

# The *Skills* Crisis

## Building a jobs system that works

*How do you help a welfare recipient and a CEO at the same time?*

Hint: It has nothing to do with taxes.

In every corner of the economy, across political and class lines, Americans are starving for job skills. The issue has reached a flash point—there is nothing that businesses, workers or the unemployed need more—and this presents a tremendous opportunity for New York City and the nation.

It's an opportunity we can't afford to miss. The skills deficit has already become a national crisis, sparking the interest of federal lawmakers, but New York's public officials, like those in many other parts of the country, haven't even begun to address the issue.

Part of the problem is the solution itself: Worker training and education hasn't been a government priority since FDR, and it has gained an image as a socially liberal, largely ineffectual attempt to persuade the indolent that work won't be as bad as it sounds.

In the Information Age, however, job training can no longer be dismissed as a feel-good favor to the downtrodden. It is now, at every level, a business necessity. Technology is changing at warp speed, businesses are emerging and growing faster than ever, and there simply aren't enough skilled workers to go around.

# The Skills Crisis

*continued from page 1*

Desperate companies are offering higher and higher salaries to qualified workers, and using every means at their disposal to fill vacancies—including lobbying Congress to import skilled workers from overseas. The welfare rolls have shrunk dramatically, but many of those entering the workforce remain in poverty because they don't have the skills to fill jobs that pay decent wages. And millions of Americans are losing ground by the day because they cannot keep up with industry innovations and technological advances on their own; instead of moving up, they are stalling out, and as they get left behind, so do the companies they work for.

"The truth is, employers are hiring a lot of people without the right skills, and they're limping along," says Mark Elliott of Public/Private Ventures, a policy institute focusing on workforce development issues.

It's hard to compete in the global economy if you're hobbled by a lame workforce.

Most importantly, this problem will not go away. In an era defined by technological innovation and advances, the demand for skilled workers promises to only grow over time. And nowhere is the skills crisis hitting harder than New York City where our new economy features the nation's steepest wage disparities and persistently high rates of poverty. Yet instead of facing the problem, officials in Albany and City Hall are studiously ignoring it.

Instead of expanding and improving skill-building services, the city has concentrated them in the hands of an agency mired in contracting scandals. And, in the federal government's view, New York has not complied with the new federal Workforce Investment Act, under which New York should have had a whole new skill-building system up and running by July 1. New York City welfare officials have refused even to begin the planning process—and hundreds of millions of dollars in federal funding are now in jeopardy as a result.

This lack of response to a direct call to action suggests that our leaders simply do not take the issue seriously—and that they fail to understand the consequences of disregarding it.

There are other states, however, that understand the implications of our nation's skills crisis. And their leaders are working aggressively to solve the problems on behalf of their workers and their businesses.

Indiana recognized that if it didn't close its skills gap, it would not be able to sustain its recent economic growth, so it set out to create a more educated workforce. Toward that end, it has offered to subsidize college courses, GED classes, approved certification programs and approved apprenticeships for 100 percent of its workers.

Texas has capitalized on its success in reducing its welfare rolls by taking its resulting Temporary Assistance to Needy Families (TANF) surplus funds and pouring them into the next phase: workforce development. It has cleaned up its formerly incoherent, inefficient system and fostered a slew of responsive, service-based local agencies that do whatever is necessary to help workers and employers connect successfully.

New York cannot rest on its economic laurels or become complacent over its accomplishments with welfare. As Indiana and Texas recognized, these successes will not last long if government fails to take the next step. We must begin this work today. ♦

1

Introduction:  
The Skills Crisis

3

Recommendations

4

The National Skills Gap  
We've Got a Real Aptitude Problem

6

Help Wanted:  
The Skills Gap in New York City

8

Checked History

An Invitation to Reform:  
The Workforce Investment Act

10

Order Out of Chaos:  
The Challenge in New York

11

Education Pays  
The Fruits of Labor

12

Problem, What Problem?

13

Q&A: Hudson Williams'  
Nell Cote

14

Jobs Well Done:  
What the Leading States are Doing

17

Getting New York into Working Order

20

Sources and Resources

2

# Recommendations

The Center for an Urban Future has spent the past 14 months studying the sprawling world of workforce development. The following four recommendations are concrete steps New York City could take right now to address its skills gap—all we need is the will to do so.

## 1

### Champion the issue

The skills crisis is real, and it affects everyone, but nothing can be done about it without leadership. The governor can begin by initiating an annual State of the Workforce address, and the mayor should help fill in the governor's broad picture with quarterly status reports on economic and workforce issues. The state and the city's major business organizations must support government's initial efforts by continuing to press for reform, and by helping to fund the programs or initiatives that would best serve employers' needs.

## 2

### Create new state and city workforce agencies

The state must streamline the current unwieldy and wasteful system by organizing and accounting for all job-training dollars under a single umbrella agency, and then distributing those funds to the localities. New York City should then form its own new agency to coordinate and oversee the city's skill-building system in order to provide desperately needed labor-market research, and to expand the traditional scope of job training by building bridges to the Board of Education, the City University of New York and union-backed training programs.

## 3

### Take advantage of the federal Workforce Investment Act (WIA)

WIA offers New York an opportunity to do what we need to do anyway—create a comprehensive, coherent job-training and worker-education system that serves both business and labor. The city should adopt key aspects of the federal legislation, including creating a network of one-stop job centers throughout the five boroughs; linking programs that reach all workers and employers—such as Pell Grants for college tuition and incumbent-worker training for small businesses—to traditional job training; and using the federally mandated workforce boards to connect business leaders to the many programs the public sector already offers.

## 4

### Encourage training providers to form networks

Reform will likely create an even more competitive environment among training providers than already exists. Community-based nonprofits, which provide vital points of entry to people in need of services, will be in danger of being crushed by new contracting reforms. To prevent this, providers at all levels should be encouraged to form vertical alliances and to compete for contracts as networks, with each organization specializing in the kind of services it provides best.

Center  
for an  
Urban  
Future

The Center for an Urban Future is a policy institute dedicated to aggressively pursuing solutions to the most critical problems facing cities.

Kim Nauer, Executive Director  
Neil Scott Kleiman, Director  
Jonathan Bowles, Research Director  
David J. Fischer, Project Director

This report was written by Neil Scott Kleiman and Andrea Coller McAuliff with Liza Featherstone. Additional research provided by Jonathan Bowles and Laurel Tumarkin. Additional editing provided by Glenn Thrush and Andrew White.

This report was made possible with the generous support of the Chase Manhattan Foundation and the New York Community Trust.

For more information, call 212.479.3353  
Visit our website at [www.nycfuture.org](http://www.nycfuture.org)

## The National Skills Gap

# We've Got a Real Aptitude Problem

*Our government leaders want nothing more than for the economy to continue to grow and for welfare rolls to continue to shrink, yet they have barely begun to acknowledge the skills gap, which directly affects both goals.*

### What Businesses Are Facing...

"Finding and keeping good workers is one of the greatest challenges facing business today," says Thomas Donahue, president and CEO of the U.S. Chamber of Commerce. "One of the Chamber's top priorities is addressing the impending worker shortage."

As the Chamber of Commerce president's statement suggests, business is already way ahead of government in acknowledging and addressing the skills crisis. Over the past 30 years, private industry has increased spending on employee training dramatically, devoting as much as \$370 billion toward these efforts last year alone. Businesses now pay for nearly 50 percent of all work-related training and education courses taken by adults.

The trouble is, it is not enough.

- According to a 1997 Hudson Institute Workforce 2020 report, 90 percent of all businesses said employees need to improve their computer skills, and 60 percent said employees need to improve their analytical skills.
- Back in 1997, a National Association of Manufacturers survey found that 88 percent of its members reported a shortage of qualified workers—and these figures were reported long before the kind of worker shortages we're seeing today.
- In a survey conducted this April, the Information Technology Association of America found that half of the 1.6 million jobs expected to be created over the coming year will remain unfilled because of a lack of qualified workers.
- Bureau of Labor Statistics data suggests that the need for computer technology and systems analysts will double by 2008, increasing from 1.4 million to 2.7 million—yet the number of people pursuing computer-science degrees is declining.

So in addition to doing their best to train under-qualified people, businesses are trying other tacks: Some are merging and acquiring one another purely to gain access to more skilled workers; others have gone so far as to lobby Congress to bring thousands more workers to the United States from abroad. Congress is currently considering a bill backed by the American Electronics Association and the National Association of Manufacturers of America that would lower visa restrictions for the next three years, allowing more than 200,000 skilled computer workers to immigrate and fill long-empty job slots.

Perhaps worst of all, in a 2000 survey, the Employment Policy Foundation found one-third of businesses polled said they would move operations overseas if qualified workers were not available in the United States. "Without qualified workers, they have no option," says foundation President Ed Potter.

### What Workers Are Facing...

On the other side of the equation, of course, are the workers. Although business spends billions each year on training for its employees, most of that money comes from the biggest corporations, and the lion's share of that goes to training at the top of the ladder. All those ads in the paper that say "College Grad" mean "We will train you." But they also mean, quite literally, "Those without a Bachelor's degree need not apply."

A 1999 study conducted by Public/Private Ventures noted that less than 1 percent of companies accounted for 90 percent of all dollars spent by business on training, and that most formal training was given to people already employed in managerial, technical or professional positions.

Government, on the other hand, has always focused its job-training efforts on the bottom of the ladder: low-income and disadvantaged workers. It has channeled its energy into developing the skills that allow people to enter the workforce—not into maximizing their abilities or earning power, or into directing them toward growing industries.

Because of this narrow view of job-training, we are not using the resources we already have to move capable people up the jobs ladder.

Right now, about 40 percent of working welfare recipients earning less than \$200 a week *already have* the skills they need to earn twice as much, according to a 1999 study by the Educational Testing Service. What they need is better career counseling and job placement.

But the crux of the problem is that the vast majority of workers have no access to job development resources of any kind. Low-skill workers who support themselves and their families without government assistance—or who work for smaller companies that can't afford to train them—are left without help from either business or government. They must find a way to improve their skills privately or get left behind in this increasingly knowledge-based economy.

Those with the means to seek out their own training are playing a risky guessing game: Without access to information about what industries are growing or where the jobs are, workers often go through programs only to discover that there are no jobs in their new field, or that the positions available don't pay any better than their old jobs did. And those who don't have the time or money for private training are simply out of luck.

The days of the gold watch are over: The average person can now expect to change jobs many times over during the course of his or her life. Yet the current job-training system doesn't serve the average person at all. ♦

# New York City

## *Snap Shot:*

### MOVING BACKWARD

Neil, an immigrant from Trinidad, has been through two technical training programs. He has an auto diesel certificate from the Airbrake Mechanical School and an electronic technician's certificate from the Merrill Lynch Technical School. But he hasn't been able to find a steady job with decent wages.

Not that he hasn't tried: He has worked as a general handyman for a recording studio, an "electrical helper" for the Kings County Psychiatric Center and an electrical technician at the Interfaith Medical Center.

He also worked for a security company briefly in 1986. That's probably the reason the Human Resources Administration referred him to a Brooklyn security-guard program—but the training is a step back for him. The average wage program graduates earn is \$6 an hour, with no benefits. Instead of helping him form a plan of action and build on the technical skills he already has, the system just wants to place him—even if it's in a job that he's overqualified and underpaid for.

### SINGING THE BLUES

When Nieves got a letter from the city welfare department telling her that she had to attend job training or lose her benefits, she says, "I was happy, because I really wanted a job, and I needed some training." She enrolled in a program as a Work Experience Program (WEP) participant, hoping to learn computers. For the first few weeks, Nieves was allowed to take computer classes two days a week, but then she was involuntarily transferred to another "job training" program in the same organization—a music course.

Nieves still shakes her head at the memory. "You think I'm going to get a job singing?" she asks. "I think these programs are run for the instructors—so they have a job. They say they are going to teach you, but you don't learn anything."

“

The days of the gold watch are over. The average person can now expect to change jobs many times during the course of his or her life. Yet the current job-training system doesn't serve the average person at all.

”

# Help Wanted:

## The Skills Gap in New York City

Nowhere is the skills crisis hitting harder than in New York City. There are tens of thousands of job-seekers in the Big Apple, yet businesses in all five boroughs are starved for qualified workers, and many have long-term vacancies.

"It's getting pathetic out here, to be sitting on dozens of jobs and no people [to fill them]," says Marty Stillwell of A.K.M.S., a headhunting and consulting business in Manhattan. "I recruit for financial jobs and management, and the Internet has scooped up a lot of the jobs. The over-\$45,000 range is the toughest. Clients are making do with less and less-skilled workers—they're more willing to take a chance.

"We need everyone from entry level to CFOs."

The shortage of employees is taking a particular toll on smaller high-tech businesses, which have been largely responsible for the national surge in economic growth. Toni Molodowitz, founder of Advantageware, a small Manhattan firm that does software consulting for big business, says the lack of skilled workers has forced her company to turn down contracts.

"We need specialized skills, and we can't pay all the money to train people," she says. "We're not an Arthur Andersen consulting that can go out and raid all the good people from Harvard." She notes that her company has also lost some business to firms that have left the country. "Increasingly firms are going offshore," she says.

Kenneth Adams, president of the Brooklyn Chamber of Commerce, which is actively involved in job placement, particularly for blue-collar industries, reports that his

members have many job openings that the chamber can't fill. "You have high unemployment and a lot of companies looking to hire. Yet we still have trouble finding good, qualified people," he says.

Queens businesses are faring no better. In a survey of manufacturing companies completed in February, the Queens Overall Economic Development Corporation found that 42 percent of employers polled said that access to good employees has worsened over the past five years, and less than 15 percent said it has gotten any better. Among the main barriers to employee recruitment, said business owners, were poor language skills, a lack of vocational training and the absence of "any coordinated public sector response to provide coordinated services that could match employers with employees," according to the report.

In other words, many workers lack the skills businesses need, and the city lacks a system to bring qualified applicants and businesses together.

IT'S EASY TO UNDERSTAND WHY the burgeoning computer and information-technology fields would need especially high-skilled workers, but the scores of blue-collar and service job openings in Brooklyn and Queens present more of a puzzle. As it turns out, these businesses also need more sophisticated and technologically savvy employees than they once did.

Take the aviation industry, which employs 47,000 people at the two airports in Queens, as well as 270,000 in aviation-related jobs throughout the city. It offers many traditionally

6

## New York City *Snap Shot:*

### PLAYING BY THE RULES

Jerry, a former tool-and-die maker at the 70-year-old Swingline factory in Long Island City, sits through his mandatory ESL class, although he immigrated from Germany in the 1970s and speaks English like a native. Jerry, who was laid off with 486 others when the factory moved its operations to Mexico last year, was interested in computer training. He's entitled to it under NAFTA's Trade Adjustment Assistance Program, which offers job training to workers who lose their jobs thanks to the free-trade agreement. But the training program he's found requires him to spend two days a week in the ESL class. So he goes.

lower-skilled positions, including baggage handlers and cargo loaders—but more and more of the jobs in cargo loading and unloading require some computer skills.

Or consider the automotive companies in West Brighton, Staten Island. “There’s no such thing as a low-skilled job anymore in the automotive industry,” says Susan Meeker, executive director of the West Brighton Local Development Corporation. “The skills needed today to diagnose and repair automobiles have changed dramatically. Automobile technicians today have to be technically skilled about what’s under the hood, and they have to understand computers.”

Computer skills are increasingly in demand just about everywhere, but companies also want workers with more general education as well. Larry Atkins, the secretary/treasurer of Local 3 of the Bakery, Confectionery and Tobacco Workers Union, says the union just received a federal Labor Department grant to set up a program to provide skills training to bakery workers.

“There’s a big void in training programs to upgrade the skills of bakery workers in New York,” he explains. “Most of the jobs in the industry are being filled by newly

“There’s a need  
for people with  
supervisory,  
computer and higher  
level craft skills.  
Right now, there’s no  
place to go out and  
get those skills in  
New York City.”

arrived immigrants who are lacking in [English] skills and basic remedial skills. Also, few of them have their GEDs. At many of the higher-level bakeries, like Drake’s, Entenmann’s and Wonder Bread, you need a high-school diploma or GED to get a job there.”

WITHOUT CONTINUED TRAINING, even qualified workers don’t stay qualified for long. “For manufacturing or technology, skills training is super important,” explains Matt Mitchell of the Industrial Technology Assistance Corporation.

“There’s a particular need for skills training for the incumbent worker—the person already in a job who needs to find a way to move up in the company. There’s a lack of people with supervisory or computer skills and higher-level craft skills,” says Mitchell. “Right now, there’s no place to go out and get those skills in New York City.”

Mitchell cites the woodworking, metalworking and tool-and-die fields as examples, but added that most industries need access to this kind of training for their workers.

“New York’s manufacturing sector has a lot of potential, but it is missing the skill sets in production management, computer skills, e-commerce and advanced craft skills to put the sector on the high road,” he says. ♦

---

## UNTAPPED POTENTIAL

Steve, a graphic designer, knows the software he’s been working with for the last several years like the back of his hand. They are still the industry standards, and they get him magazine work and other layout jobs, but with a little training, he says, he could be making a lot more money. “There are better jobs for people who have updated their skills to include HTML and web design—it makes you more attractive to a client or a company,” he explains. “If you walk into a place and tell them you can program and maintain and update their web site, you can raise your hourly rate big time. Anyone who can do what I’m doing can do the web stuff—it just takes time to learn it, and experience using it.”

## Checked Past

*How did we get into this predicament? Job training has long been a government backwater, receiving marginal support from Washington and, until recently, virtually none from state and local governments. Since the mid-1960s, job training has been treated as a second-rate system that has nothing to do with the American mainstream—including mainstream education. The need for good job training has often provided an easy opportunity for public officials to earn quick political points by “reinventing” the whole system, but unfortunately these programs are rarely seriously re-evaluated.*

### 1920-1960's

As with many social and economic policies, public job training has its roots in President Franklin Roosevelt's New Deal and the blizzard of federal programs generated under his administration. During the Great Depression, FDR erected the largest public-service employment program in U.S. history, which at its height encompassed 6 percent of the labor force. Most of these employment opportunities were viewed as honorable temporary occupations for millions of jobless people. The New Deal also created a federal labor office and counterparts in the states, including New York's Department of Labor.

### 1960's

Moving away from public jobs for displaced workers, President Lyndon Johnson's administration shifted the focus of employment programs to the chronically unemployed, beginning what would become an enduring trend. As part of his War on Poverty, Johnson also used the recently passed Manpower Development and Training Act to better prepare those at the bottom of the economic ladder.

## An Invitation to Reform:

### The Workforce Investment Act

The federal Workforce Investment Act, which went into effect July 1, represents a fairly radical change in attitude, but it is not a radical document. The new law prescribes many specific solutions, but mandates very few of them—it is more like an invitation than an order to reform.

John Donahue, a Harvard professor and one of the original architects of WIA, admits that “there are few requirements and a lot of exhortation in WIA. When you get to the fine print, you see how the many musts are really, ‘We think this a nice idea.’”

In addition to articulating the federal government's new attitude toward skills training, WIA is important for one key reason: It hands over workforce development to the states. For most of its history in the United States, job training has been a federal issue, but now job-training monies from virtually every agency are open for restructuring by the states. Some have dismissed WIA as toothless because of its lack of mandates, but the looseness of the law means that states can build their new workforce systems without cookie-cutter constraints, allowing them to design plans that are genuinely responsive to each locality's needs. And although WIA may be little more than a list of legislative suggestions, they are mostly good suggestions that can serve as useful guideposts.

What follows is a summary of the major goals of the federal WIA legislation:

**Coordination of Services.** Most government services fall under one or two agencies—for example, education is the

responsibility of the Education Department in Washington, D.C., and the Board of Education in New York City. This is not the case with workforce development, which spills over into a few dozen agencies. After more than 50 years of scattered programming, WIA's intention is to have states streamline the whole system by documenting where the money is, connecting programs that logically fit together and eliminating those that are duplicative.

There are two ways in which services are to be coordinated. One is through newly empowered Workforce Investment Boards (WIBs) that are charged with determining where the money is and how best to use it. Once they have done so, new one-stop centers will administer the money. The one-stops will coordinate all training at the consumer level, connecting employers and job-seekers to the right programs. In sum, the boards dictate how to consolidate and use all training monies, and the one-stops implement the new system.

**Universal Access.** Since its inception, job training has been labeled training for the poor. It is seen as a last-resort boost for those who cannot gain a toehold in the local labor market. Rather than maintain a loose assemblage of training programs for low-income job-seekers, federal lawmakers wanted to create a system that makes services available to everyone—low- and high-skilled workers, and even employers.

Universal access is embodied in the one-stop centers. The one-stops are supposed to be a resource for everyone: recent college grads, welfare recipients and high-tech workers looking



## 1990's

## 1980's

## 1970's

Presidents Richard Nixon and Jimmy Carter both made their marks on employment training with the Comprehensive Employment and Training Act (CETA). Originally, CETA was used by Nixon to issue block grants to the states, to allow for greater flexibility in the services being offered. Under Carter, CETA again became a public-sector job-creation program (although on a much smaller scale than under the Roosevelt administration) to mitigate the effects of the 1974-75 recession.

President Ronald Reagan joined a growing chorus of government critics who derided CETA as government make-work, and he too decided to overhaul the nation's jobs program. In 1982, Reagan championed his training model with the passage of the Job Training and Partnership Act (JTPA). The new act completely eliminated public-sector employment under CETA—the program's most expensive component—and focused the shrunken pot of funds on training and placement. JTPA also included a call to measure provider performance, and it called for business involvement through newly created Private Industry Councils.

President Bill Clinton, aided by a Republican Congress, joined the previous string of presidents in calling for a complete overhaul of training programs with passage of the Workforce Investment Act (WIA) in 1998. WIA was inspired by the lack of coordination or logic in the by-now 163 scattered job-training programs funded through various government agencies. WIA's goal was to consolidate these programs through career centers and provide training vouchers to clients as a form of consumer choice.

In 1997, only about one-half of 1 percent of adults eligible for services under the federal job training system actually received job training. Of those served by the system, 65.5 percent were employed at follow-up, earning an average hourly wage of \$7.52. That was 20 cents an hour below the \$7.72 poverty threshold for a family of four.

—Sar Levitan Center for Social Policy Studies

for their next jobs. The one-stops are intended to draw in this diverse constituency by offering a wide array of programs, and staff expertise in areas ranging from Pell Grants for education to computer programming. Beyond the diverse programs and the smart staff, the one-stops are also to possess state-of-the-art information systems that rate every nonprofit and for-profit program in the city.

**Work First.** “Work first” is now a component of most social-service reform. It is an approach to employment training that calls for placement in a job—any job—before training or any other service is offered. There is debate within the federal government about whether work first is truly one of the intentions of the new law, but, as explained below, certain provisions clearly emphasize a strong work ethic.

There are three tiers of service available at the one-stops, with training available only at the final tier. Anyone coming into a one-stop for assistance must exhaust the first two levels before they can receive actual training. The first tier is Core Services, and it offers the basics—assistance with looking through the help-wanted section of the paper, or information on areas of growth in the local economy, for example. The next tier is referred to as Intensive Services, and it consists of job counseling and very basic job-readiness preparation. The last level of service is traditional subsidized training, and it is to come in the form of vouchers.

**Consumer Choice.** Job-training critics have long contended that the field is full of ineffective programs that do little to

impart marketable skills or match workers with the right employers. WIA proposes to eradicate ineffective training by offering consumer choice to the job-seeker. The days of ongoing contracts to the same programs will end, and a potential worker will be given training vouchers to spend on any program he or she chooses. This will give options to job-seekers and inject much-needed competition into an ossified system.

Training vouchers dispensed at the one-stops are the vehicle for delivering choice. President Clinton was not fond of using this politically loaded term, and referred to them as skill grants, but vouchers they are, and vouchers they are called by all charged with implementing reform. The vouchers are synonymous with the third tier of services offered by the one-stops, and they can be used for services offered by any eligible provider.

**Employer Participation.** Getting busy business executives involved in the often bureaucratic and ineffective government job-training sphere has thus far proved to be an unworkable arrangement. The new federal law tries once more to include business and labor directly in decision-making and planning for the new program. WIA calls for the creation of brand new boards called Workforce Investment Boards, or WIBs. Similar to the JTPA Private Industry Councils (PICs), the WIBs are to be composed mainly of people from the private sector. The primary difference now is that, in addition to overseeing the new system, WIBs are also charged with helping to coordinate and plan it as well. Whereas the PICs were a checkpoint in the process, the WIBs are supposed to be there every step of the way. ♦

# Order Out of Chaos:

## The Challenge in New York

Meet the Department of Employment, the agency long charged with handling workforce issues in New York City.

In interviews for this report, officials from the Koch, Dinkins and Giuliani administrations uniformly described the DOE as so irrelevant that they “never paid attention” to it.

Workforce development is not irrelevant, however, nor is it a penny-ante game. Business is spending billions on countless private initiatives, and New York state spends over \$1 billion annually on 70 different programs run through 15 state agencies.

The city pulls down a large portion of that money, and its system is equally scattered. Training programs in the Big Apple are offered by institutions as diverse as CUNY and the Department of Corrections. Many of these institutions and programs, both private and public, are totally disconnected from one another, and from the DOE, although it purports to be the hub of such services in the city.

Because the DOE is federally funded and monitored, and because it has a relatively small budget—about \$140 million—both Albany and City Hall have all but ignored it since its inception in 1966, when it was established as a division of the Human Resources Administration, primarily to administer employment programs launched during the War on Poverty.

In 1983, when Congress passed the Job Training and Partnership Act (JTPA) under President Reagan, the DOE was charged with running the JTPA-funded programs, which serve disadvantaged adults, “dislocated” workers—those who have been laid off or have lost their jobs due to business or plant closings—and low-income youth. Three years later, the DOE became an autonomous agency—but not a more effective one.

A 1996 New York State Comptroller’s Office report on job training condemned New York City’s extremely poor track record, pointing out, among other failures, that the majority of the participants in the city’s JTPA programs did not get jobs upon completing them, and that the programs were therefore not

cost effective. Also, the report noted, the DOE failed to properly monitor activity: Some 83 percent of paperwork used to evaluate the programs was missing; contracts were renewed despite poor performance. The report cited one provider whose contract was renewed despite two negative evaluations from DOE and on both the local and the state levels, placement statistics were overstated.

THINGS COULD HARDLY GET WORSE, AND YET they have. Under Mayor Giuliani, the department has become even more impotent. As part of the mayor’s campaign to shrink the welfare rolls, the Giuliani administration shifted \$30 million in JTPA job-training contracts serving disadvantaged adults to the Human Resources Administration (HRA) last year, which Commissioner Jason Turner then channeled into welfare-to-work contracts. HRA is the same agency that inexplicably sat on \$120 million in welfare-to-work money that should have paid for training for 20,000 public-assistance recipients between 1997 and 1999. (That money was returned to the state Labor Department in 1999, and redirected. The federal Department of Labor is looking into what happened to the people the money was supposed to have served.)

The mayor’s decision to transfer the JTPA money to the HRA was controversial in itself. The funds were earmarked for a broad range of low-income adults, not just welfare recipients, and the move kicked off a City Comptroller’s investigation.

But the choice was even worse in another respect. New York City has been charged with expanding the scope of job training, but the transfer of the JTPA funds to HRA had exactly the opposite effect. Handing job-training funds over to the city’s welfare agency bolstered job training’s image as a sop to the poor, and further fractured an already atomized network of services. It also pretty much eviscerated the DOE, leaving this potentially important agency even more marginalized and disconnected than before. ♦

“The agency was basically a place for political dead wood. We felt some of the staff there had the lowest I.Q. and the highest political connections.”

— former city government official,  
NYC Department of Employment

New York City  
*Snap Shot:*

### A CHANGE FOR THE WORSE

Former Swingline worker Oswyn, a high-school dropout, had been making nearly \$14 an hour running a packaging machine; after the factory closed, he enrolled in a seven-month program to learn air conditioning and refrigeration maintenance and repair. When he completed the course, he was unable to find a job in his new field, and took a minimum-wage job making deliveries instead.

---

# The Fruits of Labor

Business and government are not the only players in the skills game. Labor unions have also played a major role in providing and coordinating job-training services.

Building trade unions have had strong links to job training throughout their history—the union apprenticeship is almost the only way to become a plumber, for instance—and labor has long put an emphasis on worker education. Many unions even have skills upgrading and training written into their contracts, and there is no doubt that heavily unionized industries have higher skills and higher wages as a result.

Although financial and other concerns have made it harder for some unions to support training initiatives in recent years, labor nonetheless currently runs millions of dollars in worker education programs in the city, and operates one of the city's largest employment service providers, the Consortium for Worker Education (CWE).

CWE is a non-profit organization started by the Teamsters twelve years ago to allow themselves and other unions to access and pool federal job-training funds. In 1989, the group began operating Worker Career Centers (WCC) throughout the city, which offer job-placement assistance to dislocated workers, unemployed individuals and former homemakers entering the workforce. They also provide referrals and vouchers for state-approved training programs.

In the 1990s, as manufacturing declined and many union members lost their jobs, training became an urgent priority, and many more labor organizations joined CWE. Its membership now includes over 40 unions, and the WCCs serve over 60,000 workers a year in the city. (Because the WCCs are federally funded, their services are not limited to union members.)

CWE is currently running the city's first WIA-mandated one-stop center in Jamaica, Queens. ♦

---

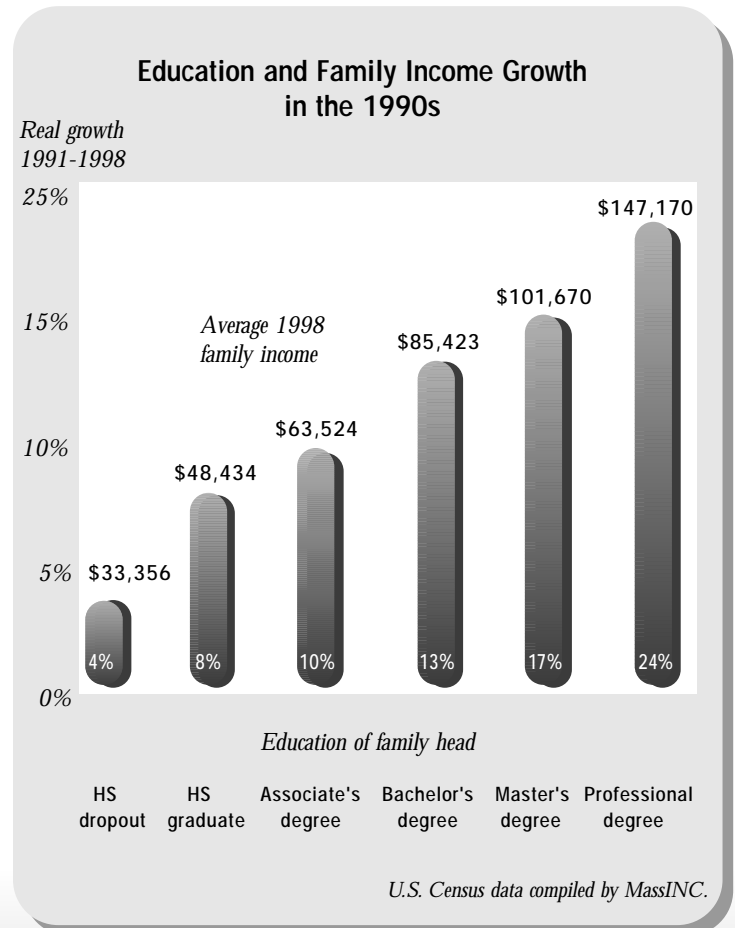
# Education Pays

You've heard of the glass ceiling? Well, job-training participants face a different obstacle: the glass wall.

Federal job-training funds have generally been unavailable to pay for formal education, and neither New York state nor the city has attempted to link the two systems. Historically, in New York as elsewhere, they have simply been two different tracks.

This makes no sense. Formal education credentials are some of the best resume boosters a worker can get. As is shown on the chart below, more education correlates with higher earnings, and a high school or college diploma virtually guarantees improved job prospects.

Even with college enrollment increasing, so are the economic returns of higher education: Professional families averaged more than three times the income of the families of high-school graduates in 1998, and their income has grown three times as fast since 1991. ♦



# Problem?

## *What Problem?*

### How New York is Resisting Workforce Reform

The Workforce Investment Act offers New York an opportunity to re-envision the city's relationship to its workers, but thus far both the governor and the mayor have responded to it by stepping up their efforts to ignore the issue.

One Washington, D.C., insider confided that he knew of no other state that was in the kind of trouble New York is in over WIA, and that he can't understand why New York appears not even to be trying to comply with the law, going so far as to jeopardize the entire five-year, \$615 million federal funding package by disregarding some of the few mandates we have been given.

One of those mandates is the formation of Workforce Investment Boards (WIBs), both at the state and local levels, to replace Private Industry Councils, which did little more than rubber-stamp funds, and which were considered a waste of time by the business executives who grudgingly served on them.

While the WIBs will also be composed mainly of people from the private sector, these boards are designed to be more than just checkpoints in a bureaucratic process—they are charged with conceiving, planning and overseeing all federally funded job-training programs. They are, for example, intended to lead the transition from JTPA to WIA, by writing and authorizing the new WIA plan.

Albany managed to beget a board just in time for a March 27 meeting—just five days before the April 1 federal deadline for submitting state WIA plans, but not quite in time to have any substantive dialogue with board members, who, according to participants and policy makers close to the process, seemed genuinely interested in workforce development, but had little time to preview the state's plan, or to learn about WIA.

As New York state Department of Labor's Workforce Development and Training Division Director Margaret Moree said the day after the state WIB meeting, "We didn't have time for lots of breakout sessions on what WIA is, so we sent [the WIB members] in advance little 'cheat sheets' on what WIA was about."

Not surprisingly, at that meeting the board made no substantial changes to the state's plan. By late July the WIB had held a second meeting and elected a chair, but had made no other progress.

WHILE THE STATE HAS BEEN DRAGGING ITS feet, the city has been openly flouting the law.

On February 28, the city submitted its own WIA plan, drawn up by the Human Resources Administration, without bothering to create a WIB at all. As of June, the city had made no effort to rectify the situation and

bring its plan into compliance with the federal law, leading Marilyn Shea, the regional administrator for the federal Department of Labor's Employment and Training Administration to warn that New York City's "funding could be in jeopardy."

When asked at the time whether the city was on track to compose a strong WIB by July 1, numerous government officials interviewed for this report just laughed. And indeed, when July 1 rolled around, the city still did not have a certified WIB.

Instead, on June 29, two days before the deadline, the city held an "unofficial" WIB meeting, mostly to discuss how to take advantage of a loophole that, under some circumstances, allows local areas not in full compliance with WIA by July 1 to get an extension until September 30.

At the meeting, the "preliminary" board—which failed to draw the mandatory number of representatives from the business community—outlined a plan for implementing WIA by the September 30 deadline—although the state Labor Department has expressed doubt that even that is possible. The board also elected Stuart Saft, the former chair of the PIC, as the interim chair.

THE CITY IS BEHIND IN OTHER AREAS AS well. It has chosen to meet WIA's call for a network of one-stop centers by opening a single one-stop, in Jamaica, Queens, in time for the July 1 deadline. There is a second one-stop slated for Harlem, but it does not even have a site yet.

The city has also failed to draft the required Memorandum of Understanding (MOU) between all the partners, which is supposed to serve as an agreement on how they will screen and serve job-seekers. If the MOU is not ready to be signed, says John Castellani, director of adult services for the New York City regional office of the federal Department of Labor, "the city would probably not have access to all their WIA funds." It is not clear at this point exactly how much money might be withheld, or whether the entire amount could be withheld long enough to interrupt services formerly funded under JTPA, but the city seems bent on finding out the hard way.

But perhaps the biggest barrier to WIA lies in the attitude of City Hall, which has focused almost exclusively on moving welfare recipients off the rolls, instead of on universal access to job-training services, as the federal law and the city's long-term interest demand.

"We are supposed to serve all job-seekers, [not just welfare recipients]," Castellani says of the federal plan. "The city doesn't seem to have that broad picture." ♦

# Q & A

Nell Cote,

CEO of Hudson Williams

*Q. Tell us a little about your company.*

A. We specialize in speeding up Web sites, and predicting and increasing the number of users who can visit a web site at a time. We have 33 people on staff, but that includes people who telecommute from four different countries.

*Q. Many high-tech businesses say that they're having trouble hiring skilled employees. Are you?*

A. I have not actively looked to hire people for a while, but I just got venture capital so I will be getting more aggressive very soon. We're looking to hire about 15 new people.

*Q: The word is that qualified workers are demanding outrageous salaries—how does a relatively small company handle that?*

A. The salaries these days are extraordinarily high. Some people I have interviewed recently had salaries from their last jobs that were higher than the present salary I negotiated for myself with my venture capitalist. In terms of how I built up a solid staff of 33, I have had to be real creative, because I couldn't afford to pay the prices asked and the talent just wasn't there. Now I will be able to pay some of the high salaries and hire headhunters and the rest, but I still plan to be real creative.

*Q. What do you mean by creative?*

A. I was in the arts world, and I hired someone who did set design, and a rock guitarist. Not everyone was like that, but with them I was very flexible about when they had a gig. I also really worked with people who needed to telecommute. As I said, I have people from four different countries. A lot of people don't want to live in New York City. I prefer they live here—I don't love this situation—but I can't get that talent here or I can't afford it. It's important to have people around. I mean we're good with e-mail . . . but the hallway banter cannot be replaced.

*Q. Do you hire many students from the City University of New York (CUNY)?*

A. I always use interns to support my office infrastructure. We usually have them do a combination of administrative work and Web site maintenance. I work a lot with the New York Software Industry Association with their CUNY internship program. CUNY students from the NYSIA program are pre-screened for high GPAs. They are all very smart, work hard,

and have wonderful attitudes. Since most of them were not born in the USA, sometimes they have minor language skills problems. When they graduate from college, they go on to get great jobs because of the "real life" experience they picked up in our office. One got a very high paying job with a dot com doing web development.

*Q. What skills are you looking for that CUNY students don't have?*

A. I would like CUNY students to have harder business skills that would make them more competitive in the job market—regardless of their race or lack of private university degree. CUNY needs to create more programs or certificates in these skills. The problem is that professors don't have the latest real-world experience and it takes too long to develop new curriculums and these programs would require an investment in hardware as well. I do believe if the major corporations in New York City would work with CUNY to support such a program, it would be possible to keep up with the business world.

*Q. Do you think other employers see the same problems?*

A. I was in an interesting meeting held by the public advocate with the founder of Kozmo.com and a high level executive at Double Click, and a few other owners of web development companies and all they talked about was the need to open up immigration. They are all going after the same people, and they are not interested in developing the talent here. The guy from Double Click said they have two Harley-Davidsons in the lobby, and the people that help recruit the most people for the company win one of the bikes. Now, who wants a Harley? White men from the suburbs. I wouldn't want a Harley. These people are not looking to hire from CUNY, or minorities, these people don't look at the non-obvious places. They all recruit from NYU, everyone else does, not me. I try and recruit from CUNY. I went to SUNY Purchase where there was no on-site recruiting. I got my first full time job as a result of my experience as a college intern.

*Q. Were you a business major?*

A. I was a music major, and I quickly realized I wasn't going to eat as a musician, but with half the effort I could make it in business. Most people can. ♦

## New York City *Snap Shot:*

### TRAINING WITHOUT GAINING

"Most of our clients have on average gone to four different types of training" and still don't have jobs, says Jeffrey Dunston of the North East Brooklyn Housing and Central Brooklyn Neighborhood Employment Center, in Bedford-Stuyvesant, Brooklyn. Many of them, he adds, take out loans to pay for the training courses. That leaves them jobless and in debt—in other words, worse off than they were before.

## Jobs Well Done

# What the Leading States are Doing

*Although most states have been nearly as apathetic as New York, a handful have realized the importance of workforce issues to their future. Some of these states are so far ahead of the curve that others involved in drafting WIA plans have looked to them for guidance and ideas. Texas, Washington and Indiana are among those that have taken the issue of workforce development seriously, and each offers a lesson in vision and creativity.*

## TEXAS:

### A BIG STATE CREATES A BIG AGENCY

Texas is a huge state notorious for its hatred of big government, so why did it create one of the largest workforce agencies in the country? Because it made good business sense.

Governor George W. Bush never cared much for training policy, preferring the “kick the welfare habit” approach to workforce issues. But what most outsiders don’t know about politics in the Lone Star State is that the legislature, not the governor, calls most of the shots. And the Texas legislature was appalled by the mess of skill-building and economic programs littered throughout state government. In the early 1990s, the legislature found that there were nearly 30 different programs in 10 different agencies charged with putting people to work or improving skills for those already employed.

So in 1995, with Governor Bush’s support, the legislature united everything that even smelled like job training under the newly created Texas Workforce Commission. Programs including welfare-to-work, food-stamps, JTPA and even day care were merged, as were their funds.

But the Texas legislature didn’t just want to consolidate these programs: It wanted to change job training’s woeful image entirely, and to create a set of programs that both job-seekers and high-tech businesses would want to use.

To do this, Texas also put the new workforce commission in charge of the state’s touted Skills Development Fund, a customized incumbent-training program—with a biannual budget of \$25 million—which over the past two years has assisted over 500

businesses and given more than 24,000 employees the exact skills their companies need to expand.

The state agency’s new name and its authority over the Skills Fund have gone a long way toward changing the tarnished reputation traditional job training had in Texas, and that has helped localities successfully campaign for real business support.

Few of the new business boards have been disappointed. Cities throughout Texas are exploding with creative approaches to employing low-income job-seekers, moving all workers up the job ladder and providing benefits that companies can use immediately.

Cities are afforded creativity not only through increased autonomy, but also by the large sum of “soft” administrative money available thanks to the consolidation of so many state and federal programs, and the reduction of the welfare rolls, which freed up millions of dollars in Temporary Assistance to Needy Families (TANF) funding.

Rodney Bradshaw, president of the Houston area Gulf Coast Workforce Board, says, “I can do more because all of the programs and agencies have been consolidated. I still have all the same categorical mandates, but I have more administrative money flowing down” to seed new efforts.

So what is Houston doing with its newfound flexibility? Responding to nonprofit and business calls for clear labor-market information. Houston now offers an array of concisely presented, updated, industry-specific information that anyone can download off their new web site at [www.gulfcoastjobs.org](http://www.gulfcoastjobs.org).

Houston has also created a team of industry specialists in the area’s high-growth and high-wage industries, which include health care, oil and gas, and information technology. The industry experts are now working with local businesses to discern their specific training needs, and that information will be used to help local providers and colleges develop their programs.

“We hear from companies over and over about particular shortages of workers, but they never address [the skill shortage] because they are dealing with immediate problems,” notes Bradshaw. “We want to be the source for economic intelligence and connect this data [that we gather directly from industry] to real training.”

What ties all local workforce activity together in Texas is a shift toward meeting the needs of the customer, whether he or she is a welfare recipient or a CEO. “We don’t talk about programs anymore—whether you’re eligible for WIA or TANF. We talk service,” Bradshaw says. “It’s our job to worry about how you qualify for the program.”

## WASHINGTON:

A GOVERNOR WITH  
A SENSE OF URGENCY

What could be wrong in the heart of the Northwest's New Economy? Washington leads the nation in family-income growth and in average pay for high-tech workers, and has seen the number of jobs in high-tech fields jump from 10,000 to 110,000 in the past 10 years.

But the economic good news has not lulled Governor Gary Locke to sleep. Washington has two serious problems that the governor is convinced will not go away without his attention: A major increase in dislocated workers, and a serious skill divide between low-skilled job-seekers and high-tech employers.

Compared to other states, Washington has an unusually high number of dislocated workers—those who lose jobs due to layoffs or business closures. As high-tech industries have exploded, Washington's staple industries have been scaling back or downright dying out. The lumber sector has shed half its workforce over the past 50 years, and aerospace layoffs continue—today the latter industry employs just over 100,000 workers in the state, but that number is expected to drop to 87,000 by 2020. Overall the number of dislocated workers in the state jumped from 9,700 in 1998 to 23,700 in 1999, and is projected to grow in coming years.

Washington's answer? The largest dislocated worker program in the nation. It is called Worker Retraining, and it is funded to the tune of \$60 million annually. The funds guarantee that anyone who is laid off can receive up to 18 months of training. The training is chosen in consultation with employment specialists who connect workers to high-growth economic sectors based on their skills. For example, many aerospace employees are jumping to the burgeoning high-tech companies. The state retrained over 8,000 people last year, and often these workers were moved from a declining industry into one that needs new workers right now.

Rich Nafziger, Locke's workforce policy aide, said, "The recent Boeing layoffs actually did our economy a favor. Boeing use to be the center of the Washington economy, but now we trained the workers to work in the IT [information technology] field, which is [desperate] for workers."

If the governor is motivated to plug dislocated workers into industries where they're needed, he's down right obsessed with moving low-skilled job-seekers and welfare recipients into the best possible jobs. New York's Governor George Pataki may avoid talking about the lack of good jobs for lower-skilled workers and the growing divide between rich and poor in the Empire State, but Locke never misses a chance to discuss the economic division in his state, and his

This governor sees the current economic boom as an opportunity. He moves with a sense of urgency to get things done now.

determination to eradicate it.

"This is a skills gap, not a labor shortage," Locke is fond of saying. "There are thousands of low-wage workers who want work, but do not currently have the skills to fill those growing jobs, and would benefit from high wages and good jobs produced in [high tech] sectors of our economy. It would be tragic if we failed to turn this skills gap into an opportunity to move those at the bottom into the high-paying jobs of the future."

Ken Miller, the governor's welfare-to-work guru, concurs: "This governor sees the current economic [boom] as an opportunity. He moves with a sense of urgency to get things done now."

Locke has wasted no time. Since taking office in 1997, he has set aside more than \$130 million dollars for training. His flagship program is called Pre-Employment Training, or PET, and it is run cooperatively with the state's well-regarded community colleges, which line up employers for all program entrants. Job-seekers learn a combination of soft and hard skills in areas such as health, information technology and manufacturing. As soon as participants have the skills to begin entry-level work, they report for employment. But this is not the end of their training—they continue to attend the college to increase their skill base. The program's results are solid: Participants on average have seen their wages climb from \$7 an hour to \$9 after they complete the 12 week program.

But Locke is not through yet. He has heard that some program participants are not sticking with jobs once they obtain them, and he believes that some of the people who have benefited from the welfare-to-work programs could be climbing even higher up the ladder. So the governor has just earmarked \$10 million to hire hundreds of "job coaches" to raise the wages of PET participants and other low-wage workers. The coaches will be paid based on wage targets they help clients hit.

Most of Locke's programs have won wide praise, both for helping businesses find workers and for putting the work into welfare-to-work. But the governor is also strictly monitoring each initiative's progress, and is willing to eliminate programs when they're not effective. A few months ago, Locke shut down an underused multimillion-dollar effort to offer training programs for laid-off workers through unemployment offices.

Said Miller, "When government is willing to shut things down that don't work, it creates trust to try things that are not yet proven."

# INDIANA:

## HOOSIERS ARE DOING IT FOR THEMSELVES

Indiana's Governor Frank O'Bannon is also ahead of the curve. Before moving into the governor's mansion in 1997, O'Bannon spent eight years as lieutenant governor, working closely with the state's Department of Commerce. During that economic boom time, O'Bannon saw state unemployment drop to 2.7 percent, and exports rise to the highest level in state history, but in working with business leaders he also saw something else: Indiana's businesses were starved for both high- and moderately skilled workers.

There is still little chance of finding these workers in the state's current pool: Indiana ranks 45th in the nation in percentage of adults with college degrees, and 20 percent of Hoosiers do not have high-school diplomas. The shortage of educated workers has slowed Indiana's progress. Even with the rapid economic expansion of the past 10 years, the state has one of the slowest wage gains in the nation.

In short, Indiana has a vibrant economy right now, but it lacks the skilled workforce to sustain and build on it.

O'Bannon recognized that if most workers were already employed and businesses *still* needed people with better skills, the solution to the problem was to improve the skill level of the entire workforce. This leap of understanding has made him, and Indiana, national leaders in workforce development.

On the campaign trail, O'Bannon made workforce issues one of his primary themes and chose Craig Hartzler, his top commerce official, to be his personal policy adviser on the subject. Once in office, O'Bannon made Hartzler his state skills czar and put him in charge of the Workforce Development Agency. While every other agency commissioner reports to O'Bannon's executive assistants, Hartzler speaks directly to the governor.

The result has been a set of programs that will provide training for 100 percent of the Indiana workforce. Yes, everyone in the state is now eligible for training, education and apprenticeships that will start improving the state's skill pool immediately.

The program is called Advance Indiana, and it is very straightforward: The state will pay the majority of

costs to send any employee back to the classroom. In most cases all employers need to do is to allow employees to attend training sessions during working hours, and pay for their wages and benefits.

The state is clear about what type of training it will pay for, and it is looking for top-shelf instruction. Advance Indiana will only support college courses, GED classes, approved certification programs and approved apprenticeships.

The focus of the Indiana program is not on plugging welfare recipients into any low-wage job, or on finding high-skilled workers outside of the state's labor pool, but on moving the entire workforce up the skills ladder.

The Advance Indiana program is clearly business training (or incumbent training, as it is often called by government officials), but it is at odds with virtually all other private-sector training programs in other states in several ways. The largest state-funded incumbent-worker training programs, such as those in North Carolina and Texas, and New York's Strategic Training Alliance Program, are all customized training plans, in which the skills imparted are specifically tailored to the needs of individual companies. Typically, a worker learns the highly specialized skills his or her current employer needs, but not much that is transferable to future jobs. These customized programs make sense as a short-term benefit to important companies, but Indiana wanted more.

"We want workers to have what we call portable skill credentials," said Nina Babich of Indiana's Workforce Development Agency. "Everyone benefits when the entire workforce improves."

The focus of Advance Indiana is not on plugging welfare recipients into any available low-wage job, or on finding high-skilled workers outside the state's job pool, but on moving the entire workforce up the skill ladder, meeting employers' needs for higher skills and lifting low-income workers out of poverty at the same time. "We want to hit the \$20-an-hour worker, so they can move up within the same firm and fill the needed high-skill jobs," Babich says.

The \$16 million-a-year program just went into effect last year, and there is concern that some businesses will avoid training and education if they feel workers will leave for higher pay elsewhere, but Babich and her colleagues are working directly with employers to monitor the program's success. ♦



# Getting New York Into Working Order

## A Plan for Reforming New York's Workforce Development System

The job-training revolution won't be easy. Albany and City Hall have not only ignored opportunities to address the skills crisis, they've done everything they can to preserve the status quo. The city has violated the intent and even some of the few requirements of the WIA, and is the only place in the country to earn the dubious distinction of having jeopardized its training funds by doing so.

Instead of expanding and improving skill-building services, the city has concentrated all programming and control in an agency mired in contracting scandals. The city and state have both dragged their feet on organizing business-backed boards to oversee the changes outlined in the new federal law. At a time when there is an opportunity to build on and bolster the successes of the current economy while at the same time benefiting the people most in need of assistance, government appears intent on holding on to the same old disconnected and increasingly irrelevant system.

It is true that few changes are mandated under WIA, but New York should not use the looseness of the law as an excuse to weasel out of its responsibility to address the problem. Instead, government leaders should recognize the new law as a flexible document that allows federal resources to be tailored to New York's needs, and take full advantage of the opportunity.

The Center for an Urban Future has spent the past 14 months working with business leaders and training providers to determine exactly what reforms make sense for the city. What follows is the result of this long canvassing for reform: a four-point blueprint for an effective workforce development system.

This is our chance to rise out of the current job-training morass, uniting government, education, business and labor in a comprehensive effort to realize the system's potential, and to serve the needs of business and the economy, as well as those of our workers.

Let's not blow it.

### Step 1:

#### **LEADERSHIP at the TOP LEVELS of GOVERNMENT and BUSINESS MUST SUPPORT a COORDINATED WORKFORCE DEVELOPMENT SYSTEM**

Reform, even government reform, is possible. Often the key to effective reform is an alignment of leadership both inside and outside the public sector. This occurred in the case of the unmovable system of welfare. A unity of vision and leadership among politicians, businesses, and the public coalesced around a job-oriented approach to public assistance.

Nothing like this is happening with skill development. Both government and the private sector gripe about the poor skills of job-seekers and the high number of open job slots at growing companies, but neither has been willing to commit to a reworking of the system that could solve the problem.

President Clinton and a Republican Congress struggled for three years to pass a plan for reinventing the workforce system as we know it, but neither is doing very much to see it implemented.

The absence of leadership continues all the way down the line. WIA calls for increased accountability, state control and employer responsiveness—priorities that seem tailor-made to please a Republican governor—yet Governor Pataki has shown no interest in the issue.

With its few mandates, WIA is the kind of flexible federal legislation that city leaders should find galvanizing instead of paralyzing, yet Mayor Giuliani has chosen to focus solely on welfare instead of on the larger picture.

At the same time, businesses have been very active in public school reform, but have done little to reinvigorate public training or to support good legislation like WIA when it comes along. Given the sloppy management of workforce boards in the past and the poor performance of traditional job training, it's not surprising that businesses would tune out. But if they want government assistance in surmounting their biggest growth obstacle—finding and maintaining a skilled workforce—they need to invest time, leadership and some funds in making the system work.

Government must make the first move. The governor must come forward and articulate a vision and commitment to the coordinated and employer-focused system that WIA is designed to foster. To ensure that this happens, we recommend an annual State of the Workforce Address in which the governor delineates areas of success, deficits, and new initiatives to improve all aspects of the workforce system. Exhibiting this executive leadership is what Governor Gary Locke has done in Washington. Facing the same knowledge and skill gap New York is experiencing, Locke created a separate workforce cabinet that reports directly to him twice a month on all areas of the economy and on how the state is responding. A similar focus needs to happen here.

In addition, the mayor should begin issuing quarterly economic status reports, and the state's major business organizations including The Business Council of New York State, the Emerging Industries Alliance of New York State, the New York City Partnership, and major chambers of commerce should keep the pressure on government to ensure that reform happens. The federal legislation calls for state and local workforce investment boards to be made up mostly of employers, but if history is any guide this will not be enough to ensure employer leadership in the system—it must be backed by strong political and outside business pressure.

But even pressure is not enough. Businesses should get together to determine what they would most like to see in a new workforce system, and then help fund it. For example, the private sector might bankroll the development of a citywide job-training database, which would list all nonprofit and for-profit training providers, and summarize their strengths, weaknesses and areas of expertise. This could then be made accessible to consumers through the one-stop system.

## Step 2:

### CREATE NEW STATE and CITY WORKFORCE DEVELOPMENT AGENCIES

The first concrete step toward a sane workforce system should be taken by the state: New York must create a new workforce agency and consolidate all training monies in that new agency's hands. This is the only way to get a clear accounting of what resources exist, and to begin to address the skills crisis in a sensible and systematic way. The state should then follow Texas' lead and make that money available to the localities, so that each area can address its own specific needs.

Then the challenge belongs to the city. New York City needs a vital, empowered agency to champion and direct workforce development, and that agency is neither the Department of Employment nor the Human Resources Administration. The DOE will never build the credibility, business support or political clout necessary to become anything more than what it has always been: a glorified funnel for federal funds. And handing the money over to HRA dooms any effort to change job-training's image, or to create a system that serves everyone.

Because of this, we recommend that DOE be dismantled and replaced with a new agency, the Apple Project for Investment in Employment (ApplePIE). This new agency, to be headed by a dynamic leader with business expertise and strong managerial experience, will be charged with researching, planning and administering all skills-training programs, as well as with forging strong links to business and labor through its WIB and other vehicles, and with opening doors to the Board of Education and the CUNY system.

The city's new agency would not cost anything—in fact, if Texas' experience is any model, consolidating all government job-training dollars would actually save money by cutting down on administrative costs. The agency could be funded through the current city and federal tax levy dollars that support the Department of Employment. Like DOE, the office would have a small staff, but unlike DOE the agency would have the clout to ensure that current workforce services in the city are the best they can be. Distinguishing features of this new agency would include:

Coordinating all skill-building services and agencies in New York City. The federal Workforce Investment Act calls for coordination of all training, but does virtually nothing to ensure this happens. The new agency must command the full support of the mayor and city council to coordinate and connect all skill-building activity in the city, including business, the Board of Education, CUNY, union-supported training, all job-service dollars from the federal government and the myriad of other training programs scattered in other agencies. This does not mean telling any agency what to do or how to do it, but ApplePIE must be able to see the whole landscape so it can suggest areas of partnership.

ApplePIE's top coordination priority should be to put job training back on the education continuum, and make it the system's goal to use existing training and education dollars to push people, regardless of age, as far as they can go—whether

that means learning English, striving for a GED, enrolling in community college or pursuing an advanced degree.

If there's one thing we want to make perfectly clear, we do not envision ApplePIE dictating policy or practice to the Board of Ed, CUNY, or any other agency. But the system will never succeed without coordination and cooperation. The city must begin to look at job training as part of a process of life-long learning that aims to maximize an individual's abilities and keep his or her skills up-to-date, and the new agency's mandate must reflect that broad view.

Creating an Intelligence Unit to provide labor market research. Currently all training programs are charged with two duties: researching which economic sectors have job openings and training job-seekers for those positions. Unfortunately, only the training is funded, so the research rarely gets done.

Every training provider surveyed for this report said no service would be more helpful than targeted research on which economic sectors will be growing in the next five years, which are currently looking for workers, and what types of skills these industries need.

The same type of research is needed by any agency charged with planning how to allocate funding or deciding what kinds of programs to pursue. In Washington, the state won't train a worker until it has pinpointed a high-growth area in which that worker can be employed upon completion of the program. New York has no such process, and job-seekers are often unwittingly trained for low-wage jobs, or in low-growth industries. In addition to being inefficient and frustrating for the trainees, this practice funnels more and more workers into areas that don't need them, driving wages down even further.

New York is inundated with economic research, but most of it focuses on economic forecasts and budgets, not on what employers need right now. A lean, well-paid staff of three to five high-powered individuals could serve as the new agency's Intelligence Unit, providing the good, solid labor market research that would address these issues. This would be more than a service to the agency and its WIB—it would also provide invaluable information to workers and training providers, and to unions and businesses looking to understand skill trends in the city. The Intelligence Unit would also generate recommendations for the governor's annual workforce address and the mayor's economic status reports suggested in the third recommendation.

Bringing providers together with businesses and local unions. ApplePIE must take action to link employers to effective training programs and skilled workers. Many employers surveyed for this report said they would tap the resources of publicly funded training programs if they had a reliable guide to what really works. An active, empowered agency can provide such guidance.

Unions must also be active members of the alliance. Labor in New York is currently responsible for generating millions of dollars in successful training programs throughout the city. Some of the programs are well-established, but others could benefit from being made accessible to workers and employers through a central system. ApplePIE would help both business and labor efficiently navigate the scores of programs that exist.

## Step 3:

### TAKE ADVANTAGE of the FEDERAL WORKFORCE INVESTMENT ACT

The federal government has taken the right step in crafting the Workforce Investment Act, which prods states everywhere to take workforce issues seriously. There is still time to make reform a reality in New York. The WIA legislation is viewed as a five-year program beginning, not ending, on July 1, 2000. What follows are a few areas in the legislation that New York's elected leaders would do well to focus on.

**One-Stop Centers.** The Workforce Investment Act calls for the creation of one-stop centers to provide all-in-one shopping for job-seekers. One-stops established in central locations could help streamline one of the most tangled systems of services government offers, providing easy access to the dozens of training and education options available at the consumer level, as well as counseling and assistance to help workers of all stripes make and follow through on appropriate choices. New York should abandon its current build-one-at-a-time approach and begin thinking hard about how best to establish a network of broadly accessible one-stops with well-trained staffs in central business districts of all five boroughs.

**Universal Access.** One of the most important intentions of the new federal law is to ensure that services are open and useful to all workers and employers. Moving beyond the strict eligibility requirements of old training programs, WIA allows for much more freedom in who is served, and for a wide range of programs to be offered under the new skills-development umbrella. There are a number of programs, such as federal Pell Grants for college tuition and New York's new Strategic Training Alliance Program for state-subsidized business-customized training that should be integrated with traditional employment programs. Doing so will help make the system accessible and responsive to all, and to bridge the gap between job training and formal education—a division that has long hindered workers at the bottom of the ladder from accessing the tools they need to rise out of poverty for good.

**Business Participation.** Like many training reforms in the past, WIA calls for increased business participation. The vehicle for this participation comes in the form of yet another government board, but the legislation calls for the new business boards to do much more than their predecessors did. The new Workforce Investment Boards are to be composed primarily of business leaders, and their role is to help decide where and how all workforce and education dollars are spent.

The WIBs can be a new force for engaging the business community, or they can deteriorate into the same old do-nothing bodies. New York should follow in the footsteps of a state like Texas, which realized that its old workforce board was stacked with disengaged employers who often sent low-level assistants to the meetings. Texas set out to prove to business leaders that their participation would not be a waste of

time. New York should do the same, and spend a few years making sure it's done right.

Once New York has engaged and energized its business leaders, the WIBs should expand their role to include helping to develop curricula for everything from quick-hit job-training courses to college-degree programs. The WIBs can help ensure that these programs are responsive to the real needs of business, and that the skills they teach are of practical use to those striving to improve their job prospects.

## Step 4:

### FOSTER the FORMATION of NETWORKS of COOPERATING PROVIDERS

If government begins to organize its programs through a new workforce agency, then the private nonprofits and educational institutions that provide the bulk of training services must also better coordinate their activities.

For too long, providers have been engaged in a fiercely competitive battle over program dollars. Discussing how to work together and build on their independent strengths has never even seriously been considered.

The time for isolation is over. Despite New York's slow progress on WIA reform, it has begun introducing more competition in the form of competitive bidding and stricter performance review criteria. In this competitive atmosphere, quality programs will lose funds and might even be forced out of business unless they begin to work cooperatively and compete as networks to serve key economic sectors.

Providers under this model would focus on what each does best—for example, offering community-based support services and client recruitment, functions at which many small nonprofit organizations excel, or providing educational and technical programming, for which the City University has a natural aptitude. There are a few large nonprofits that do many things well, but even they do not have the reach and community support that smaller organizations possess.

Working together in networks would give local training providers a way to compete with large, for-profit providers such as Maximus that have been muscling their way into New York City, and in some situations a network might even consider working with a larger for-profit such as Maximus or America Works to provide job-seekers with the advantages that both types of organizations have to offer. But it is impossible to determine how such partnerships might work until service providers take the first steps toward collaboration.

The recent formation of the New York City Employment and Training Coalition is a move in the right direction. The coalition is a diverse alliance of community-based organizations, CUNY colleges and settlement houses providing skill-building resources and training to job seekers in the five boroughs. Since it was formed in 1995, the coalition has been bridging interests in the training community, presenting the opportunity for providers to pursue joint projects, as well as generating policy briefs and offering public forums on key workforce issues. ♦

## ources & Resources

### National Organizations:

Public/Private Ventures ([www.ppv.org](http://www.ppv.org)) has increasingly been focusing on skill-building efforts across the country, producing excellent reports on best practices, vouchers and specific job-training systems, including New York's.

The newly formed John J. Heldrich Center for Workforce Development at Rutgers University ([www.heldrich.rutgers.edu](http://www.heldrich.rutgers.edu)) has quickly made its mark in the field by generating high-quality analyses and a series of public-opinion surveys on training issues.

Other organizations active in workforce issues include: National Governors' Association ([www.nga.org](http://www.nga.org)); National Conference of State Legislatures ([www.ncsl.org](http://www.ncsl.org)); National Employment Law Project ([www.nelp.org](http://www.nelp.org)); Jobs for the Future ([www.jff.org](http://www.jff.org)); Employment Policy Foundation ([www.epf.org](http://www.epf.org)); American Society for Training and Development ([www.astd.org](http://www.astd.org)); Center for Law and Social Policy ([www.clasp.org](http://www.clasp.org)).

### New York Organizations:

There are two associations at the state and local levels that do a good job of coordinating information, policy forums and providing technical assistance.

Statewide: The New York Association of Training and Employment Professionals ([www.nyatep.org](http://www.nyatep.org)).

Locally: The New York City Employment and Training Coalition (212.620.5405).

## Bibliography

- \* Aran, Laudan Y., Pamela J. Loprest, Carolyn T. O'Brien and Susan A. Riedinger (January, 1999). "Income Support and Social Services for Low-Income People in New York." Washington: Urban Institute.
- \* Buck, Maria L. (December, 1999). "Building a Firm Foundation: Recommendations for New York City's Job Training System." Philadelphia: Public/Private Ventures.
- \* Callahan, James, Neal Fogg, Garth Mangum, Stephen Magnum and Andrew Sum (January, 1999). "A Second Chance for the Fourth Chance: A Critique of the Workforce Investment Act of 1998." Baltimore: Sar Levitan Center for Social Policy Studies at Johns Hopkins University.
- \* Carnevale, Anthony P. and Donna M. Desrochers (1999). "Getting Down to Business: Matching Welfare Recipients' Skills to Jobs That Train." Princeton: Educational Testing Service.
- \* Davis, Bob and David Wessel (1998). *Prosperity: The Coming 20 Year Boom and What it Means to You*. New York: Random House.
- \* Donahue, John D., Lisa M. Lynch and Ralph Whitehead, Jr. (March, 2000). "Opportunity Knocks: Training the Commonwealth's Workers for the New Economy." Boston: MassINC.
- \* Emsellem, Maurice (May 20, 2000). "Statement of the National Employment Law Project." Testimony presented to New York City Council.
- \* Eviatar, Daphne (June, 2000). "After the Factory." City Limits magazine.
- \* Hattiangadi, Anita U. (April 10, 2000). "Upgrading Workplace Skills." Washington: Employment Policy Foundation.
- \* New York State Comptroller's Office (November 21, 1996). "New York State's Job Training and Job Creation Programs: Prospects for Welfare Reform."
- \* Schade, Linda (1999). "Getting Good Jobs: An Organizer's Guide to Job Training." Washington: Center for Community Change.
- \* Stillman, Joseph (October, 1999). "Working to Learn: Skills Development Under Work First." Philadelphia: Public/Private Ventures.

For convenient links to these reports and others on workforce development issues, check out our website at [www.nycfuture.org](http://www.nycfuture.org)

Center for an  
Urban  
Future

City Limits Community Information Service, Inc.  
120 Wall Street, 20th Floor  
New York, NY 10005

NON-PROFIT ORG.  
U.S. POSTAGE  
**PAID**  
NEW YORK, N.Y.  
PERMIT NO. 3372