

**WASHINGTON STATE  
WORKFORCE TRAINING AND EDUCATION COORDINATING BOARD  
JANUARY 27, 2011**

**Coordinating Workforce and Economic Development  
around Strategic Industry Clusters:  
A Progress Report on Substitute House Bill 1323**

The legislature enacted Substitute House Bill 1323 in 2009 and established industry clusters as a central organizing framework for workforce and economic development planning and service delivery. The bill required a December 2010 report on local and state progress to fulfill the legislation's requirements. The report executive summary is included here.

**Board Action Required:** Discussion. No Action Required.

## **EXECUTIVE SUMMARY**

This report identifies the progress made at the state and local level in coordinating workforce and economic development, with a special focus on industry clusters. Substitute House Bill (SHB) 1323 defined and established industry clusters as a central organizing framework to coordinate planning and service delivery among workforce and economic entities. By working together and strategically targeting their resources, state and local agencies can more effectively use limited funds. In light of state and local budget challenges, fiscal efficiency within state agencies and organizations is more critical than ever.

Cluster strategy is a particular type of economic strategy that focuses on interconnected businesses and industries within regional areas. It offers an organizing principle around which workforce and economic development can be coordinated and enhanced. Local areas throughout the state have already embraced a cluster-based approach to workforce and economic development, and many are coordinating workforce and economic development plans and actions. This progress report summarizes the range of activities occurring in support of industry clusters.

While statute defines an industry cluster (RCW 43.330.090(5)), there has not been a singular process for identifying and targeting clusters.

Based on the state definition and on a collaborative process that used detailed industry data, the Workforce Training and Education Coordinating Board (Workforce Board) identified and ranked current clusters according to how strategic they are in providing family-wage jobs. The Washington Economic Development Commission (WEDC) has identified emerging innovation clusters—industry areas that have potential but have not necessarily reached the regional concentration associated with clusters (see Appendix B). These two types of clusters—current strategic clusters and emerging innovation clusters—complement one another.

At the regional level, local Workforce Development Councils (WDCs) and Associate Development Organizations (ADOs), using additional local economic data and on-the-ground information, have identified their own list of strategic clusters. Most of the regionally identified clusters overlap with strategic clusters identified by the state. Some also overlap with the WEDC-identified innovation clusters. In a few cases, the regional clusters are outside of those identified at the state level.

This progress report describes the major state workforce and economic development programs that have targeted strategic or innovation clusters. The Workforce Board's Industry Skill Panel grants, for example, bring together regional representatives from business, labor, and education to improve worker skills for strategic industry clusters. The Department of Commerce's (Commerce's) Innovation Partnership Zones (IPZs) provide resources for research and development in innovation clusters. The State Board for Community and Technical Colleges (SBCTC) oversees 10 cluster-based Centers of Excellence throughout the state, which are resources for the creation and sharing of model curricula, and best practices in college assistance to industry. Also, the WEDC and Higher Education Coordinating Board's Strategically Targeted Academic Research Team, or the STAR Researchers program, recruits academic superstars for university positions that will advance research with commercial applications in innovation clusters.

This report also describes other programs whose focus is broader than clusters, but whose services also frequently benefit strategic or innovation clusters. For example, the Community Economic Revitalization Board (CERB) can support industry clusters through public infrastructure financing that supports businesses. Likewise, the Workforce Investment Act (WIA) program administered by the Employment Security Department and local WDCs often provides employment and training resources for strategic clusters. WIA-funded community and technical college training dollars have been used predominantly in strategic cluster industries: health care (37 percent); manufacturing/construction (22 percent); and information technology (11 percent).

Clusters also appear within mid-level and baccalaureate high employer demand programs of study. The Legislature has guided higher education dollars toward increased student enrollment in fields of study where the state has not been producing enough in-state graduates to fill employer job openings. In mid-level fields, two high demand programs of study are directly linked to strategic clusters: aerospace mechanics and technicians, and health care programs of study. At the baccalaureate-level, health sciences, computer and information sciences, and engineering are directly linked to strategic clusters.

Some programs with a broader focus have done a good job directing substantial resources to strategic clusters, while others, as this report notes, could do more to help implement the cluster strategy.

In addition to targeting resources to clusters, the intent of SHB 1323 is to improve the coordination between workforce and economic development. This report describes coordination at the local level, where the hard work is done. The WDCs and ADOs have led the state in coordinating efforts around serving the clusters in their areas. These entities have determined their local cluster niches, which in turn guides how they invest in job creation potential. Each region's collaborative efforts are featured starting on page 37.

In sum, as directed by section 11 of SHB 1323, this progress report includes a description of:

- (1) Direct services or funding provided to regional industry clusters by state agencies.
- (2) Centers of Excellence designated and funded.
- (3) Industry clusters and strategic industry clusters identified in state and local strategic plans.
- (4) How the analysis of labor market and economic data was used to identify clusters.
- (5) How ADOs and WDCs are jointly planning and delivering services to companies and the workforce at regional and local levels.
- (6) How workforce training priorities, the state's long-term economic development strategy, and entrepreneurial development efforts are being coordinated.
- (7) Quantitative and qualitative outcomes that have resulted from these actions.