy. This has led some states, such as *Oklahoma*, to adopt a “Grow Our Own”¹⁴ policy, which considers practices to upgrade the skills of existing workers on the continuum from entry to high-skill.

Sector initiatives address specific areas of skill needs across the pipeline continuum, based on what employers in an industry and region identify as gaps. Skill gaps may be entry-level, mid-level, or advanced. If an industry is suffering from a lack of entry-level workers, the partnership identifies the root cause of the shortage (e.g. Is the public unaware that viable jobs exist in that industry? Are there minimal qualifications that education or training providers do not currently offer in the community?), and develops an appropriate solution (e.g. a marketing strategy or a new industry credential). If mid-level or higher skills shortages exist, often the solution is some type

¹⁴ *Grow Oklahoma Strategic Plan, 2007*, <http://www.growoklahoma.com>.

of on-the-job training that advances incumbent workers. In this case, employers must consider how they will “backfill” the mid- and entry-level jobs that incumbent workers leave behind as they advance. Even when filling immediate training needs at high-skill levels, sector partnerships must always keep an eye on the entire pipeline that feeds the industry, including how to draw on low-skilled, often low-income labor pools for entry-level jobs.

Low success rates in adult basic and post-secondary education by low-skilled, low-income adults exist for at least two main reasons: 1) Low-income individuals face financial and personal challenges that do not allow them to find the time and resources to commit to the regular and long-term education needed to advance in the labor market; and 2) Education and training systems are disconnected from each other, and from agencies and organizations that can provide supports during participation, such as childcare and transportation. Three categories of practices may help to effectively transition previously low-skilled workers to skill levels demanded by industry: 1) The articulation of career pathways; 2) Connections between adult basic or remedial education and for-credit post-secondary education/training; and 3) Support services that increase chances of course completion. Sector initiatives, as local partnerships of multiple systems, are ideal models to implement these practices as part of customized solutions to fill industry skills gaps. States can play a critical role by creating dedicated funding for these practices, and by aligning policies across education, workforce, economic development and human service systems.

Career pathways clearly identify a set of occupations within an industry, the relevant skills needed for each, and the steps (including skill sets, courses, certificates and degrees) necessary to obtain employment in them. When training is designed in tandem with a career pathway, features often include: short, “chunked” modules of coursework (some as short as six weeks) that build on each other toward an occupational certificate or a degree; flexible open entry and exit; non-traditional class times and locations such as evenings, on-line, or on-the-job; transferable credits to longer-term degree programs; and the ability of other education providers to adopt and customize the model and curriculum. Career pathways are a response to the reality of low post-secondary education completion by low-income adults, and the demand by industries for workers with a relevant post-secondary credential (but not necessarily a Bachelor’s degree). States can coordinate career pathway development with their priority industry clusters by using sector models as a mechanism for implementation in local areas. By doing so, the chances that all workers can take advantage of growth in high-wage sectors (and in turn can ensure that those sectors remain in a region) are greatly improved.

Career pathway models are common and effective products of sector initiatives, but without connections to strong adult basic and remedial education systems that prepare individuals to enter into coursework, they may not be accessed to the extent that industry needs for a smoothly functioning pipeline of workers. Integrated remediation

and occupational skills training is one way to address the challenge of low post-secondary credential attainment. Bridge programs between adult basic education and post-secondary education, and between non-credit and for-credit programs are also emerging practices. These replicate dual enrollment models between high schools and post-secondary education. Both practices respond to typically disconnected adult basic education and post-secondary education systems, and to the limited time and resources of low-skilled, low-income individuals to persevere through remediation programs before accessing occupational training programs.

For all individuals, a range of factors influences skill attainment and ability to access education and training. These include stable housing, reliable transportation, accessible childcare, affordable healthcare, financial resources to cover materials and lost work time during class, ability to cope with emotional or social challenges, remediation of basic education shortfalls, and connections to occupational skills training. If any of these are missing, which for low-income individuals is likely, the ability to connect to training and persist until a credential is achieved is compromised. Employers are not set up to deal with these factors. Nor is any state workforce and training system on its own. The sector partnership model can be a solution. Partnerships can connect human service agencies and community-based organizations with training providers and employers to create support packages that increase the chances of completion in education and training. This is true for incumbent workers participating in on-the-job training (post-employment support), or individuals in training or education programs in the community, called “student success support”.¹⁵

Sector Approaches - Under-utilized Tool for Low-income Advancement

Policy makers and program staff involved in assisting disadvantaged populations often are driven by moral obligations to help those in need, but are limited by thin and disconnected resources. The responsibility to assist low-income populations advance does not belong to any single system, but span multiple agencies, including health and human services, workforce development and education. The needs of at-risk individuals are diverse because the population is diverse: dislocated or unemployed workers, individuals with less than a high school degree, persons with post-secondary education but irrelevant skills for a good job, non-English speakers, individuals with disabilities, ex-convicts with records preventing employment, parents working full time but at low wages, disconnected youth, and others. These individuals bounce between systems and community organizations to get their needs met, and often still fall short.

Because most practitioners in the human service field agree that resources fall far short of what is needed to fully assist low-income individuals, an argument can be made that

¹⁵ Strawn, Julie. *Policies to Promote Adult Education and Post-Secondary Alignment*, Center for Law and Social Policy, August 2007.

human service organizations should aggressively pursue sector strategies as effective mechanisms of assistance. The Sector model relies on various partners to work together over a sustained period of time in order to understand the root causes of labor market gaps, including skill shortages experienced by employers and barriers to attaining those skills by local workers.¹⁶ As such, they express an acknowledgement that no system, no employer, and no organization can achieve success alone. Where they exist, sector partnerships are ready-to-use vehicles for local cross-system collaboration, given that the outcomes of such efforts positively impact the employer bottom-line. There is a danger in the perception that these are social programs when in reality they are efforts to meet employer needs.

The benefit of collaboration across systems is that each brings their own expertise and resources to the same table. Human service organizations, especially at the local level, have knowledge about the barriers that low-income individuals face that no other system possesses. Their participation in sector initiatives is therefore key for the in-depth understanding of potential workforce profiles necessary to fill skills gaps. In turn, sector initiatives with strong training components offer tangible ways for human service organizations to help entry-level workers access and advance into good jobs.

Studies indicate that sector approaches are highly effective mechanisms for improving individuals' economic status. A longitudinal study of six sector initiatives found that workers participating in sector-based programs saw their median personal earnings rise from \$8,580 to \$14,040 one year after training, and to \$17,732 after two years.¹⁷ Another study of nine initiatives showed similar earnings increases, and an increase from 49 to 73 percent of participants with jobs that offered health insurance.¹⁸ Few poverty alleviation policies can boast such impressive outcomes. States that are adopting sector strategies have the opportunity to take these outcomes to scale by creating opportunities for local areas to design sector partnerships for critical industries in their region. Taking positive outcomes for workers to scale relies on some level of "systems change," which local sector initiatives and state-level policies can create.

Sector approaches are unique in that they uncover system or policy barriers to industry competitiveness and individual worker success in one industry and one region, and then work across systems and with employers to design strategies to overcome the barriers. These strategies are the result of intense information sharing between employers and systems, and from one system to another. The outcomes of these strategies may be improved behaviors by employers and public agencies. Sector leaders and practitioners identify these as "systems change" elements. If sector solutions to

¹⁶ *State Sector Strategies: Regional Solutions to Worker and Employer Needs*, National Governors Association Center for Best Practices, November 2006.

¹⁷ Conway, M., O'Brien, C., Pindus, N., Haskins, C., Rademacher, I., *Evaluation of the Sectoral Employment Demonstration Program*, The Aspen Institute and The Urban Institute, June 2004.

¹⁸ Public/Private Ventures. *The Final Report on the Charles Stewart Mott Sectoral Employment Initiative*, 2007.

skills shortages are designed without full information and input from any one system, they may miss the mark. Because statistics indicate that nearly half of the current workforce is under-skilled and low-income, human service systems have a critical role to play in promoting systems change. Sector partnerships should be viewed as an effective mechanism for human service systems to be centrally involved in that change.

Promising Examples of State-Driven Policy Integration

If any of the points made so far are compelling to the multiple and relevant systems of state government (economic development, human service, adult basic education, post-secondary education, employment and training), then coordination across systems is possible. State system leaders are in a position to design a policy framework that integrates the goals of supplying industries with skilled entry-level and advanced workers, and citizens with rewarding and family-supporting jobs.

State policy connections are being made in some cases. States are implementing sector policies that bridge post-secondary education and certificate programs with regional labor market demands. State-identified priority industry clusters sometimes guide these sector approaches. States have also designed statewide programs that integrate adult basic education with post-secondary degrees, certificates, or occupational training, making successful acquisition of employer-valued credentials more accessible. Under the new 2006 TANF regulations, individuals can count adult basic or ESL instruction toward their work participation requirements if it is integrated with occupational skills training. Under this provision, more states are taking advantage of TANF funding to implement statewide career pathway programs for low-income and TANF clients. A few states offer examples of state-funded “student success supports” for low-income adults while participating in education or training, a vital but almost always missing piece of worker advancement strategies.

No state is fully implementing all of these pieces at a wide-scale policy level, but some state policies have moved in that direction. Highlighted below are examples of those states, their policies, and the tools they use to incent change.¹⁹ The examples below represent the pacesetters with regards to statewide policies that cut across traditional agency missions and activities.

Michigan: Reshaping the Workforce through an Integrated Agenda

In 2004 the Michigan Department of Labor and Economic Growth (DLEG) released a new workforce agenda for the state, called the *Reshaping Michigan's Workforce Action Plan*. Endorsed by the Governor, the plan represented an ambitious intention to

¹⁹ It must be noted that for the purposes of this paper, the full list of local and state efforts toward aligning low-income worker advancement policies with education systems, and toward aligning education and training with industry demand are not enumerated. Many innovative examples exist.

integrate workforce development, education, human service, and economic development policies into one over-arching strategy. A major outcome was the statewide implementation of local sector initiatives. Using start-up grants awarded via a competitive process, thirty-four Regional Skill Alliances (RSAs) operate in the state. To assist with labor market research and other technical assistance needs, a full time staff of ten state employees is dedicated to working with local RSAs. The state has also implemented programs directly related to low-income and unemployed individuals:

- The Jobs, Education and Training (JET) re-invented Michigan's welfare policy, emphasizing the need for integrated education and work in order to not only attach individuals to the labor market, but also create opportunities for retention and advancement to self-sustaining jobs. Toward those goals, JET offers TANF clients up-front needs assessments, expanded training opportunities, and post-employment supports for up to 180 days. Single service plans across one-stop career centers and local human service departments coordinate client assistance.
- Launched in August 2007, Michigan's No Worker Left Behind (NWLB) initiative offers two years worth of tuition to any unemployed, dislocated or low-income adult toward a degree or certificate in one of the state's high demand occupations, emerging industries, or an entrepreneurship program. The emphasis is on connecting workers to education programs that lead to an employer-valued credential, and a job in a growing sector of the economy.

Washington State: Supporting Low-Income Workers to Enter High-Demand Fields

Since 2000, Washington State has been a leader in sector partnership approaches, competitively funding 41 local initiatives, and establishing 11 Centers of Excellence that focus on building training programs that meet the needs of key economic clusters. The Community and Technical Colleges, Employment Security Department and State Workforce Board jointly oversee the activities. Washington State is fortunate to have a strong partner in the Community and Technical College system, which helped create:

- The Opportunity Grants program, which provides tuition for low-income students pursuing a credential at the Associates degree level or lower in fields that are designated high demand in the regional labor market. Students also receive funding for books and supplies, wraparound student support services, and connections with local business for mentoring and work experience. Students may attend community and technical colleges, private career colleges or approved apprenticeship programs, and may attend part-time. Schools receive \$1,500 per equivalent full-time enrollment.
- The Integrated Basic Education and Skills Training (I-BEST) program, which addresses the transition cliff between remedial and post-secondary programs by integrating adult basic education, remedial, and English as a Second Language classes with skills training in credit-bearing certificate programs that lead to high

wage occupations. Coursework is short, ranging from one to three quarters, and is co-instructed by ABE/ESL and occupational instructors.

Pennsylvania: Making the Industry Partnership Model Business as Usual

Pennsylvania currently supports 91 Industry Partnerships (IPs) under their statewide sector strategy. Most IPs are convened by local workforce investment boards (Iwibs). Through regular activities to build sector capacity of Iwibs, other conveners, and partners, the state has made sector approaches a central feature of workforce and economic development. Capacity-building efforts to Iwibs include a set of performance requirements for Iwibs (that qualifies them for additional funding opportunities) that push sector theory and practice. Two features of IPs directly address issues of low-wage advancement. First, Pennsylvania used a rigorous process to identify nine industries in the state that are most likely to grow, and the occupations most likely to provide family-supporting wages and opportunities for advancement. Local IPs must target these industries, unless they can justify another industry using the same rigorous approach. The high-wage, high-growth criterion generally leaves low-wage sectors such as hospitality and tourism out of state-supported assistance. Second, while most IPs focus on incumbent worker training, prospective IPs that focus on low-wage workers and TANF recipients are given priority during annual selection for state funding. This builds in an expectation that connections to entry-level workers will be designed and implemented. Pennsylvania also provides Workforce Advancement Grants of up to \$3,500 per year for adult students pursuing education and training in more than 150 identified high-demand occupations.

Illinois: Building Bridges and Providing Financial Support to Low-Income Workers

The Illinois Critical Skills Shortage Initiative targets the manufacturing, healthcare, and transportation industries across the state through 87 state-funded sector partnerships, known as Critical Skills Alliances (CSAs). The initiative also supports a general education development (GED) bridge program that integrates manufacturing terminology, concepts and skills with basic education instruction. Through the Monetary Award Program (MAP), Illinois additionally supports working adults by covering tuition and fees for individuals without a Bachelors degree, including those attending less than half time.

Massachusetts: Taking Sector to Scale Based on a Long History of Worker Support

Massachusetts has a 25-year history of state-supported sector initiatives, uniquely operated by a quasi-public entity that today is known as the Commonwealth Corporation. The rich history of sector success played a significant role in securing \$11 million for a new Workforce Competitiveness Trust Fund (WCTF), a new mechanism to implement local sector initiatives in critical industries across the state. The Massachusetts Legislature established the WCTF with two goals in mind: 1) To improve the competitive stature of Massachusetts businesses by improving the skills of current and future workers; and 2) To improve access to well-paying jobs and long-term career

success for all residents of Massachusetts, especially those who experience structural, social, and educational barriers to employment success.²⁰ The Commonwealth Corporation also oversees the Extended Care Career Ladder Initiative (ECCLI), a statewide sector approach that provides training to individuals to become direct care workers. ECCLI incorporates ESL and adult basic education into training, and funds worker needs assessments and post-employment supports.

Kentucky: Strong Career Pathways Targeted at Low-Income Workers

The Kentucky Community and Technical College System (KCTCS) awards grants to colleges to create career pathways in local high-growth industry sectors. Colleges are required to apply in partnership with local employers, workforce investment boards, economic development agencies, and other stakeholders. Partnerships must identify clear connections between academic credentials and jobs; design bridge programs between remedial education and credit-bearing courses; and provide strong student support services. The grants align with the statewide Ready to Work (RtW) program, which authorizes TANF clients to fulfill up to 24 months of work participation requirements by studying at community or technical colleges in remedial or credit-based technical courses. Clients are considered post-secondary education students, even if enrolled in adult basic education, and therefore are eligible for financial aid. State TANF funds also pay for an on-site case manager to coordinate student support services.²¹ In addition to the Career Pathways and RtW programs, Kentucky is one of a handful of states adopting a policy to enable employers to address remedial needs by their workers by reducing or eliminating restrictions on incumbent worker training funds that disallow use of funds for adult basic education or ESL instruction.

Across these examples is a set of policy tools, or identifiable methods through which collective action is structured, that help to integrate the sector approach with practices for low-income advancement.

Tool Box for States:

- *Formalized cross-cutting policy agendas* supported by the governor;
- *Competitive awards* with funding requirements that support state policy directions;
- *Capacity building and technical assistance* to agency and program staff;
- *Performance requirements* that drive agency and local behavior toward policy integration;
- *Rigorous analysis of industries* that will grow good jobs for residents;
- *Coordination of priority industries* across economic development, workforce development and education;

²⁰ *Workforce Competitiveness Trust Fund Application for Funding*, January 18, 2007, Commonwealth Corporation.

²¹ Conway, M., Blair, A., Dawson, S, Dworak-Munoz, L., *Sectoral Strategies for Low Income Workers: Lessons from the Field*, Chapter on Making it Work for Workers, 2007.

- *Engagement of organizations* that serve low-income populations;
- *Reduced or eliminated restrictions* on business to directly provide remedial education to employees; and
- *Flexible eligibility for financial aid* to part-time or less than part-time students.

Still Falling Short of the Needed Scale of Change

Even the examples above fall short of fully closing the gaps for low-income and low-skilled individuals. Below are scenarios of why these initiatives *may not* have the broad impact needed to achieve wide-scale change:

- A state has implemented statewide sector strategies, integration of remediation and occupational skills programs, and provides tuition and student supports to low-income individuals pursuing a credential in high-demand occupations. The framework is almost complete, except the economic development agency and higher education department did not coordinate their target industries (one for “industry cluster” strategies, and one for “career cluster” strategies), and neither used the prevalence of high-wage occupations as a criteria for industry selection. This missed opportunity expresses itself at local levels in a disincentive by economic development entities and community colleges to work together, based on misaligned priorities in their respective state agencies. Additionally, the reality of remediation and student support programs is that they are reaching small numbers of adult learners, due to the reliance on college or one-stop career center staff to sign students up for the programs. The largest proportions of under-skilled adults remain un-engaged.
- Another state has implemented statewide sector strategies, made the tough decisions required to use public dollars to support only high-demand *and* high-wage industries, and also provides tuition support to low-income individuals in those target industries. But missing from the policy framework are any connections to organizations knowledgeable about the needs of low-income workers, and linkages between remedial and post-secondary education. Without these connections on a wide scale, state efforts may essentially squeeze out the population currently earning wages that the state’s “no low-wage industry” policy is intended to avoid.
- Yet another state has tapped their community and technical colleges to implement employer-driven career pathway programs in high-demand industries for low-income individuals, including student support packages, integrated remedial and occupational coursework, expanded access to financial aid, and allowances for welfare recipients to count education toward work participation requirements. In this state, despite the partnerships of colleges and employers to develop career pathway training, the missing factor is a sector strategy infrastructure that addresses both training and non-training needs of employers. For many employers involved in sector initiatives, retention of entry-level workers is a significant challenge. Low-income workers, even with relevant credentials, may still need support in an entry-

level job. Post-employment support packages can be the solution, but do not fall within the purview of a community college.

Missing in each of these scenarios is the element of “systems change,” or the concept that despite apparently sound policies or programs from individual agencies, the “system” may not serve its customers (employers or workers) effectively. Implied here is a single definition of either an industry’s “education and training system” or an individual’s “work and learning system” as a coordinated effort by education, workforce development, economic development, human services, employers and industry, and other relevant stakeholders. The interaction among these entities determines if an employer gets their workforce needs met, or if an individual gains new, job-relevant skills. The *changes in interaction* among these entities from isolated to inter-connected policy-making are examples of “systems change.”

Possible Indicators of Systems Change²²

- Achievement of Scale: How many individuals and employers are impacted?
- Shared Learning: Have previously un-recognized barriers to industry competitiveness or career advancement been discovered?
- Changed Behavior: Have public systems, industry, and/or worker populations changed how they interact with each other?
- Innovation: Are there examples of new practices that meet the needs of industry and individual workers?

At local levels, coordination, learning, and changed behavior across agencies may happen based on a mutual recognition of need. For example, a local community college may work closely with a one-stop career center and an employment security office to make sure that individuals seeking a job are referred to the most appropriate service. However, coordinated efforts at local levels remain isolated pockets of success if state agencies are not coordinating (and changing behavior) along similar lines.

Sector initiative activities fall under the purview of several state agencies, including economic development, education and training, temporary assistance, adult basic education, and human services. States and Governors can therefore align policies across these agencies to support a re-imagined “system” of work and learning for individuals, and skills-based economic development policies to support industry. This might require re-defining agency missions, reallocating resources, and/or reorganizing agencies toward a goal of establishing a culture of cross-agency collaboration. It is fair to say that a full framework for the scale of change needed to transition the large populations of under-skilled adults into good jobs will not happen without strong state requirements for systems coordination.

²² Adapted from performance measures drafted by the cross-state Evaluation Workgroup of the National Governors Association Learning Network “Accelerating the Adoption of State Sector Strategies,” September 2007.

Conclusions

Despite gaps and yet-to-be realized scale, key components of a full framework that integrates industry-focused sector approaches with low-skilled worker advancement policies are emerging across the country. This is illustrated by the examples in Michigan, Washington, Pennsylvania, Massachusetts, Kentucky, and other states. As more is learned through collaborations among key institutions, and as policy makers develop more familiarity and expertise about what different approaches and stakeholders can bring to the table, the full framework may be realized.

The strength of sector approaches is their ability to understand their target industry and to work effectively with business to identify and fill workforce needs, but industry competence is not sufficient.²³ . Because low-skilled labor forces are the norm, not the exception, across the country, sector partnerships as conveners of employers and public systems, and facilitators of customized solutions, must also understand how to best tap low-skilled worker populations. This requires deep understanding of their unique needs and barriers to advancement. Successful entry into training, a career pathway, and a job depends on successful transition out of adult basic education, or equivalent remediation of basic knowledge. Success in any education or training program for low-income workers depends on their ability to stay engaged through program completion. This means getting adult learners through programs faster, providing more and flexible financial aid, and offering sufficient additional supports such as childcare, transportation, stipends for materials, counseling, and peer support.

Sector partnerships offer a natural model to pull these multiple pieces of the framework together. To truly meet the short- and long-term needs of industry, states implementing sector, or similar, strategies have an obligation to deepen connections with systems and organizations that traditionally assist low-income persons. In turn, human service policy and program leaders should not underestimate the power of the sector approach to lift individuals out of poverty or low-wage jobs, and should pro-actively bring their knowledge to state and local sectoral efforts.

²³ Conway, M., Blair, A., Dawson, S, Dworak-Munoz, L., *Sectoral Strategies for Low Income Workers: Lessons from the Field*, Chapter on Making it Work for Workers, 2007.