



Sector Strategies in brief

November 2007

This brief is based on *Sector Strategies for Low-Income Workers: Lessons from the Field* by Maureen Conway, Amy Kays Blair, Steven L. Dawson and Linda Dworak-Muñoz.

Throughout the United States, workforce professionals, policy makers and philanthropic funders are seeking new and innovative strategies to help today's low-income, displaced and unemployed workers find better work opportunities. Sector strategies are one approach to meeting this challenge. Such strategies target specific industries and seek to improve opportunities for workers, while simultaneously working to build stronger regional economies. During the past decade the sector approach has taken root in many communities across the United States.

Sector strategies are designed and implemented by a range of institutions and groups working collaboratively, including community- and faith-based organizations, business and industry groups, community and technical colleges, Workforce Investment Boards, worker advocacy groups, labor-management partnerships, and others. Some of these operate initiatives focused on one target industry in a specific geographical region; others work simultaneously in several industry sectors; a few take a cross-regional or multi-site approach.

Some sector strategies are designed to seize upon opportunities to promote **access** to jobs by *removing barriers to getting good jobs or to advancing to better jobs*. In situations where **job quality** is poor with respect to wages, benefits and working conditions, sector strategists may focus on *improving the quality of jobs*. ManufacturingWorks, described in this Brief, addresses both issues. It helps workers find high-quality manufacturing jobs and advance within the industry, while also working to help employers offering poorer quality jobs to improve their human resources practices.

A Sector Strategy at Work

The **BioTechnical Institute of Maryland, Inc. (BTI)** is a sector workforce initiative that trains low-income Baltimore residents to become entry-level technicians in the city's nascent biotechnology industry. Employers were experiencing high turnover in these positions, which were generally thought to require a bachelor's degree in science. Incumbents with bachelor's degrees typically used these entry-level positions as short-term stepping stones before returning to school for advanced degrees. Employers working with BTI determined that a degree credential is not really necessary for all entry-level work; rather, what is needed is competency in special industry-based skills. Changing this requirement, in conjunction with building a new training pipeline that provides workers with the skills they actually need to work in sterile bioscience environments, is a win-win solution for business and workers.

CASE EXAMPLE ManufacturingWorks

Instituto del Progreso Latino has been contracted by the City of Chicago to operate ManufacturingWorks (MW), a new sector-oriented workforce service center. In providing services, MW has a tier system by which it rates companies based on worker compensation, bonuses and working conditions. MW sends placements to “better” businesses and is more responsive to their requests for incumbent-worker training or other training and recruitment assistance. At the same time, MW continues to engage with “lower tier” businesses to better understand barriers that may prevent them from improving job quality and to consider strategies for overcoming those barriers. These businesses may benefit from other forms of business assistance, such as human resources consulting and Lean Manufacturing workshops, among other services. As an example, one business that did not offer employees health insurance approached MW seeking qualified job candidates. MW staff helped the company find an affordable employee health insurance option. Once the business joined a group health plan, MW placed trained people with the company. This strategy helped not only new workers placed, but also the business’s other employees who could now receive health insurance. Further, MW reports the business developed greater capacity to attract and retain the skilled workers it needed to compete. ▶

Defining a Sector Strategy

A sector strategy can be defined as an approach to workforce development – typically on behalf of low-income individuals – that:

- ▶ **Targets a specific industry or cluster of occupations**, developing a deep understanding of the interrelationships between business competitiveness and the workforce needs of the targeted industry;
- ▶ **Intervenes through a credible organization, or set of organizations**, crafting workforce solutions tailored to that industry and its region;
- ▶ **Supports workers in improving their range of employment-related skills**, improving their ability to compete for work opportunities of higher quality;
- ▶ **Meets the needs of employers**, improving their ability to compete within the marketplace; and
- ▶ **Creates lasting change in the labor market system to the benefit of both workers and employers.** The outcomes workforce programs achieve are greatly influenced by how other actors in the labor market system operate. These other actors include regulators, policy makers, businesses, educators, etc. Sector initiatives examine the relationships among these actors to find opportunities for positive change.

Sector strategies are distinct from, but complementary to “cluster” strategies. Cluster strategies are primarily economic development strategies that target locally important industry sectors and determine industry-relevant services, activities and investments to help the businesses in that sector succeed. The primary focus is the business. Sector strategies are human capital strategies that target locally important industry sectors and determine industry-relevant services and activities that help local workers overcome barriers to entry and/or advancement within that industry. The primary focus is the worker. Both strategies require industry research, work with multiple businesses, and are guided by the resulting informed perspective on the issues and dynamics relevant to

the targeted industry sector in their region. Leaders of both strategies need to develop relationships among different actors in their region, and to create service strategies that build on and complement existing infrastructure, services and resources.

Leaders of sector programs bring a core competency in workforce development. This competency encompasses not only knowledge of a range of teaching and training techniques, but also experience in helping businesses identify the specific types of occupational and “soft” skills they need in workers. In addition, program leaders also understand the life situations of targeted low-income populations and how to help them develop skills and access supports so that personal and family issues can be effectively managed during participation in training and transition to work. Sector leaders need to communicate these competencies to their industry and community partners, and to continually learn from them about new challenges occurring in the community or in the industry sector, which often require workforce development program refinements.

Outcomes of Sector Strategies

Sector strategies typically document the outcomes they achieve for participants. In some cases, programs also are able to document outcomes for business clients or ways in which they have contributed to systemic improvements in how the regional labor market functions in their region and for their target industry. Worker outcomes are the most straightforward to document, and the most research has been done in that arena.

Two organizations have conducted longitudinal surveys of participants in sectoral employment programs to evaluate employment outcomes: the Aspen Institute and Public/Private Ventures (P/PV).¹ In both studies, researchers used “baseline” surveys to estimate the pre-training situations of participants, collected program-reported information about initial post-training employment placement, and then implemented one-year and two-year follow-up surveys independently with participants.

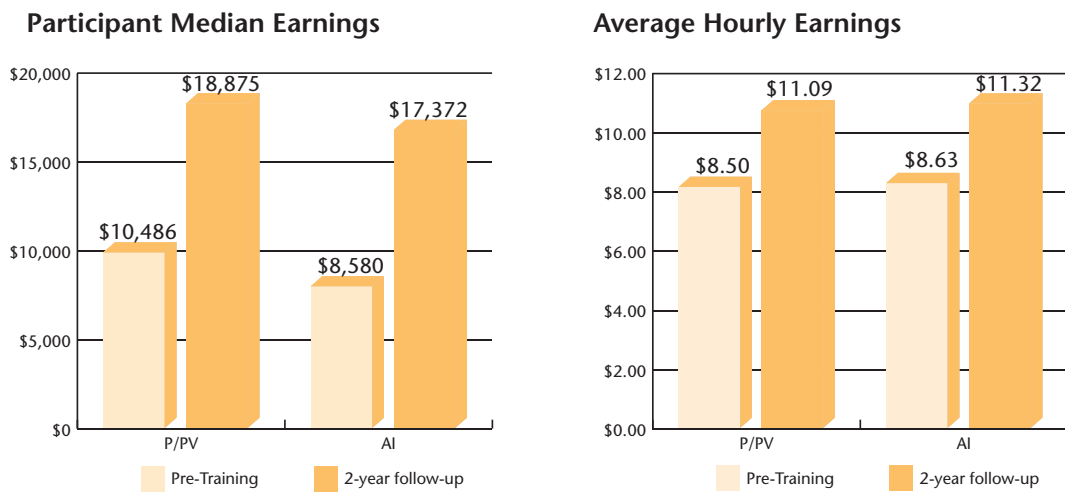
Highlights of outcomes two years after training:

- ▶ **Participants earned higher incomes.** Median personal earnings for working participants increased from \$8,580 annually at baseline to \$17,732 for Aspen Institute (AI) participants. Median annual earnings for working participants in the six P/PV training sites increased from \$10,486 to \$18,875. This earnings improvement was due to increases in both hourly earnings and hours worked.
- ▶ **Participants worked more consistently.** The percentage of respondents who worked year round went from 23 percent prior to training to 66 percent in the second year following training for AI participants. Among P/PV training program participants, 22 percent worked during all 12 months of the year prior to program entry, and this proportion increased to 61 percent two years after training.
- ▶ **Participants’ jobs were higher quality.** Among AI participants, 78 percent of jobs held two years after training provided access to health insurance, as compared to 50 percent of jobs held prior to training. Seventy-seven percent of AI participants reported receiving paid vacation time, 64 percent received paid sick leave, and 59

¹The Aspen Institute study examined the experiences of participants in six well-established sectoral programs, while Public/Private Ventures studied participants of nine newly forming initiatives. Six of the newly formed initiatives developed training programs, and for these programs P/PV examined participant outcomes. For further information describing these studies and outcomes, see *Gaining Ground: The Labor Market Progress of Participants of Sectoral Employment Development Programs*, available at <http://www.aspenwsi.org/publications/02-010.pdf> and *The Final Report on the Sectoral Employment Initiative* (forthcoming from P/PV).

percent had access to a pension plan other than Social Security. The percentage of P/PV training program participants with jobs that provided access to health insurance increased from 49 to 73 percent, while the percentage with paid sick leave increased from 35 to 58 percent.

- ▶ **Participants were optimistic.** Two years post-training, 82 percent of AI participants said that they believed their future job prospects were better, due to their participation in the sectoral program. Many expressed an increased desire to further develop their skills and education credentials, and an increased sense of confidence that they had the ability to achieve their goals.



Both studies found similar features among the individuals who enrolled in sectoral training programs. They generally had work experience, a high school diploma or GED, low hourly earnings and income, and had experienced multiple periods of unemployment. AI participants' average ages were in the mid-30s across programs, and the average age of P/PV participants was 31 for advanced training programs and 28 for entry-level training programs. Participants in both studies were mostly African American or Latino. While both studies included slightly higher proportions of women than men, gender distribution varied considerably by program and appeared to be greatly influenced by a program's target sector.

State Adoption of Sector Strategies

As evidence of successful outcomes from sectoral approaches continues to mount, a number of state governments have actively employed sectoral approaches in their workforce policy-making. For a growing number of states, the adoption of sectoral strategies coincides with statewide efforts to create greater alignment between economic and workforce development goals, policies and programs. **Washington, Pennsylvania, Massachusetts, Michigan, Arkansas and Illinois** were among the first states to adopt sectoral strategies. In **Washington**, for example, Industry Skill Panels and Centers of Excellence were created to define and address the primary issues faced by critical industry sectors, and the I-BEST (Integrated Basic Education and Skills Training) program was launched to help close skills gaps identified by Industry Skill Panels. I-BEST allows individuals with limited English and/or basic academic skills to prepare for specific careers at the same time that they shore up their academic deficits, shortening the time required to make progress toward a new career and encouraging more students to stay in school. In **Massachusetts**, the Workforce Competitiveness Trust Fund and the Extended Care Career Ladder Initiative are current state-supported sectoral initiatives that create opportunities for Massachusetts workers to move forward along a career path in key industry sectors. Massachusetts' sector initiatives build on policy initiatives that date back to 2001. Recognizing this trend toward state adoption of sectoral approaches, in 2006, the **National Governors Association**, in partnership with the **Corporation for a Skilled Workforce** and the **National Network of Sector Partners**, began working with teams from 11 states in a project entitled, "Accelerating State Adoption of Sector Strategies." The project involves the six states mentioned above, along with teams launching newer sectoral workforce initiatives in **Georgia, Minnesota, North Carolina, Oklahoma and Oregon**.

Example: Job Ready Pennsylvania

In 2005, Pennsylvania Governor Ed Rendell launched "Job Ready Pennsylvania" with the goal of making a better public investment in workforce development by becoming more efficient and responsive to both employer and training needs in target industry sectors. "Job Ready Pennsylvania" significantly escalated state support for sector work by allocating \$31 million in funding for initiatives in targeted industry clusters: \$5 million to organize industry partnerships, \$15 million to train incumbent workers in those partnerships, \$10 million to provide grants for 10,000 workers to continue their education, \$1.5 million for industry-aligned career and technical education equipment and curriculum upgrades, and additional funding for community college courses in high priority occupations.

Pennsylvania now has 90 active Industry Partnerships, with more than 5,700 participating companies representing 20 industries. Each Industry Partnership serves as a mechanism for identifying labor force shortages and skill gaps, validating occupational analyses, assisting with the adoption of portable skill standards, and working to upgrade the skills of the existing workforce. A partnership must involve multiple employers, and where possible, labor unions, in a targeted industry cluster, working in conjunction with regional actors in the educational and workforce and economic development spheres. Employers actively participate in the development of the partnership and its activities, and support the sustainability of the effort. The State reports that "employees who received training under this initiative during 2005 saw an average increase in their wages of 12.89 percent. In addition, 75 percent of businesses surveyed reported they already have seen significant productivity gains, while their employee retention rates have reached 83 percent."²

² "Job Ready PA Update," June 21, 2007, Pennsylvania Workforce Development, page 1; available from http://www.paworkforce.state.pa.us/about/lib/about/pdf/skilled_workforce_budget_support/job_ready_update_6-21-07.pdf; Internet.

The type of outcomes that organizations have been able to document typically relate to improvements in a business's ability to find and retain qualified workers (e.g., reduced hiring costs, vacancy rates or turnover rates) or improvements in the quality of existing workers, as exemplified by improvements in quality or efficiency of work. Examples of program outcomes documented by the Aspen Institute include:

- ▶ A provider of incumbent-worker training services to entry-level employees in health care documented \$40,000 in savings for one hospital due to improved retention among workers receiving training service. The calculation required benchmarking trainee retention against the hospital's typical retention rate, and calculating a turnover cost for workers in the relevant positions.
- ▶ A home health care contractor surveyed clients who were provided aides from multiple home care agencies. Clients assigned aides employed by a sector workforce initiative that provides expanded training and promotes innovative employment practices were more satisfied than were clients who were assigned aides from other agencies that provide industry-required minimum training. The sector initiative expanded its contract due to documented, higher-quality service delivery and client satisfaction.

The Spread of the Sector Approach

Documented outcomes from the work, as well as the common-sense appeal of the strategy, have helped spur growth in the number of sector initiatives currently operating. This growth is seen through the following:

- ▶ Ten years ago, research found a few dozen organizations involved in sector work targeting a handful of industries. A recent survey of workforce development organizations – designed to reach only a sample of sector programs – garnered responses from 227 organizations targeting approximately 20 industries.
- ▶ While 10 years ago, sector strategies relied on philanthropic funds to support key elements of the strategy, they now receive support from federal, state and local government initiatives specifically designed to support the approach. For example, the National Governors Association is actively working with 11 states that are implementing sector strategies. At the federal level, a wide range of funding initiatives have been influenced by the approach. At the local level, cities such as Boston, Chicago and New York City have developed policies and funding streams to integrate sector strategies into their workforce systems.
- ▶ While 10 years ago, sector initiatives were most commonly found operating in nonprofit, community-based agencies, today community colleges, Workforce Investment Boards, labor-management partnerships, business associations, and other agencies play important and active roles in implementing the approach.

For reasons of efficacy as well as equity, it is important for sector programs to understand and meet the needs of low-income workers. The range of support services a sector program needs to provide can vary widely, depending on the challenges faced by the specific target population an organization is working with, as well as the employment goal the organization is striving to help its constituency reach. The Culinary Training Academy and its partner agency, Nevada Partners (see box), explicitly tailor their service

strategy to take into account both the competitive pressures and demands of employers, and the learning needs and life situations of potential workers.

CASE EXAMPLE Culinary Training Academy and Nevada Partners

A partnership between two nonprofit organizations in Las Vegas, the Culinary Training Academy and Nevada Partners, provides a range of workforce recruitment and training services to the major casino and resort properties that drive the city's hospitality industry. Nevada Partners is a community-based, nonprofit organization with a mission to eliminate poverty and reduce unemployment. Nevada Partners works with individuals from low-income communities, providing a variety of entry-level training and support services such as English language instruction and assistance maintaining public benefits while attending training, and then connecting them to jobs in the hospitality industry. The Culinary Training Academy is a joint labor-management training trust that involves 24 casino and resort properties and UNITE-HERE union locals 226 and 165. The Culinary Training Academy works closely with employers to ensure that workers are well-prepared to offer high-quality service so that the industry remains competitive and successful. Together, these two organizations help new workers enter the hospitality industry and help incumbent workers advance their careers. In so doing, they also address employers' demands for a high-skilled service sector workforce.

Nevada Partners and Culinary Training Academy staff start with an understanding of the dynamics of the industry and the metrics on which the local businesses judge success in order to develop workers who are prepared to contribute to the business and earn superior wages and benefits. The Culinary Training Academy has established an excellent reputation among the major Las Vegas hospitality employers, and now accounts for a substantial portion of their hiring and upgrading business. For example, one employer noted that approximately 60 percent of its entry-level workers come from the Culinary Training Academy. This combination of advocacy for workers, together with facilities that prepare workers to be very productive and meet employer needs, has contributed to both businesses and workers succeeding in Las Vegas' casino businesses. ▶

The Importance of Sector Strategies

Debates about building a competitive workforce quickly turn to strategies for working with current students and the mainstream education system. Funding streams designed to meet the needs of adults, particularly low-income adults, have been viewed as "second chance" systems, and are not considered in most discussions of how to create a highly skilled workforce. Framing the issue this way unfortunately misses a substantial segment of the future labor force. Roughly 65 percent of the 2020 workforce and 43 percent of the 2030 workforce already are working. That is, **today's workers are tomorrow's workers**. Sector strategies can be an important strategy for helping today's workers attain the skills they will need to be competitive in tomorrow's labor market.

Certainly sector initiatives can benefit workers at all levels of the income spectrum, as well as business and other interests, but there is a compelling case for giving special attention to economically disadvantaged workers. In today's economy, skills command a premium. Yet, typically when businesses offer employees skill-building opportunities, they invest in training for their more highly educated workers. **Employers are least likely to invest training resources in those who earn low wages, hold minimal skills, or occupy entry-level positions.** Thus, sector strategies should keep a clear and steady focus on the needs of low-income workers. Moreover, when public and philanthropic entities provide support for sector initiatives focused on these workers, they run little risk

of displacing employer investment in skills building, but instead fill an important need in the low-wage labor market for learning and advancement opportunities.

As a nation, we face critical and growing shortages of skilled workers across a number of industry sectors. At the same time, we have a large and growing number of individuals who, if provided with a viable opportunity to build their skills, could fill these gaps. Sector initiatives at their strongest and best can help workers increase the value they bring to employers, encourage the inclusion and advancement of low-income and minority groups in important segments of regional economies, and simultaneously help strengthen the competitiveness of business. Such initiatives – which make an important contribution to addressing both business and societal challenges – offer a sound approach to some of the nation’s most pressing workforce problems.



Workforce Strategies Initiative

The Aspen Institute
One Dupont Circle, NW
Suite 700
Washington, DC 20036

Phone: (202) 736-1071
Fax: (202) 467-0790

E-mail: ws@aspeninstitute.org
Web site: www.aspenwsi.org

CREDITS

Author: Maureen Conway

Graphic Design: Olmsted Associates, Inc., Flint, Mich.

ADDITIONAL RESOURCES

AspenWSI’s publication *Sectoral Strategies for Low-Income Workers: Lessons from the Field* takes an in-depth look at sectoral employment development – its record of past achievement, growth over time and potential for greater uptake. Copies can be downloaded free from the AspenWSI Web site: www.aspenwsi.org/sectorstrategies. A limited number of print copies are available for a small shipping and handling fee. For ordering information, please see: www.aspenwsi.org/publications.

In addition, AspenWSI has posted on its Web site profiles of innovative sector initiatives working in a range of industries and communities. Visit: www.aspenwsi.org/sectorstrategiesprofiles.

This publication was made possible by a grant from the Charles Stewart Mott Foundation.

©2007 by the Workforce Strategies Initiative, a project of the Aspen Institute