



SOCIAL POLICY RESEARCH
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Strategies for Integrating the Workforce System: Best Practices in Six States

Draft

August 1, 2006

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STRATEGIES FOR INTEGRATING THE WORKFORCE SYSTEM: BEST PRACTICES IN SIX STATES

This paper provides a review of what other states have done to consolidate, coordinate, and integrate their workforce systems. The Washington Workforce Training and Education Coordinating Board (Board) defined these strategies as follows:

- Consolidation of workforce development programs into a smaller number of programs and administrative agencies;
- Coordination of workforce development programs through a formal coordinating body, formal or informal work groups, agreements, or other means.
- Integration of services among multiple workforce development programs through a One-Stop system of service delivery by such means as co-enrollment, staff cross training, common MIS, or other means; or through cross-program performance measures.

With the help of a panel of national experts representing the key workforce programs and partners, we selected six states—Florida, Michigan, Oregon, Pennsylvania, Texas, and Utah—to review their promising practices in these areas. We interviewed four individuals in each state. These interviewees represent a spectrum of participants in the state workforce system, including state workforce agency directors, board chairs, and partners such as the community colleges and Adult Basic Education.

The report that follows has two general objectives: provide a framework for understanding these three types of strategies and catalog best practices for each. Thus, we explore each of the three reform strategies—consolidation, integration, and coordination—in turn. Within each strategy, we present the steps states took to implement their strategy of choice. Then, we examine the costs and benefits of the strategy. In the final section of the report, we present themes that emerged from our interviews with respondents that appear to cut across each of the three strategies. These themes and accompanying suggestions may be of interest to Washington regardless of the reform choices the state makes.

Background

State workforce systems are subject to change because of shifts in the economy and prevailing assumptions and research results about effectiveness. Innovative states such as the six states we selected for the Best Practices review may be even more so due to their commitment to continuous improvement. The driving force for workforce system innovation can be the governor, the legislature, the state Workforce Investment Board (state board), or another policy-making entity, the state workforce agency or agencies, or various combinations of these entities working together. Throughout the report, we will highlight the entities that played important roles in the changes. However, determining the role played by the state board in each of these states is a good place to start before we explore the three reform strategies of consolidation, integration, and coordination. Such an exploration should provide context for the Washington Board as it considers implementing strategies from other states.

In general, in five of the six states we reviewed, state boards act in an advisory role. And even though boards are staffed by the state workforce agency, policy-making usually happens within that workforce agency or in the governor's office, rather than through the board. For example, in Oregon, policy generally comes from the Policy Cabinet—made up of Employment Department and Community College/Workforce Investment Act agency heads and staffed by the governor's office. Within this reduced role, some boards are relatively more active. For example, the Pennsylvania state board is a very active board that sets priorities, makes recommendations, and generally supports the deputy director of workforce development, who develops policy. State board activity may also wax and wane over time. Michigan's state board is currently waxing—it was newly reconstituted a year and a half ago, and now advises the governor. Florida has the most independent state board (gained through a governor's executive order); it is a quasi-public entity that makes policy for the workforce system. Most of these boards advise on the development of the workforce system as a whole, rather than just WIA and related programs within the conventional One-Stop system.

Consolidation

For the purposes of this study, consolidation is the combining of workforce development programs into a smaller number of programs and administrative agencies. In the states we reviewed, in all cases but one (Oregon), the Employment Service and the WIA programs are part of the same agency.¹ Thus, the more interesting variations on consolidation occur when

¹ In Oregon's case, the Employment Service stands alone, and the WIA programs are administered out of the Department of Community Colleges and Workforce Development, CCWD.

considering how other partners of the workforce system are situated in these six states. Exhibit 1 illustrates the relationships of the community colleges, TANF, economic development, career technical education, Vocational Rehabilitation, and Adult Basic Education to the primary workforce agency. In most cases, it is unusual for the education partners—community colleges, career technical education, and Adult Basic Education—to be housed with the state workforce agency. However, these partners are with workforce development in Michigan and Oregon.² TANF is housed with the workforce agency in half the states, Florida, Texas, and Utah. In Michigan and Pennsylvania, Vocational Rehabilitation is with the workforce agency. Currently, none of the states has consolidated workforce development and economic development, although several states have tried this structure in the past, most recently Michigan, which moved economic development out of the workforce agency within the last six months. The implications of these consolidations (or lack thereof) will be considered throughout this report, both in the Consolidation section, and in the Coordination and Integration sections that follow.

**Exhibit 1:
Programs Consolidated with Workforce Development in Six States**

	FL	MI	OR	PA	TX	UT	WA
JTPA / WIA	✓	✓	✓	✓	✓	✓	✓
ES / UI	✓	✓		✓	✓	✓	✓
Adult Basic Education		✓	✓				
Career Technical Education		✓					
Community Colleges		✓	✓				
Economic Development *							
TANF	✓				✓	✓	
Vocational Rehabilitation		✓		✓			

* Until six months ago, Michigan’s Division of Economic Development was consolidated within its Workforce Development System.

Special consideration should be given to how states have approached consolidation of educational partners. In most states, community and vocational/technical colleges are primary providers of workforce-related education and training. These entities are often quite independent from the state executive branch (and from each other), presenting a challenge to a state attempting to build a unified state workforce system. In Michigan, the inclusion of the post-secondary programs into the Department of Labor and Economic Growth through the Bureau of Career Education was critical to including those programs in the strategic vision of the workforce

² Except that in Oregon, Career Technical Education is in the state Department of Education, as it is in most of the

development system. In Oregon, Adult Education and the WIA programs were both brought under the community college agency. The advantage of this unique consolidation is that, while it lacks the Employment Service, it does house education and training together, benefiting workforce customers who undertake training. For example, an Adult Education respondent in Oregon suggested that an education/workforce consolidation might be especially beneficial for individuals with low educational attainment or basic skills deficiency because upgrading their skills through the postsecondary system is critical in today's economy.

In the other states we reviewed, the educational partners remain in other agencies. For example, the community colleges are coordinated and loosely guided by the higher education agencies or boards in Pennsylvania, Florida, Texas, and Utah. Career technical education is most often housed with the state Department of Education (K-12), including in Oregon. Adult Basic Education is similarly often administered out of the Department of Education. Finally, Vocational Rehabilitation has the broadest array of structures: in Michigan and Pennsylvania it is with the state workforce agency; in Florida it is in the Department of Education; in Oregon in the Department of Human Services; and in Texas and Utah it is in its own state agency.

Consolidation: What Guides Choices

All of the six states we reviewed have consolidated state functions related to the workforce development system in some form; however, in this section we will focus primarily on Utah, Michigan, Florida, and Texas, and briefly on Oregon.³ Michigan has attempted the most comprehensive consolidation of this group. Consolidation began under former Governor Engler, with the creation of the Michigan Jobs Commission that brought workforce development and economic development into one agency. Current Governor Granholm extended that reach by bringing career education under the umbrella and changing the agency name to the Department of Labor and Economic Growth. More recently, the Economic Development Corporation has been moved out of the workforce agency and into the Department of the Treasury, while maintaining its status as a quasi-public entity. TANF also remains outside the workforce agency.

In general, economic development has been difficult to consolidate with workforce development, although most of the states we reviewed have attempted it. In Florida, the workforce

other states we reviewed.

³ In Pennsylvania, other than the Employment Service and WIA being together, the one partner also in the state workforce agency is vocational rehabilitation. In Oregon, the Employment Service and WIA are separate, but WIA and the Community College advisory body are in the same agency, and Adult Basic Education sits in this agency as well. However, in general, we treat these two states as coordination or integration states, rather than as consolidation states.

development programs were once inside the economic development agency, Enterprise Florida. Later, Workforce Florida split off from that entity to become its own entity, responsible for making workforce development policy and administering workforce programs. When the two were together, the “visibility” given to workforce development was another benefit. In Oregon, under JTPA, workforce development and economic development were in the same agency, but due in part to conflict over the constraints of using federal funds, the decision was made to move workforce development in with the community college agency.

When Oregon was deciding where to put the workforce programs, despite an initial consideration to merge the Employment Service and JTPA, the decision was made instead to move JTPA into the Community College agency because the Employment Service was seen to have a culture of employment, not training. While JTPA and its successor, WIA, is clearly designed to provide employment *and* training services, the state decided to choose an agency for JTPA/WIA with more deliberate links to training and its providers. Other states cited this interesting phenomena of cultures of employment *versus* training in agencies typically considered to be responsible for both.

In Texas, the decision to consolidate 28 workforce programs previously housed in 10 different state agencies was driven by a desire to diminish duplication of services. The decision was also developed in concert with the decision to divest much of the workforce program administration and operational responsibility to the local boards. The same is true of both Michigan and Florida: consolidation efforts at the state level occurred concurrently with divesting administration of state-level workforce development programs to the local workforce investment boards, an integrative strategy that we will examine below.

Utah is unique among the states we reviewed in that its consolidation occurred without shifting programs and funds to the local areas (because it is a single state area). By contrast, Utah consolidated its workforce areas from nine to one. The Department of Workforce Services was created in 1996 by state legislation that consolidated five former state agencies—including the agencies responsible for Employment Service, Unemployment Insurance, JTPA, TANF and Food Stamps Employment and Training, child care, and displaced homemakers—into one. At the same time, the state designated five regional workforce service areas, and designated Regional Councils on Workforce Services to carry out local workforce board (then private industry councils) functions.

Steps to Implement Consolidation

States undertake significant decision-making to select and implement a consolidation plan. The decision to consolidate generally originated with the governor, and was often supported by the

legislature, but we have at least one example of a consensus-based approach to the decision to consolidate or make other structural changes. Thereafter, most of the steps involve states seeking assistance to aid their transition and undertaking planning processes and developing evaluative tools to manage the change. Examples of these key steps are:

- **Decision-making.**
 - **Executive order.** Through executive order, the governor of Michigan made the decision to bring the Career Education agency into the state workforce agency. Florida’s consolidation (see below) also occurred pursuant to an executive order.
 - **Consensus decision from each agency** that would be consolidated. Oregon is unique in the study in that it too is exploring reorganization of its workforce system. In line with Oregon’s philosophy of local flexibility and consensus-based decisions, much of the conversation is occurring through the Workforce Policy Cabinet’s tactical sub-committee, rather than being dictated by the governor’s office. See the Coordination section below.
- **Workforce agency became a quasi-public entity.** Florida’s consolidation is unique because of the new workforce agency’s quasi-public status. An executive order, with the **cooperation of the state legislature**, created Workforce Florida, Inc. in 1996. It operates as the state board, contracting with state Agency for Workforce Innovation to administer WIA Title I-B programs. As a result of its quasi-public status, Workforce Florida is not subject to state procurement rules (although it is to federal ones) and can act more quickly and independently than a traditional state agency.
- **Inform federal staff.** Utah went to the U.S. Department of Labor’s (DOL) national and regional offices to inform federal staff of its consolidation plan, and to ask for guidance on conforming to federal regulatory requirements.
- **Strategic plan.** Oregon’s strategic plan seeks increased efficiency. This goal is likely to influence whatever reorganization decision the state reaches. Similarly, the current governor of Michigan appointed a transition team when she took office that worked with a foundation and two consulting firms to develop an action plan for improving the workforce system.⁴
- **Community planning process.** Utah took a uniquely process-driven approach to its consolidation effort. Respondents from Utah note that it was the process of change that taught them the most about their partner agencies and programs, and created buy-in and support from all sides. (See Integration section for more details on the community planning process.)

⁴ “Reshaping Michigan’s Workforce: An Action Plan of the Michigan Department of Labor and Economic Growth”, MDLEG, February 2004.

- **Key business processes.** Utah identified these processes to assist the state to evaluate the transition to a consolidated system. These include measures of operational processes such as employer services and employment counseling, and also support processes, such as technology integration and service development.

Costs and Benefits of Consolidation

The primary challenge to the consolidation strategy is the cost in resources and time. For example, Utah suggested that whatever the planned time and cost estimates for a consolidation, the real costs are likely to double. First, each state that has consolidated multiple programs into a single state workforce agency described the inevitable chaos that results from a massive change. Second, one of the more unfortunate costs of consolidation is job loss at the state level.⁵ For example, in the two to three years it took Texas to consolidate programs and agencies, and divest funds and administrative responsibility for programs to the local level, it shrunk from 10,000 full time employees to 4,000. Similarly, Florida laid off 800 workers when it consolidated and moved much of the administration as well as operation of federal workforce programs to the local areas. It should be noted, however, that some of the job losses occurred because of shifting program administration to the local areas. Third, the cultural shift for staff from working in program silos to a unified workforce agency took time, and most states report that it is an on-going process, even years after the actual consolidation.⁶ Finally, sweeping consolidation created a large multifaceted agency that still has categorical programs. So, these agencies have to coordinate on a peer level and facilitate leadership from a single agency head with more responsibility.

Despite these challenges, each of the consolidating states thought that the consolidation was worth the costs because the system could serve more job seeker and employer customers. As one respondent explained, consolidation builds a true system that can make a difference in the state. Texas and Utah report that their statewide workforce systems are serving more customers, and the cost per participant is lower than it was prior to consolidation. Other states had not calculated specific return on their consolidation investment, but few respondents doubted that such a return existed.⁷ Other benefits of consolidation include:

- **Common customers are identified, and duplication of services is avoided.** In Michigan, Career Education, which was brought into the state workforce agency,

⁵ While reducing the number of state employees contributes to cost savings at the state level, the state incurs some direct offsetting costs in severance and unemployment insurance. Other costs that cannot be easily monetized may be even greater. Several respondents noted the loss of talent and lower public esteem for the state agency.

⁶ Consolidation does not necessarily result in the dismantling of silos, although that is usually the intent.

⁷ At the same time, these states recognize the need for supportive data.

developed a new MIS based on the workforce programs' MIS that allowed data sharing about common customers.

- **Resource and personnel efficiencies can be achieved.** For example, being under the same roof and sharing operational costs and administrative staff results in significant cost savings.
- **A common workforce system culture develops.** For example, in Michigan, one respondent said, “The Department of Labor and Economic Growth doesn’t feel like the old Job Service and JTPA. There are still silos, but there is a substantive difference.”
- **Performance outcomes rise.** Texas reports that performance across workforce programs has increased dramatically since the consolidation/divestiture was completed.

Since none of the states we reviewed has consolidated every possible workforce development-related program or agency into one, consolidation can be considered to occur by degree. For this reason, coordination must still occur: external coordination with the programs outside the consolidated agency, and intra-agency coordination within the consolidated agency. Coordinating methods will be described in the Coordination section, below.

Integration

For this study, we identify integration as bringing services from multiple workforce development programs together in a One-Stop system of service delivery. We identified two clear roads to achieving integration at the local One-Stop system level, and one method for achieving system-wide integration through accountability.

Local One-Stop System Integration

- **Local administration of workforce programs.** Workforce programs that are ordinarily operated by state staff can instead be operated by local contract staff through the leadership of the local workforce board. In this scenario, the state passes funds it receives from the federal government—mostly the Employment Service programs (Wagner-Peyser, TAA, VETS), state welfare-to-work, and Food Stamp Employment and Training—down to the local boards. Devolving programs to local areas does not by itself guarantee integration, which then becomes a local decision. Michigan, Texas, and Florida each devolved state-run programs.
- **State-directed guidance, policies, and technical assistance.** The second method for achieving integration at the local level is for the state to instruct the local areas through policy, and technical assistance and training to integrate program staff. For example, Pennsylvania has offered cross-training for all local staff so that program staff are able to serve any customer. The state has also developed generic customer-flow models for the customer processes, such as registration,

assessment, and training. These models promote more uniform customer service. The state is also offering all staff the opportunity to get a workforce development credential (Florida has also developed a similar credential for its One-Stop staff). All training is available to partner staff, including those not co-located in the One-Stop centers.

The state role differs in each method. The first compels the state to articulate clear expectations for local areas, usually through the state accountability system, but ultimately promotes local flexibility by becoming “hands-off.” In the second method, the state is effectively a primary arbiter of some local policy, but does so through work groups featuring local leadership. Both methods require strong technical assistance to assist the locals in carrying out the state goals.

Integration through Accountability Measures and Common MIS

- **Cross-program accountability measures.** Another integrative approach is to create measures that assess the performance of individual programs or of the system as a whole. Collecting and reporting such integrated performance information can improve collaboration, strategic planning, and service delivery among workforce programs. Most of the states we reviewed have instituted some kind of integrated accountability measures; however, these systems vary greatly in their scope and reach.⁸ These measures exist in myriad variety, and can evaluate the success of workforce programs, or a much broader array of programs and concepts including education and economic development. For example, they can include labor market results for program participants, assessment of skill gains, results for employers and the economy, and return on investment.⁹
- **Common management information system.** Several states in our sample created a common MIS to accompany integrated accountability. The systems are also intended to reduce duplication and promote integration through shared case management and reporting. In reality, however, few states have met these objectives because of the complexity and cost.

Steps to Implement Integration

The steps to implement integration via local One-Stop systems or through cross-program performance measures will be described below.

⁸ For much more extensive coverage of integrated performance information, the WTECB is itself a resource. See “Integrated Performance Information for Workforce Development: A Blueprint for States.” February 2005, Washington State Workforce Training and Education Coordinating Board.

⁹ Ibid. See also “Evaluation of the WIA Performance Measurement System: Interim Report.” February 2004, Social Policy Research Associates.

Local One-Stop System Integration

- **Transfer authority for program administration to the local boards.** Florida has given as much authority to its local boards as possible, vesting responsibility with them for WIA, Wagner-Peyser, TANF, Veterans' Employment and Training, Food Stamp Employment and Training, and Job Corps. The executive branch policy makers convinced the legislature to take this step through research results and obtaining business support.¹⁰ This integrated system is driven by performance. The state holds local areas accountable for their customer outcomes and for expenditure of funds.
- **Consolidate funding streams.** Related to the transfer of authority is the transfer of funds. To the degree possible, given federal constraints, Florida, Texas, and to some extent Michigan pass through federal funds to the local boards for WIA, Wagner-Peyser (some), TANF, Veterans' Employment and Training, Food Stamps Employment and Training, and often Child Care.
- **Federal waivers.** Florida, Texas, and Michigan use waivers from DOL to facilitate the local control. Texas' legislature required the state to request Work-Flex waivers from DOL allowing the transfer of funds from WIA Adult and Dislocated Worker funding streams, and also for Wagner-Peyser services, to be provided by local contract staff rather than state merit staff. Utah and Florida also requested these waivers. Although the request for the Wagner-Peyser waiver has been denied, Texas, Michigan, and Florida have found ways to implement something similar without the waiver approval. For example, in Michigan, Wagner-Peyser services are provided by local government employees who work under a merit-staffing system.¹¹ In Texas and Florida, Wagner-Peyser services continue to be provided by state merit-system employees housed and directed at the local level. In both states, state officials act as though the staff are employees of the local boards or One-Stop operators. For example, both states make hiring and firing decisions based completely on local recommendations.¹²
- **Encourage or require co-enrollment.** For example, Texas and Pennsylvania are both participating in a DOL pilot project to evaluate the performance implications of co-enrolling 100% of TAA participants in the WIA Dislocated Worker program.

¹⁰ Specifically, the argument was to identify work activities and employment functions rather than funding streams.

¹¹ Michigan is considered a demonstration state in this regard, a status bestowed on only two other states, Colorado and Massachusetts.

¹² In fact, these three states each have multiple WIA waivers not only to support local control, but to allow the state to operate its workforce system flexibly. For example, Texas has eleven waivers, including a waiver of the reallocation provisions so that the state may conduct mid-year deobligation and reallocation of funds, and a waiver to permit local areas to request the use of up to 25 percent of local area formula funds to conduct statewide activities. Pennsylvania has also been granted a number of waivers that promote state flexibility.

- **Realign local workforce areas to reflect regional labor markets more accurately.** In Florida, in at least one region, redrawn workforce-area boundaries aligned more closely with its labor market. In Texas, three different local workforce boards in the Houston area merged into one, reducing duplication and overlap for employers. In the states we reviewed, this has sometimes been an unintended result of state actions rather than an intended outcome.
- **Develop One-Stop center certification.** Through its certification process, Michigan strongly encourages local areas not to establish program-specific identities within the centers, but rather to create an integrated environment. The results, however, are different across the LWIAs.
- **Regional management teams.** Texas created these teams to help local areas manage the issues in their respective regions during consolidation and the simultaneous transition to local administration.
- **Create uniform, integrated One-Stop centers.** Utah consolidated its state agency and became a single-area state. Utah intended consolidation to a single workforce-area to integrate One-Stop programs. In order to accomplish this task, the state embarked on a multi-step process:
 - The state facilitated a six-month community planning process in which they invited all parties with an interest in One-Stop work (county commissioners, city staff, advocacy groups, the state disabilities coordinating council, etc.) to participate. The group planned the new One-Stop Centers, focusing on job seeker and employer customer flow through the system.
 - After the community planning process, the state conducted a One-Stop design process, involving many of the same participants, to design the physical space for centers.
 - Finally, after the centers were designed and built (or remodeled), the state moved staff into the new offices through integrated logistics.

Utah sees its process as one that began in 1996 and has extended into the present in somewhat distinct, if overlapping, phases. The state terms these phases: coordination, consolidation, integration, and currently, continuous improvement.

Integration through Accountability Systems¹³ and Integrated MIS

In developing systems of cross-program performance measures, states may choose to develop *common measures* that are discretely applied to each of the elements and funding streams that comprise the workforce system, or *system measures* that assess the combined performance of all the elements. In addition, there are other types of measures that include business measures to

¹³ The classifications used in this sub-section are taken from “Non-federal Workforce System Performance Measures in the States: Overview,” Ray Marshall Center for the Study of Human Resources, December 2003.

assess market penetration, self-service measures, program management measures, and even quality of life measures. The states we reviewed all use some combination of these different types of measures, and took different steps to implement them.

- **Legislative mandate.** This tactic is the most effective way to obtain cooperation for the data sharing required to make accountability systems work.
- **MOUs and confidentiality agreements.** These are another way to encourage cooperation. For example, in order to build its comprehensive TWIST system (see below) with the cooperation of all the participating programs and agencies, Texas worked out confidentiality agreements with all parties.
- **Scorecards and dashboards.** These methods for reporting on cross-program accountability measures are graphic and easily understood by a variety of audiences, including policy makers and legislators. Florida's Red and Green Short-Term Reports evaluate regional boards on WIA, TANF, and Wagner-Peyser measures. These reports focus on exits and immediate outcomes. Florida also publishes a "Plain English" Trend Report with similar information, but that is designed specifically for a non-workforce program audience. Texas also has a scorecard system that captures entered employment, employment retention, earnings gain, percent of participants earning a credential, and number of job seeker and employer customers served.
- **Tiered Systems.** Tiered approaches acknowledge levels of measures that allow states to maintain their program-specific measures while also attending to system-wide improvements. Florida issues Three Tier Reports based on its tiered system of long-term measures designed to evaluate all job training, placement, and career education programs.
- **Wide array of partners included.** Pennsylvania created a common performance plan including Adult Basic Education, community colleges, corrections, WIA, Vocational Rehabilitation, apprenticeships, Trade, TANF, and others. The system is a work in progress. It was initiated three years ago, and is still in development. In the first year the state collected information and created a plan. In the second year it added structure regarding how/what data should be submitted, and worked with the partner agencies to identify what data elements made sense for each agency. The framework includes workforce, economic, and education indicators, and quantitative and strategic measures. The third year has recently begun, at the end of which the state will calculate outcomes.
- **Disaggregate data for local areas to use.** In Oregon, the state has 14 measures for 11 workforce programs housed in several state agencies, and focused on educational/skills attainment, entered employment, retention, and customer satisfaction. The state aggregates the data at the state level, then disaggregates it for locals to use. Data is collected from multiple systems and is connected to the coordinated planning process.
- **One-Stop Career Center MIS.** Michigan Works, the Career Centers' MIS, includes multiple partner programs. The state is developing the system's ability to interface with other systems, such as TANF. Florida continues to work on

developing the MIS infrastructure to have a truly integrated system. While it has an advanced system housed with the Education department, its system remains merely well-coordinated, but not truly integrated.

- **Data Warehouse.** Michigan has ambitions to build a pre-K through 20 data warehouse to improve its entire educational system. Although there are plans to include employment data, these will be the last added to a system that is at the early stages of development, and has thus far focused only on K-12.
- **Real-time Reports.**¹⁴ In Texas, TWIST is the management information system for workforce programs. It is both an outcomes and case management system. The system is accessible to both the state and local staff, and all reports are “real-time” meaning they report what is happening at the moment the report is requested.¹⁵ In addition, data can be drilled down to the case-manager level, allowing local administrators and supervisors to evaluate individual staff performance. Real-time reporting allows the state or local area to have advance knowledge of its projected performance, ideally in time for staff to intervene with customers to ensure positive outcomes. In order to encourage this real-time capacity, the state requires local staff to enter data within five days of service provision.¹⁶
- **Connections to other data systems.** TWIST is also linked to the labor exchange and unemployment insurance systems, and to the human services agency system that serves TANF participants. In fact, TWIST receives nightly data dumps from TANF so that the activities of mutual or co-enrolled customers are also present in the real-time reports.

Costs and Benefits

The costs and benefits of local One-Stop system integration and that of cross-program performance measures will be discussed separately in the next two sub-sections.

Costs and Benefits of Local One-Stop System Integration

Utah suggests that its system of integrated One-Stop Centers is better for both job-seekers and business customers. Job-seekers benefit from a well-designed customer service process, and from having access to One-Stop staff that can help them, no matter what program they need services from. Additionally, Utah went to great lengths to include business customers in its

¹⁴ For more information on real-time measures and reports, see “Know How Your Program is Doing—Sooner: Using Real-Time Indicators to Manage for Quality Services.” Workforce Innovations 2006 presentation of the WIA Performance Enhancement Project, Social Policy Research Associates and Public/Private Ventures.

¹⁵To be precise, there is actually a system behind TWIST that does the actual reporting; the data for reports is extracted from TWIST.

redesign process. For example, each center is equipped with a mini business center for employer recruiting. The business centers have no “waiting room,” thus avoiding the impression that the One-Stop is a welfare office or other social service agency.

The state also benefits from integration. Utah says that its cost per participant went down after its move to a locally integrated system. Both Pennsylvania and Utah report that their integration efforts, including the community planning process and staff and partner training, have garnered support for the integration effort and led to strengthened partner relationships. Yet, both methods used to achieve integration at the Career Center level—local administration or state-directed guidance—have limitations.

Michigan, Florida, and Texas provide their local areas with broad parameters regarding integration, but allow for local flexibility in implementing One-Stop operations. The result is that, in some areas, integration is thorough and effective, while other areas continue to operate out of program silos. For example, local staff may be trained as generalists, and equipped to serve any customer of the system. However, as noted, if a shift to locally administered programs is made, the state can provide policy and guidance to local boards and contractor staff; however, with the passing of funds, the state is also making a tacit decision to let local areas lead. Thus, the transition to generalist staff may not be consistent.

In Utah, where the integration effort has been state-led, and thus is uniform across the state, a respondent noted that it too struggles to decide whether its staff should be generalists or specialists.¹⁷ The current generalist approach requires staff to maintain expertise in multiple programs. Such expertise entails on-going training to develop and sustain—training which can be costly to provide.

The costs of integration that result from state pass-through of funds to the local area are difficult to estimate, being different in each area. By contrast, Utah is the one state that took a centralized approach to the integration of its local One-Stops, and it provided a summary of costs associated with its integration effort.

¹⁶ Real-time capacity is limited by the delay in the availability of Unemployment Insurance wage data for any reports on employment and earnings outcomes,

¹⁷ The generalist versus specialist debate focuses on how customers flow through the system, and how many staff they should be required to come into contact with. The generalist approach tends to separate customers by “phase” (intake, assessment, training, post-training placement and follow-up) rather than by program. The result may require customers to see multiple staff, and requires staff to maintain expertise in a wide variety of programs. Yet, the specialist approach maintains the program divisions that states are attempting to do away with, and may be just as complicated for customers who need the services of more than one program.

- **Community planning process.** This process that Utah went through was extraordinarily difficult and time-consuming, but ultimately extremely successful.
- **Estimated cost of the effort, including time and money, should be doubled.** Utah did not provide dollar figures for the cost of its consolidation and integration efforts; however, it did suggest that any state estimate of the cost of an integration effort should be doubled.
- **Reorganization and physical design.** The state shrunk the number of One-Stop Centers, and spent resources on the design of the remaining number of Centers; a **redesign committee** spearheaded the effort, resulting in **staff time** costs as well.
- **Staff training.** Other costs in Utah included the staff training described above. Due to the dramatic nature of the change, at least one respondent suggested the state did not spend enough time and money on training staff, shepherding them through the transition to an integrated/generalist-based system that is fundamentally different from the previous program-specific structure. “At the stroke of a pen,” he said, “we made three-quarters of our employees incompetent.” Similarly, Florida notes that it was slow to provide technical assistance when the state first shifted funds and responsibility to the local areas, but that it now does so.
- **Lost staff.** Utah lost staff who decided to retire rather than go through a large reorganization. This happened in Michigan too, when the outgoing governor instituted an early retirement program.
- **Mistakes.** Utah respondents noted mistakes that caused cash outlays or reduced efficiency.
 - In the redesign of the Career Centers, the state placed less importance on what it came to identify as “back office functions” such as supporting eligibility determination. One respondent suggested that due to lack of attention to these functions, the state received a **federal sanction** for its high Food Stamp eligibility error rate.
 - The state grew impatient with the slow pace of transformation, overriding its own system of pilot testing new methods of service delivery. **It implemented procedures without fully testing them**, resulting in confusion and inefficiency.
 - In its extensive planning process, the state designed a self-described “Cadillac system”, parts of which, ultimately, **could not be sustained**.

One final disadvantage specific to the state method of passing through funds to the local areas is that, according to a respondent from Florida, **business customers are confused** about “who is in charge” given that, in each local area, there is a different entity in command. The confusion appears to lie primarily with businesses with operations in multiple local areas and those who were used to dealing with the state’s centralized job matching system in the past.

Costs and Benefits of Cross-program Performance Measures and Integrated MIS

The costs and complications of undertaking cross-system performance measures are well documented.¹⁸ To summarize, challenges include determining common definitions for measures and events across programs that are likely to define those items differently; deciding which participants to include from each agency or program; developing costly new information technology; and overcoming the limitations of UI wage data and the barrier posed by privacy considerations of the Family Educational Rights and Privacy Act. The states we reviewed reported a few more difficulties in their attempts to measure system performance:

- **Limited funds to create participation incentives.** Such a limitation prevents full participation of partners in cross-program accountability measures.
- **Lack of governor’s support.**
- **Lack of executive branch and legislature agreement on system measures.** Such a lack of agreement has stalled Michigan’s development of system-wide measures.
- **Resistance from partners.** Florida faced resistance when it initiated its cross-system performance measures. The resistance was rooted in the fear of not “looking good” in the eyes of the other partners.
- **Lack of partner ability to provide data.** Due to the decentralized nature of many of the states’ educational institutions, it has been challenging to collect consistent statewide data from some educational partners.
- **Integrating multiple partner computer systems is costly.** Utah undertook the expensive development of a common computer system for its One-Stop partners, who had had a wide variety of computer systems prior to integration. Similarly, Texas built its TWIST system from scratch, an extremely costly undertaking. While it was under development, the Texas workforce system was providing fewer services to job seeking and employer customers; however, the state says in the end the effort was worthwhile because it enhanced the system’s evaluation capability.
- **Cost of collecting data from multiple systems remains high.** In other states, where systems may continue to be separate, data collection costs can be high.
- **Integrated accountability systems are constantly evolving.** Such evolution leads to on-going costs and potential difficulty comparing past and present data, especially if specific measures change.

On the benefits side, each of the states we reviewed has decided that cross-program accountability measures are good for the system. For those states that have passed

¹⁸ See “Non-federal Workforce System Performance Measures in the States: Overview,” Ray Marshall Center for the Study of Human Resources, December 2003.

administrative authority for multiple workforce programs down to the local level—Texas, Florida, and Michigan—system-wide accountability measures encourage integration and maintain quality in the system, while also retaining local flexibility. In Texas, for example, all state agencies have done performance-based budgeting since 1993; accountability measures feed the budgeting process. For Utah, an accountability system is a tool that helps it maintain the quality of the state-led system. There are other benefits too. Pennsylvania’s planning process for its system-wide accountability system built relationships with partners and buy-in for the idea of evaluating system-wide performance.

Coordination

Coordination is the most pervasive of the three reform strategies. Even states that have consolidated or integrated must coordinate both internally (within the state workforce agency’s configuration) and externally (with any system partners that remain outside the state workforce agency). In most states, the “external” partners are economic development and various educational entities or programs, including the community colleges, Adult Basic Education and literacy, vocational education/career technical education, and Vocational Rehabilitation.

Steps to Implement Coordination

Coordinating mechanisms are developed along two dimensions, according to: 1) point of origin and 2) type. For example, the origin of a coordination effort can be a policy-making body, such as state and local workforce investment boards or state-level work groups. Other points of origin include governors, legislatures, or political appointees. The type of coordinating mechanism varies from the strategic or policy to the project-based.

Coordination within the Primary Workforce Agencies

- **Governor’s appointee—deputy director of workforce development.** Pennsylvania has created, via executive order, a deputy director for workforce development at the state to coordinate all state workforce development efforts among agencies that largely remain separate. The deputy director leads from the main state workforce agency, the Department of Labor and Industry.
- **Workforce leadership group.** The deputy director of workforce development in Pennsylvania also heads this group, made up of different state agency executive directors. There is also a workgroup made up of “implementation level” staff.
- **Workforce Policy Cabinet.** This Oregon cabinet meets monthly and is made up of the agency heads of the two key workforce agencies, the Employment Department and the Department of Community Colleges and Workforce Development. The Cabinet relies on agency-head attendance to be effective, but these executives cannot always attend

- **Redrafted MOUs.** In Utah, three years ago, the director of the state workforce agency decided to improve the memoranda of understanding for workforce partners. The state board created a committee to support this effort.
- **Intra-agency staff meetings.** In Michigan, Career Education and Workforce Development are different bureaus in the same agency. To encourage coordination, the two bureaus meet every two to three weeks to coordinate and work on common projects. For one of these common projects to create regional skills alliances, the two bureaus also coordinate with economic development.
- **Interagency project staffing.** In Michigan, Regional Skill Alliances are staffed by a 10-person, state-level, inter-agency team.
- **State SWAT teams.** In Oregon, during the transition when the Private Industry Councils—the JTPA local workforce governing bodies—were being converted to boards with a broader scope of responsibility, especially in the new balance of state region, several state staff were entirely committed to providing technical assistance.
- **Local career center review process.** The Pennsylvania state board has started holding local boards accountable not only for performance but for how they work together with the community and vocational technical colleges, and the economic development entities in their local areas. The local boards are asked to complete a **self-assessment**, and, in addition to the items already noted, to weigh in on how they are using research to inform their strategic planning and actions. In general, Pennsylvania’s vision is that the local boards become human-capital strategic entities. To support that vision, and in tandem with the self-assessments, state board members and Department of Labor and Industry policy staff are conducting **site visits to each local board** to determine whether that board is high performing or low. The result will lead either to incentive funds or technical assistance from the state. The process is focused on a larger scope than WIA.
- **Alignment with TANF.** This alignment occurs in several states. In Oregon, state legislation mandates that TANF and Food Stamps coordinate with WIA.¹⁹

Coordination with Economic Development

One of the most common types of projects involving economic development are cluster initiatives or skill alliances, focusing on regional labor markets and industry sectors. These projects deepen workforce development interactions with economic development. Previously, economic development would “call on” workforce development to provide recruiting or training for an incoming company. Now, these new initiatives encourage a coordinated strategy to attract new and retain existing businesses. Most states we reviewed noted Washington’s Skills Panels as inspiration for undertaking their skill alliances. These states articulate a philosophy that

¹⁹ Florida and Texas include TANF in the list of programs whose funds are passed down to the local state boards. Utah included TANF in its consolidation of workforce-related state agencies.

successful economic development depends on a skilled workforce trained by the educational system, and, in many cases, placed by the workforce development system. Thus, states took the following steps to coordinate with economic development:

- **State Board committees.**
 - **Alignment committee.** The Pennsylvania state board has a committee for aligning economic development and education initiatives. The committee currently spearheads multiple projects, including projects involving local/regional economic development entities governed by the Department of Community and Economic Development; its education projects involve credit transfer and additional financial aid for part-time adult students. When the committee was launched, the staff interviewed the directors of each state agency or program that has a relationship with workforce development.
 - **Workforce, Education, and Economic Development Alliance (WEEDA).** Part of Utah’s Workforce Improvement Coordinating Council, a state board committee, WEEDA is becoming “the place where people go with new ideas and projects” in these areas. This sub-committee is working on sector strategies and how public and higher education feed those sectors. Economic development is the newest participant, and the effort is better because of it. The lack of economic development participation until recently was “our Achilles heel.”
- **Mutual representation on boards and councils.** In Florida, although economic and workforce development entities are currently separate, they sit on one another’s state boards, and local economic development representatives sit on the local workforce boards. Similarly, in Pennsylvania, the deputy director of workforce development sits on the economic development council and an economic development representative sits on the Workforce Leadership Group.
- **State workforce agency executive director meets weekly with economic development in the governor’s office.** Texas has developed a philosophy that economic development is workforce development; it promotes that philosophy by giving the state workforce agency the same degree of political authority as economic development, which is housed in the governor’s office. Thus, both entities are treated as cabinet-level positions.
- **Joint grant programs.** Florida’s workforce development and economic development entities work together on several grant programs, including quick response, incumbent worker training and entrepreneurial training, cluster industries, and rural initiatives.
- **Joint conferences.** Workforce Florida, Inc. and Enterprise Florida, Inc. held a conference together this year.

- **Sector strategies.**
 - Michigan’s Regional Skill Alliances are a key tool in coordinating workforce development, economic development, and education. In Michigan, multiple partners come together to offer training to new and incumbent workers in different sectors. Partners include community colleges, local boards, Chambers of Commerce, mayors, and city councils.
 - In Oregon, this same type of effort is known as Workforce Response Teams, funded by governor’s discretionary funds to work on customized training to meet the needs of the local labor market.
 - In Pennsylvania, one of the state’s two strategic goals for the workforce system is to focus on key industries and building an employer-demand-driven system. In order to do so, they have developed “Industry Partnerships” that are seed-funded out of the governor’s office. The training is coordinated by an intermediary and provided by community colleges with the help of the local One-Stop system and local economic development entities.
- **Create a database to track employer contacts across agencies.** Staff from multiple state and local entities regularly contact employers. Michigan’s Opportunity Partnerships, which brings together economic development and workforce development to enhance the state labor exchange system, created a database of employer contacts that increases staff efficiency.
- **Regional planning.** Yet another project in Michigan is the 21st Century Regional Planning Initiative. This project will provide funds to Michigan’s One-Stop system to encourage regional planning across local area boundaries. Inter-area coordination is mandatory in the grant application.
- **Develop clarity about roles and responsibilities.** Role clarity is threshold for successful coordination between economic development and workforce development. One respondent in Michigan suggested that the inability to distinguish clear roles and responsibilities is one reasons why the consolidation of economic development and workforce development did not succeed. ²⁰

Coordination with Education

Coordinating mechanisms related to education partners are similar in some ways to the economic development coordinating mechanisms. They involve numerous project-based efforts to improve customer pathways between secondary and post-secondary education and the workforce, and to align educational curriculum with employer needs, especially in demand

²⁰ Another respondent attributed failure of the consolidation to disparities in organizational form. The quasi-public Michigan Economic Development Corporation was not compatible with a formal state agency.

occupations. They also involve policies that affect staffing, strategic planning, and the partner relationship guidelines set out in Memoranda of Understanding. These efforts originate at high levels, including the governor, the state board, and the state education agencies or boards.

- **State funding for vocational technical schools and community colleges is based on alignment with high priority occupations.** Florida, Michigan, and Pennsylvania require their colleges that offer career technical education to prepare individuals to be employed in the high priority occupations. In Pennsylvania, the state workforce agency coordinates with state and local post-secondary education. The state workforce agency determines the occupations from labor market information and the education system funds the physical redesign and upgrading needed to meet this requirement. Finally, the state higher education and workforce agencies jointly approve the programs.
- **State Board Committees.**
 - **Credit transfer among community colleges.** Pennsylvania's state board has identified credit transfer across community colleges as an issue they want resolved due to its impact on the workforce. Thus, the state board coordinates with the state department of education that oversees the community colleges.
 - **Work-related standards for education curricula.** This is a nascent effort of the Pennsylvania state board, conducted in concert with education entities.
- **P - 16 Council.** In Texas, this council, focused on an aligned education system, has also addressed whether the education system meets the needs of Texas employers. Economic development and workforce development both sit on this council, and employers validate the decisions it makes.
- **Inclusive strategic planning.** Although Adult Education is not a part of Pennsylvania's workforce agency as it is in Oregon and Michigan, Pennsylvania has a strong mandate from the governor to include Adult Education in workforce development planning. The state has funded several initiatives to connect basic-skills-deficient job-seekers with Adult Education resources to increase their access to post-secondary education. At least one of these initiatives also targets basic-skills-deficient incumbent workers.
- **State workforce agency staff liaison to partner programs in other agencies.** In Utah, the Department of Workforce Services employs a liaison to Adult Basic Education, which is housed in the state department of higher education.
- **Workforce representative on partner planning committees.** The Adult Education office in Texas requires every funded project to have a planning committee with a workforce development representative. In this case, the drive to coordinate begins with Adult Education.
- **State-developed pathway for referrals to Adult Education and Vocational Rehabilitation from the One-Stop career centers.** The referral is an important

vehicle for coordination in the workforce regions in Utah, and is necessary because Adult Education and Vocational Rehabilitation often are not housed in the local One-Stop Centers.

- **Coordination between Adult Basic Education and local workforce areas.** Texas requires memoranda of understanding between Adult Basic Education providers and local workforce areas. Further, Adult Education and literacy representatives must sit on the local board.

Costs and Benefits of Coordinating Methods

The costs and challenges of coordination largely emerge from the method's function of bringing separate parts together to operate as a whole. Further, the dimensions of coordination (point of origin and type) suggest distinct challenges and costs, while others are common across dimensions. On top of these challenge is the overarching challenge of the cultural and procedural differences among coordinating partners.

Project-based coordination, as opposed to policy- or structure-based coordination presents two key challenges for workforce development: 1) maintaining partner involvement, and 2) fostering deeper system-building. Maintaining partner involvement can be difficult if workforce development lacks compelling incentives for education and economic development partner involvement. Both of these partners tend to be locally-driven systems operating independently from the state. In addition, education and economic development have other powerful constituents, boards to which they report, and, in the case of economic development, independent relationships with employers. The leading entity must communicate to partners that project-based efforts are intended to contribute to system-building; otherwise, partners may view these efforts as discrete events in which coordination ends when the project does.

Respondents from several states suggested that project-based coordinating methods can be more difficult to achieve efficiently than a consolidation approach. For example, a Michigan customized training program for a newly recruited employer required coordination among workforce development, economic development, and a local community college. Although the project was a success, workforce development respondents say it would have been easier, and economies of scale achieved, if economic development were in the same agency.²¹ This notion of “what used to be” is particularly strong in states where workforce development and economic development used to be in the same agency.

²¹ Only within the last six months was Economic Development moved out from under the workforce agency umbrella and into the Department of Commerce, although it maintains its quasi-public status.

Given how capricious changes to workforce systems can be, several states noted that the coordination efforts initiated by one administration are subject to reversal by another. For example, Pennsylvania has not yet institutionalized some of the changes it has made based on the vision and leadership of the current governor. Staff are concerned that if the administration changes in the upcoming election, much of the system-wide reform would be at risk.²²

Regardless of whether coordinating methods are institutionalized or informal, one element that affects their implementation are the cultural differences between agencies or systems. For example, coordination with TANF in several states has been a challenge due to the cultural differences in the workforce agency and the human services agency.²³ In three of the states we reviewed—Pennsylvania, Oregon, and Michigan—TANF is administered by the state human services agency. In the states in which TANF is separate from workforce training programs, this separation can hinder thorough coordination. Even in cases in which TANF is operated by the state workforce agency, if TANF staff are not housed in the One-Stop Centers, customers may not be served as well.

Oregon demonstrates another example of the challenge of cultural differences. Oregon coordinates (rather than consolidates) its two primary workforce agencies, Employment Security and WIA. The most prevalent disadvantage to this structure is that the two agencies have different methods and protocols for communication. Because they share customers and are considered by the federal legislation to be closely linked partners in the One-Stop system, these communication differences are problematic.

Finally, an on-going reality of the coordination approach is that most states continue to struggle to decide where certain partners “fit” best within the system, rendering coordination a default solution to a problem that remains unsolved. Adult Basic Education is a prime example. In most states, Adult Basic Education is housed with the larger state education agency—either K-12 education (most common) or with higher education/ community college system (because community colleges are often Adult Education providers). For example, in Pennsylvania, Adult Education remains in the state public education department, but is closely tied to workforce development. The director of Adult Education routinely crosses agency boundaries to attend meetings and work on initiatives with the workforce agency. It is much less common for Adult Education to be housed within the state workforce agency—in our sample, this occurs only in

²² Yet even changes to state law may not protect against dismantling coordinating mechanisms.

²³ For example, due to welfare reform, many states adopted a work-first mentality for their TANF program that discouraged the long-term training that is allowable under some of the other workforce programs.

Oregon (also the community college agency) and Michigan. (In fact, Texas surveyed all 50 states and found that in only 10 states is Adult Education situated within the workforce agency.) Yet even in Oregon, the community college/WIA agency still reports to the K-12 board of education. While alignment between the two systems is important, the K-12 issues can tend to dominate the board's work, leaving community colleges and Adult Education on the back burner.

In the other four states we reviewed, Adult Education remains in the K-12 public education agency.²⁴ Yet, one result of this set-up is that Adult Education providers are often not housed in the One-Stop Career Centers. This separation may create difficulties for customers.²⁵ As a result, several states suggest that the conversation about where Adult Education belongs has yet to be fully resolved; in the meantime, coordination is the strategy of choice. Similarly, as suggested above, economic development has been moved about in relation to workforce development in most of the states we reviewed. The current uniform strategy is coordination, but the issue seems far from settled.

Despite the costs and challenges, coordination within the workforce system and with its partners is often quite successful, and ultimately beneficial to the system's job seeker and employer customers. Many of the methods cited above were given favorable reviews by state respondents. Oregon's Workforce Policy Cabinet, Utah state board's Workforce, Education, and Economic Development Alliance (WEEDA), and Texas' P-16 Council all appear to be high-functioning coordinating mechanisms that involve director-level decision makers in crafting coordinated policies or initiatives for the workforce system. Michigan's Skill Alliances and Utah's pathways for Adult Education and Vocational Rehabilitation customers demonstrate regional, local, or One-Stop Center level coordinating mechanisms that implement state goals.

Cross-cutting Themes

Regardless of the type of reform strategy the state chooses—coordination, consolidation, or integration—certain themes emerged regarding realizing a successful change.

1. **Develop a vision and a strategy.** For example, Pennsylvania undertook a system-wide strategic planning process that resulted in two key goals. The first goal is for an employer-based, demand-driven workforce system; the second goal

²⁴ Supporters of this structure say the workforce development agency lacks the resources to support curriculum development and teacher training, key components of Adult Education in some states.

²⁵ Some respondents suggest this is appropriate, given that centers often lack classroom space or evening operating hours needed for some Adult Education classes.

is to provide adult workers with the opportunity to advance their education and training. The state developed a multitude of initiatives as steps toward meeting these goals. More importantly, the workforce system partners are putting their funds behind the strategic goals.

2. **Identify the desired outcome, then choose a reform approach to match.** The most important component of a change effort is not the resulting organizational chart, but the result the state is looking for. Based on the circumstances in the state, there will be different ways of achieving the same goal. For example, if the political climate prevents consolidation, a similar effect can be achieved by building coordinating mechanisms. Put differently, changes to the workforce system that the state chooses to institute should not be about power or bureaucracy; rather, they should be about finding new ways to serve job-seeker and employer customers.
3. **Collect data to support the chosen reform approach.** In order to build the best possible case for workforce system change, the state should possess data suggesting the benefits of the reforms it wishes to put in place, such as projected return on investment figures or evidence of increased performance in states making similar changes. Such evidence is likely to garner the support of the business community, and other state agencies and local entities, despite prevalent resistance to change.
4. **Engage multiple levels of leadership:**
 - a. Governor's leadership is critical.
 - b. Bipartisan support can smooth the way for changes requiring legislative action and reduce the risk posed by partisan shifts in the governorship and legislature.
 - c. Governor's cabinet must also be committed to the change. High-level gubernatorial appointees across the spectrum of changing agencies and programs must be committed to the proposed change.
 - d. Local leaders must be empowered to make decisions that allow them to tailor the change to their areas, in the context of strong state leadership. Thus, the state must provide training and evaluate efforts in order to maintain adherence to the change.
 - e. Local supervisors and line staff must be "brought on-board" to support the change. Supervisors are a critical link between administration and front line staff. They have the potential to support or derail the process.
5. **Different efforts call for different types of state intervention.** Workforce leaders need to develop a calculus of the costs and benefits, time available, and political feasibility to tailor an appropriate strategy. Efforts such as an executive order appointing a coordinator at the deputy-secretary level is very easy but is almost certainly the least durable. At the other end of the spectrum, legislation is more durable but requires far more organization and resources.

6. **Putting funding behind priorities demonstrates the state's commitment to change.** Funding is a particularly effective way to draw attention to and support change, and an important way in which the state can influence how change is implemented at the local level. If the state wants to see greater coordination between economic development, education, and workforce development at the local level it needs to fund initiatives that encourage coordination.
7. **Consolidation, integration, or coordination will be challenged by the two types of delivery systems and other cultural differences across partner programs:** the typically state-administered system of Wagner-Peyser, Trade Act, and TANF, and the locally-administered system with WIA Adult, Dislocated Worker, and Youth programs. State staff must have a merit-staffing system with explicit rules for hiring, promotion, and firing. Further, collective bargaining in most states provides a strong mechanism to enforce these rules. By contrast, local staff are more likely to work under at-will systems. Rules are fewer, and enforcement less institutionalized. The states that devolved the Employment Service programs to local areas effectively tried to change the prevailing employment doctrine. Florida noted that the lack of a strong union presence aided the state's decision to shift program administration to the local areas.
8. **The local system should be operated with the state's imprimatur,** whatever the balance between state control and local flexibility. Respondents placed different levels of importance on local level involvement and leadership in change efforts, but all supported a strong state role.
9. **Workforce development, economic development, and education must be aligned.** The backbone of economic development is a workforce trained by the state's educational institutions. States should adopt one or more strategies One way to ensure this is for the three systems to maintain similar levels of political standing. For example, though the three may be in separate agencies, they should all be at the level of the governor's cabinet.
10. **Change strategies must make business the primary customer.** Not all respondents expressed this explicitly, but all noted in some way that an effective, demand-driven workforce system must emphasize the employer customer.
11. **Foster mini-entities within the larger system that can be innovative,** no matter what the structure of the system becomes.
12. **Do not underestimate the talent requirements for successful implementation of a change effort.** Human capital issues must be considered.
13. **Invest in change management.** This includes: (1) defining and instilling new values, attitudes, norms, and behaviors within an organization that support new ways of doing work and overcome resistance to change; (2) building consensus among customers and stakeholders on specific changes designed to better meet

their needs; and (3) planning, testing, and implementing all aspects of the transition from one organizational structure or business process to another.²⁶

14. **Document everything** that happens during the implementation of the reform. Documentation guides on-going relationships with disparate partners, whether or not they have come under the same roof. The right kind of documentation can show return on investment. Several states suggested this was lacking in their own efforts. This conclusion suggests that their reform efforts are at risk in new political circumstances if the evidence does not exist to show the benefits of the current system.

²⁶ <http://www.gao.gov/special.pubs/bprag/bprgloss.htm#sectC>

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**Appendix A:
National Experts**

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Appendix A: National Experts

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Stephanie Powers
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Martin Simon
Program Director, Workforce Development
National Governor's Association

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**Appendix B:
State Respondents**

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Appendix B: State Respondents

Florida

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Appendix C: State Profiles

(To be included in the final report)

Appendix D:
Literature Review

(To be included in the final report)