



Issue Brief

Social, Economic and Workforce Programs Division
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Aligning State Workforce Development and Economic Development Initiatives*

Executive Summary

Driven by the rapidly changing, highly competitive global economy that puts a premium on skilled workers, many states are taking steps to better align their workforce and economic development programs. When these programs are well-aligned, economic development officials work closely with their counterparts in workforce development to ensure that both long-term planning and current recruitment and expansion efforts take into account the skills of the region's workforce and the workforce development systems capacity to train additional workers. Similarly, workforce development professionals work closely with economic development officials and employers to ensure that their training and job placement efforts are designed to meet the skill needs of regional industries—especially those viewed as key to future economic growth.

In pursuing this alignment, states are confronted with the challenge of two systems that operate very differently, with workforce programs historically targeted to individuals and funded primarily through federal funds, and economic development focused on business with state and local funding. The different funding streams add a level of complexity to differences among governance and planning structures, performance and reporting requirements, and geographic focus areas. Complicating matters are very distinct institutional cultures: people in the workforce system are trained in the helping professions, while economic developers see themselves as “deal makers.” Overcoming these challenges is not easy; it requires persistent leadership from officials at all levels, but particularly the governor.

This issue brief examines the reasons governors undertake such efforts, the challenges involved, and several promising state practices that highlight the critical role of governors. Some governors have merged agencies or created new coordinating bodies. Others have established common missions, goals, and performance measures. Still others have pursued economic and workforce development strategies, such as cluster-based initiatives and regional skill alliances, that by their nature promote collaboration. Their efforts point to several basic lessons for states that are considering the alignment of workforce and economic development.

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- Complete a candid assessment of the status quo as the essential first step in determining appropriate actions.
- Evaluate the positive and negative aspects of each reform option (including restructuring versus other alternatives) and create a sequence of decisions based on the current state of affairs.
- Strengthen the quality of the economic and workforce information available to decisionmakers by revamping the data collection, analysis, and dissemination systems.
- Organize economic and workforce development activities around regions and groupings of firms to improve labor market performance.
- Use financial incentives and administrative actions to resolve the administrative and jurisdictional differences between economic and workforce development.
- Set broad performance measures across multiple workforce programs so they align with state economic goals.

Background

Traditionally, economic and workforce development agencies, and the professionals who staff them, have gone their separate ways. Economic development agencies focused on mobilizing the state and local resources needed to achieve business recruitment or expansion deals. Workforce development agencies focused on administering a “second-chance” system of federal employment and training programs. With the emergence of a knowledge-based economy, however, it became evident that economic development requires a skilled, innovative, and flexible workforce. The severe “skill gaps” that appeared in the 1990s showed that workforce development is about much more than assisting the unemployed and disadvantaged; it also is about producing a workforce with the skills that employers need if they are to succeed in a rapidly changing and highly competitive global economy. It became clear that economic development and workforce development are two sides of the same coin, and therefore their strategies and activities needed to be aligned.

When economic and workforce development are well-aligned, economic development officials work closely with their counterparts in workforce development to ensure that both long-term planning and current recruitment and expansion efforts take into account the skills of the region’s workforce and its capacity to train additional workers. Similarly, workforce development professionals work closely with economic development officials and employers to ensure that their training and job placement efforts are designed to meet the skill needs of regional industries—especially those viewed as key to future economic growth.

Such collaboration requires a level of mutual trust that takes time to develop. Trust can be nourished through committed leadership, shared missions, joint planning and reporting, and shared performance measures. Building a trusting relationship can include other approaches, such as joint staffing of governance bodies and merged research teams, jurisdictional alignments, and regional and sectoral strategies.

Yet, genuine alignment goes further than mutual consideration and assistance. When their agencies are fully aligned, economic and workforce development officials work together to create a common vision for

the regional economy and its various parts that transcends employment to include innovation and entrepreneurship. They develop a unified set of goals spelling out this vision and an integrated strategy—with common performance measures and shared incentives—for achieving them.

Such advanced alignment is rare, especially at the state level, in part because states are just beginning to work at alignment and in part because it is not easy to accomplish. The quip that “economic developers are from Mars and workforce developers are from Venus” speaks to real differences in occupational cultures and institutional settings that complicate alignment efforts. A growing number of governors are taking steps to overcome the obstacles because they are concerned about their states’ ability to compete in a knowledge-based global economy, increasingly aware that workforce quality is critical for economic development and job creation, and committed to making better use of resources in tight fiscal times.

Obstacles and Challenges

For economic and workforce developers to collaborate effectively, each party must understand the very different operational contexts in which they operate. For several decades, the publicly funded workforce system operated under strict eligibility requirements that provided services almost exclusively to economically disadvantaged and unemployed persons. This severely limited the programs’ usefulness to economic developers. Although the Workforce Investment Act has provided more flexibility for working with different customers, including employed workers and employers, it takes time to change long-engrained habits, and longer yet to change the program’s reputation.

Complicating matters are two very different institutional cultures. Economic developers frequently have a business background and view themselves as “deal makers.” They tend to focus on companies as their primary customer, helping them with real-estate development, financing, and water or sewer infrastructure issues. They excel in putting together funding packages using multiple local, state, federal, and private resources from a variety of programs and agencies.

In contrast, workforce system staffs typically were trained in the helping professions and saw individuals as their primary client. Only in recent years have they taken a more demand-driven approach that addresses individual needs in the context of the needs of a company, industry, or regional economy.

Another ongoing difference between most economic and workforce developers is the source of their funding. While workforce agencies depend on the federal government for the vast majority of their funding, most economic development activities are funded by state and local governments. Differences among funding streams create tensions because each funding source has its own policy, reporting, and performance requirements.

To fulfill diverse and varied missions, workforce and economic development organizations typically seek to meet these requirements based on guidance from different governance boards or councils, which use different tools and engage in different planning processes that cover different geographic areas and adhere to different schedules. The responsible program officials collect data on different performance indicators that are submitted to different oversight authorities via different reporting processes. This “silo” approach occurs despite the often considerable overlap among the issues addressed and strategies outlined in the individual plans and initiatives.

Governance Solutions to Alignment

Overcoming the alignment barriers—both structural and cultural—does not happen naturally or easily. It takes creative and persistent leadership from officials at many levels, and most critically the governor. Only governors have the authority and influence to reorganize departments, redefine missions, undertake major strategic initiatives, or reallocate state government’s resources. Only governors are in a position to bargain with the legislature if necessary. Once governors decide to act, the key question is how best to achieve the desired results.

One governance approach to promoting greater alignment of economic and workforce development is to consolidate multiple workforce and economic development agencies and programs into one department under a single commissioner or secretary. Another approach uses mechanisms, such as mini-cabinets, that facilitate “structured coordination” among existing agencies.

Consolidation

In theory, consolidation is a fairly straightforward way to align workforce and economic development. It typically involves merging similar agencies and programs into a single existing department or creating a new department with programs pulled from other agencies. In practice, it is usually more challenging. It can consume a great deal of time and energy due to the resistance and maneuvering of those affected. Legislators and advocacy groups may get involved, causing the governor to expend political capital in the process.

In addition, the results of reorganization often are quite disappointing. Employees sometimes spend considerable time figuring out their new roles and responsibilities, old habits can persist under new arrangements, and long-lamented silos may continue, only now within the same department. This is especially likely when the agencies opposed the consolidation and are as culturally different as economic and workforce development.¹

Despite these challenges, organizational consolidation can produce many benefits and lasting change that justify the effort, such as unified authority and its potential for ensuring more coordinated planning, implementation, and evaluation. In addition, consolidating agencies can break up dysfunctional bureaucracies and send strong signals about new directions and expectations. The difficulty of achieving consolidation discourages subsequent political leaders from reversing direction. Because it makes intuitive sense, it is difficult to justify returning to agencies reflecting programmatic silos.

Several states have consolidated agencies and departments, usually by executive order. As far back as 1995, **Texas** consolidated 24 workforce programs scattered across 10 agencies into one new agency, the Texas Workforce Commission (TWC). Within this framework, the Texas Workforce Solutions emerged, a partnership among TWC, 28 local Workforce Development Boards (WDBs), service providers, and other stakeholders.

TWC allocates federal funds through annual contracts with the WDBs to provide services in five programs: Temporary Assistance to Needy Families (TANF), Workforce Investment Act (WIA), Food Stamp Employment and Training, Child Care and Development Fund, and Welfare to Work. TWC also contracts with local boards to operate the Trade Adjustment Assistance program and Project RIO (Re-integration of Offenders) and to locally manage Wagner Peyser staff, who remain state merit staff. This gives WDBs the opportunity to manage a broader set of funding streams and program requirements. Later, an Office of

Employer Initiatives was established in the TWC to coordinate with the Governor's Office of Economic Development and ensure that the training needs of industry sectors are served. Coordination between workforce and economic development was further strengthened when the Department of Economic Development was moved to the Governor's Office through legislation enacted by the legislature and signed by Governor Rick Perry.

Former **Missouri** Gov. Mel Carnahan and **Oklahoma** Gov. Brad Henry also consolidated their states' various employment and job-training programs and moved them into the economic development agency. In **Missouri**, Gov. Carnahan placed the resulting division of workforce development in the Department of Economic Development and Commerce under a sub-cabinet appointee.

Gov. Henry moved the **Oklahoma** Employment Security Commission (OESC)—the primary agency responsible for administering WIA programs—under the Cabinet of the Secretary of Commerce to work more closely with the business recruitment team. In part, this realignment involved local one-stop centers and employment offices and personnel who serve as initial contact points and action agents for the state's economic development efforts. A newly appointed deputy secretary of commerce for workforce development oversees the effort and reports directly to the DOC Secretary. The deputy secretary also directs the Governor's Council for Workforce and Economic Development, established by Gov. Henry to serve as the state's reconstituted WIB. The council is supported by the Workforce Solutions Staff Team, created when the Governor asked workforce department heads to designate senior executives to support the council and align department objectives and resources with economic development.

Other states have gone still further, including several that created new, consolidated departments. In 2003, after four years of restructuring efforts that included a governor's mini-cabinet and a transition team that managed the final merger, **Minnesota** Gov. Tim Pawlenty established a single Department of Employment and Economic Development. That same year, **Michigan** Gov. Jennifer Granholm created by executive order a consolidated Department of Labor and Economic Growth, and saw to it that the state's workforce investment and economic development boards shared members.

In 2004, the **Idaho** legislature passed and Gov. Dirk Kempthorne signed legislation creating a combined workforce and economic development agency, the Department of Commerce and Labor. As an outgrowth of the merger, the state held a joint meeting of economic and workforce development leaders to refine goals for better integration of economic and workforce development services. In addition, the one-stop and former job service offices added the full spectrum of economic development, community development, and related services to the menu of services in the new agency's service centers.

Kansas Gov. Kathleen Sebelius included higher education in the alignment of workforce and economic development. In January 2004, she issued an executive order that transferred WIA, Wagner Peyser, and adult education funds for employment and training from the Department of Labor to the Department of Commerce (DOC). The connection with community colleges was strengthened through a partnership with the Kansas Board of Regents, which cofunded an executive position with DOC to oversee the partnership.

Structured Coordination

Some governors are tackling the governance challenge by developing mechanisms to improve coordination among economic and workforce development agencies. For example, jobs cabinets are mini-cabinets that coordinate and focus state efforts to attract and retain good jobs. Typically they operate within the existing

agency structures and are charged with bringing focus and resources from across agency lines to achieve some common objectives. **Tennessee's** Department of Economic and Community Development administers a Jobs Cabinet and Gov. Phil Bredesen chairs its meetings. In **Ohio**, Gov. Bob Taft's policy director has hosted monthly meetings of the relevant cabinet directors to promote mutual understanding.

Other states have developed additional mechanisms for promoting the desired alignment. **Virginia** former Gov. James Gilmore moved the state's WIA programs from the Department of Health and Human Services to the Department of Commerce and Trade, and current Gov. Mark Warner appointed a Governor's Special Advisor for Workforce Development to forge a system that meets the needs of workers and employers. **Florida** created Workforce Florida, Inc. (WFI), a corporate entity that oversees the Florida Agency for Workforce Innovation, with strong leadership from the legislature. Representatives from WFI sit on the state economic development board, Enterprise Florida, Inc., and the board's representatives sit on WFI.

In **Florida**, WIBs control not only WIA funding, but TANF and Wagner Peyser funds as well. Each local board has signed a memorandum of understanding with the state. The state employs career service employees and Veterans Reps, who are paid with Wagner Peyser funds but work under the day-to-day supervision of local WIB managers. Funding for salaries and benefits stays at the state level, where payroll is managed, but all other funding comes down to the regional WIBs.

In **Pennsylvania**, Gov. Edward Rendell appointed a deputy secretary of workforce development in the state's Department of Labor and Industry to oversee alignment issues among five agencies: Aging, Education, Community and Economic Development, Labor and Industry, and Public Welfare. In **Massachusetts**, Gov. Mitt Romney's cabinet-level Executive Office of Economic Development (EED) oversees four departments: business and technology, workforce development, labor, and consumer affairs and business regulation. The directors of all four departments within the EED are members of the Governor's cabinet.

Missouri merged its workforce development agencies into the Department of Economic Development, but also formed a team among the departments of Economic Development, Labor and Industrial Relations, and Social Services that led to the creation of nine task forces to examine specific issues and make recommendations for better aligning and coordinating their activities. State officials point to impressive results, including significant savings in administrative costs and substantially higher rates of job placement and retention. Sometimes such planning is part of a more comprehensive assessment of the state's economic and social policies.

It is important to note that such structured coordination can complement as well as substitute for consolidating programs and agencies. No organizational structure is sufficient to efficiently address the multitude of issues and populations that come and go without effective coordination across agencies. Governors need to promote such coordination, whether through *ad hoc* and temporary bodies or more permanent ones.

Strategies and Tactics to Achieve Greater Alignment

To align economic and workforce development, reorganizing governance structures is often helpful, but it is neither necessary nor sufficient. Strategies and tactics are needed to align the everyday activities of state and local economic and workforce development officials, one-stop career center operators, community college leaders, and other key personnel. Three strategic approaches show special promise: focusing on

specific industries and occupations, joint planning and information management, and integrated performance management.

Segmenting the Market by Industry and Occupation

A common criticism of job training programs has been that they did not train workers to meet the real needs of local employers. Often as a result, workers lack the skills they need to qualify for existing jobs, while employers have difficulty filling vacant positions, especially in high-skill, high-growth occupations and industries.

A growing body of research suggests that the most practical way to match supply and demand is to organize communications between skill providers and skill consumers according to some subsegment of the broader universe of employers. Some of this segmentation happens anyway, but states are finding that they can promote improved labor market performance by organizing their own economic and workforce development efforts around particular occupations, industry sectors, or clusters of employers with common characteristics (e.g., members of a supply chain or companies in a specific stage of growth, such as start-up firms or at-risk companies). The National Network of Sector Partners recently published a paperⁱⁱ on sector-responsive state policy models that identifies the following common elements.

- Combining economic development goals with workforce development goals by targeting specific industries that are critical to the state or regional economy, and analyzing the workforce needs in those industries.
- Encouraging and sometimes providing incentives for the development of partnerships among multiple stakeholders such as employers, education and training providers, workforce boards, philanthropic organizations, and organized labor.
- Investing in helping employers within those industries to prepare their workforce to become more skilled and productive, and also in preparing new, dislocated, or disadvantaged workers for jobs in those industries.
- Supporting a variety of solutions to meet employer and worker needs, in addition to traditional workforce training, such as business services, supervisory training, and supportive services or ESL training for disadvantaged clients.
- Encouraging regional collaborations that cross traditional workforce and economic development boundaries or link traditional education and training systems.
- Including accountability measures that enable the state to ensure that the investments are producing the intended outcomes.

Several states have launched initiatives that exemplify this sectoral approach. Typically, these efforts are regional in geographic scope rather than statewide or local, reflecting the regional nature of labor markets. Indeed, one of the helpful steps that state leaders can take is to align economic and workforce development jurisdictions around the same regional labor markets.

Michigan's Regional Skills Alliances are public-private partnerships that convene key stakeholders in a particular industry to address the employers' workforce needs. The conveners of such partnerships can come from various institutions, including industry associations, labor unions, workforce boards, and community colleges. They mobilize the various stakeholders and facilitate the needs assessment, planning,

and implementation of the sector initiative. Activities include examining, designing, and implementing improvements to the sector's human-resource practices; realigning training curricula; and addressing such nonworkplace issues as transportation. In 2004, the state invested \$1.05 million to foster the development of 12 alliances, with no single grant exceeding \$100,000. The state also offers direct technical assistance to each alliance.

Washington's Skill Panels, initiated by the Governor and State Legislature, are public-private partnerships of business, labor, and education working together through regional alliances to improve the skills of workers in industries vital to Washington. Industries see the skill panels approach as a successful model, providing leadership, innovation, and solutions to grow and keep a competitive workforce. The state workforce investment board provides funding to each skill panel, which leverages additional financial support from other public and private sources.

The industry skill panels continuously examine the workforce needs of the industries they serve. Panels push for change and recommend new training programs where none existed before. They demand more training capacity when there are not enough graduates to meet the industry's needs. They press for modernized training for the industry's current workforce. They demand that public training budgets are strategically used. They support economic development initiatives aimed at building industry competitiveness.

Industry skill panels increasingly influence Washington's workforce development system. Effective industry skill panels allow private enterprise to contribute intellectual and financial resources to ensure both workers and employers stay competitive. Community colleges are responding to employer needs with more flexible, higher quality training. They are expanding and creating more modular courseware options, providing additional weekend and evening classes, offering greater numbers of distance learning opportunities, and improving their systems in numerous other ways. As a result, participants in the workforce development system are better trained and prepared for industries' skill demands.

New York State officials decided five years ago to invest WIA discretionary funding in helping local areas meet specific business needs in important industry sectors. They launched a series of initiatives incrementally, building on lessons learned in each step. The state funded projects to understand and support career ladders, targeting key industries that use developing technologies such as information technology, biotechnology, and nanotechnology.

New York created Building Skills in New York State (BUSINYS) to provide process-improvement training that helps employees reduce production costs and increase efficiencies through processes such as lean manufacturing and six sigma. More than \$20 million has been awarded to businesses of all sizes, with a significant number of awards going to small and emerging businesses. The state also initiated Accelerate New York to help companies in key industries with business planning—after state economic development officials observed that businesses' incumbent-worker training funding requests often did not demonstrate a strategic approach to training or take advantage of the opportunity to use the training to advance overall company objectives.

Oregon Governor Ted Kulongoski, as part of his initiatives to create and maintain jobs in the state, implemented an incumbent worker training project, the Employer Workforce Training Fund. The fund was specifically designed to increase the coordination among workforce, education and economic development entities at the local level.

Funds are awarded directly to employers for training their workforce. Projects are selected and managed by a Workforce Response Team (WRT) in each of Oregon's fifteen regions. Required membership on the WRTs includes the WIA Title IB provider, the state employment department, the community college, and local and state economic development entities. Besides assisting local employers in creating and maintaining jobs, the funds have provided an incentive for economic development, workforce development and education to work together on real projects. This has resulted in a growing awareness among economic development practitioners on the importance of workforce development and education and more demand-side thinking on the part of the workforce development and education partners.

Joint Planning and Information Management

Because of the myriad sources of federal and state funds, the varied planning requirements that accompany the funds, and the different agencies, elected officials, and jurisdictions responsible for them, planning efforts often occur independently from one another. Aligning planning efforts provides a practical opportunity for states to focus multiple resources on priorities agreed upon by the Governor and other state leaders.

Illinois Gov. Rod Blagojevich designated 10 Economic Development Regions to develop individual "Opportunity Returns" economic development plans. As part of Opportunity Returns, the Critical Skills Shortage Initiative is designed to establish local WIB-led coalitions that identify key industry sectors, collect and analyze information about shortages in key occupations, determine root causes and solutions, and develop proposals to test and implement solutions that leverage existing resources.

Using WIA discretionary funds, the Illinois Department of Commerce and Economic Opportunity awards \$3 million in planning grants to these coalitions on a noncompetitive basis and \$15 million in total training grants on a competitive basis to those that submit the best plans. In the first year, the training grant funds 100 percent of the cost of activities authorized under WIA. Grants are renewable for a second year to fund up to 50 percent of costs, with each region expected to secure funds from other sources to make up the difference and continue without any state funds in subsequent years.

Indiana Gov. Mitch Daniels is pursuing a strategy similar to the Illinois approach, with the major exception of asking the U.S. Department of Labor for a waiver to create a single state-designated WIB (plus an Indianapolis WIB). Under this single state WIB, Indiana will designate regional workforce boards with greater flexibility and accountability. In the process, the state proposed consolidating 16 local WIB areas into 11 regions that correspond with economic development and community college boundaries.

Missouri took a different approach, merging its economic and workforce development research units, along with the Missouri Occupational Information Coordinating Committee staff, to create the Missouri Economic Research and Information Center (MERIC). In 2004, the center began to provide comprehensive services to local WIBs. In addition, Missouri developed a performance scorecard that includes measures in three major categories: workforce development, education, and the economy. MERIC collects and analyzes the data across the three categories of indicators and reports the results to the Missouri Training and Employment Council. The combination of MERIC and the scorecard provide management with valuable information to clarify policy direction and priorities and direct their investments toward desired results.

New Jersey initiated a demand-side skills assessment project to strengthen the relationship between workforce and economic development and better inform the planning processes across these systems. As a

first step, the state identified key growth industries in the state. Then, working with local WIBs in four regions of the state with a concentration of these industries, the state gathered data on the skills required by specific industry clusters.

During the project, the four participating WIBs formed industry advisory groups composed of local employers, educational providers, economic developers, and training specialists. These groups helped the local WIBs identify key demand occupations in their regions and the skills employers needed in these occupations. Information gathered through this process was made available to state agencies, one-stop centers, and institutions of higher education to better align the services and occupational training available through the education and workforce systems with the demands of employers in the regional economies. The effort has expanded to other regions of the state, with information on this initiative available online (see www.NJNextStop.org).

Integrated Performance Information

The multiple programs that invest in workforce development have dozens of different measures with numerous definitions that make it difficult for policymakers to accurately assess their collective benefits and contributions to statewide economic competitiveness. Because workforce development is recognized as a critical factor in state and regional economic development strategies, a clear understanding of its results is increasingly important to governors and other state policymakers.

Many states have taken on the challenge of aligning the measures and integrating the performance information across workforce programs, and several have made significant progress, including Florida, Oregon, Texas, and Washington. In 2004, these states joined with two other states, Michigan and Montana, in the Integrated Performance Information project funded by the U.S. Department of Labor and led by the Washington State Workforce Training and Coordinating Board. The project aimed to develop a guide for states interested in creating or further developing integrated performance information to better align workforce development programs and provide policymakers with the information necessary to make strategic investment decisions.

The project produced a “blueprint”ⁱⁱⁱ or state guide for simplifying measures and developing integrated performance information, drawing heavily on the experiences of the participating states—particularly Florida, Oregon, Texas, and Washington. Each of these states took a separate path to integrated performance information, but they all experienced a journey that took many years and multiple steps.

Florida’s journey, spanning more than 20 years, involved close collaboration between the Governor’s office and the State Legislature to create the Florida Education and Training Placement Information Program (FETPIP). Today FETPIP is the primary tool for informing policymakers about the performance of education and workforce programs and how these investments contribute to Florida’s economic competitiveness.

The path to creating FETIP started in 1982 when the Governor’s office sought to use unemployment wage records to analyze the labor-market outcomes of vocational education students. This led to legislation in 1984 to create the Occupational Identifier Project, which used unemployment wage records to measure post-program employment. The legislation also enacted performance requirements for secondary and post-secondary education that tied funding to outcomes. Building on this effort, in 1988 the legislature created FETPIP within the education agency. Since then, the program scope has broadened to include most

education programs and a variety of employment and training programs. Its functions have broadened as well to include program evaluation, performance-based funding, consumer information, and research.

Oregon tied the development of its integrated performance information to building a vital state economy and a competitive workforce. Today the state has a culture of shared accountability, focused on outcomes and imbedded in programs, agencies, and sectors at all levels. The Governor initiated this effort in 1988 in response to a severe economic recession. It started with a strategic-planning process, “Oregon Shines,” with the goal of creating the most competent workforce in America by 2000 and in the world by 2010.

Oregon’s process involved leaders from business, labor, education, and government and led to the formation of the Progress Board, chaired by the Governor. It also resulted in the Oregon Benchmarks: 259 measures that crossed multiple programs, agencies, levels of government, and the public and private sectors, with shared responsibility for achieving the benchmark goals. The Progress Board issued “Oregon Shines II” in 1997, which updated the benchmarks, reduced the number of measures from 259 to 100, and recognized the importance of workforce training and academic skills to jobs and the economy. Oregon’s system of cross-system workforce performance indicators has evolved into three tiers of measures: the broadest measures or benchmarks, systemwide measures, and program-specific measures.

Texas took the governance path to creating a system of integrated performance information by creating Texas Workforce Investment Council to assist the Governor and Legislature with strategic planning and evaluation of the Texas workforce system. Today, the council is the state’s primary source of information on building a competitive workforce.

The Texas Legislature established the council in 1993 and gave it broad strategic planning authority and oversight of the state’s workforce programs. With its majority private sector and cross-agency membership, the council also serves as a vehicle for linking workforce and economic development programs. The 1995 legislation that consolidated 24 workforce programs under the Texas Workforce Commission enhanced the council’s role by giving it responsibility for establishing systemwide performance measures for all workforce programs and moving it to the Governor’s office. Subsequent legislation has reinforced the council’s role in establishing systemwide performance measures.

Washington also took the governance path to integrated performance information, creating the Workforce Training and Education Coordinating Board as an independent agency responsible for policy planning and performance accountability. Today, both business and labor view the board’s performance information system as a key source of information on the performance of workforce programs and their impact on the state’s economic competitiveness.

Legislation enacted in 1991 created the board with strong support from the business community, which was concerned that the state lacked a good system for tracking the results of its workforce investments. With a majority of private-sector members and no responsibility for program operation, the board is seen as a neutral third party in establishing common measures and evaluating program performance across state agencies. The board led a two-year process of developing and adopting a performance accountability system with common performance measures. After using the system for several years, the board refined the measures to a core set of indicators.

Conclusions and Recommendations

The emergence of regional knowledge economies and evolution of federal workforce-development programs have created new opportunities for fruitful collaboration among economic and workforce development agencies. Where that collaboration works well, the resulting partnerships facilitate progress in several areas. Most notably, they help establish combined regional entities and identities that create a climate for seeking region wide solutions to competitiveness challenges and opportunities—including those of marketing and of improving the skills and agility of the workforce.

Governors are in an ideal position to promote such alignment. They can define a vision that will win support from a wide variety of key individuals and organizations. They can use the bully pulpit to amplify the message. They can use discretionary funding to encourage collaboration in desired areas, including planning, research, staff cross-training and collocating, and even the merging of agencies or aligning of agency missions and funding streams.

There is no single right way to do any of this. Rather, the chosen path—whether it involves agency consolidation, pooled funding, joint research shops, unified regional districts and entities, or other methods—should reflect each state’s economic, political, and institutional realities and be designed to achieve intended outcomes.

Nevertheless, universal lessons emerge from the experiences summarized in this Issue Brief. First, governors can play a critical role in promoting alignment. Although many economic development decisions are made at the regional or local level, governors can define the vision, use the bully pulpit to promote change, and advance specific strategies for aligning economic and workforce development activities at all levels of government. In addition, states that are successfully moving toward alignment have incorporated many of the following practices or lessons.

- Complete a candid assessment of the status quo as the essential first step in determining appropriate actions. The assessment can identify areas of misalignment and illuminate their nature and implications, relevant actors and stakeholders, the history of any previous attempts to address it, and the potential costs and benefits of reform.
- Evaluate the positive and negative aspects of each reform option (including restructuring versus other alternatives) and create a sequence of decisions based on the current state of affairs. With a clear understanding of the status quo, state leadership can begin to assess the relative merits of various approaches, from changes in governance structures to less dramatic reform options. Good decisions about consolidating economic and workforce development agencies versus alternative methods for eliciting the needed collaboration—such as jobs cabinets and other forms of structured coordination—are made with careful consideration of the political and economic contexts, history of relationships among relevant agencies, and other such variables.
- Strengthen the quality of the economic and workforce information available to decision makers by revamping the data collection, analysis, and dissemination systems. Accurate assessments and effective plans both depend on access to quality, real-time data about practices and economic conditions. Many states have improved the quality of relevant data available to key decision makers by revamping the mechanisms for data definition, collection, analysis, packaging, and

dissemination. Some states have required regional and local entities to incorporate the use of this data into plans and proposed initiatives in order to compete for discretionary funding.

- Organize economic and workforce development activities around regions and groupings of firms to improve labor-market performance. Increasingly, states are using various levers at their disposal to encourage regional and local entities to segment the marketplace into groups of employers that have a more meaningful economic context. This includes customizing targeted economic and workforce development activities to the needs of specific industries or economic sectors, clusters, start-up companies—whatever groupings make sense—to improve labor market performance.
- Use financial incentives and administrative actions to resolve the administrative and jurisdictional differences between economic and workforce development. The state can help regional and local entities sort out the confusing array of administrative and jurisdictional differences (e.g., different agencies, counties, cities, regional authorities, etc.) when studying trends or organizing responses. State leaders can use discretionary funds, reporting guidance or administrative measures such as jobs cabinets to promote the creation of aligned economic and workforce development jurisdictions and joint planning within them.
- Set broad performance measures across multiple workforce programs so they align with state economic goals. Because “you get what you measure,” many states are establishing broad performance metrics that encourage collaboration and alignment across programs and funding streams. Innovative performance strategies such as an integrated performance information systems, system wide performance measures, and cross-system performance scorecards can advance these efforts.

End Notes

- ⁱ In *The Price of Government*, David Osborne and Peter Hutchinson go further, suggesting that “simply moving boxes on an organization chart can actually make matters worse, increasing costs while sowing confusion that hampers performance.” They recommend “consolidat[ing] funding streams and ‘steering’ authority, so steering (policy) organizations can purchase results from any ‘rowing’ organizations—public or private—that can best produce them. See *The Price of Government: Getting the Results We Need in an Age of Permanent Fiscal Crisis* (Basic Books, 2004), p.13-14.
- ⁱⁱ Marano, Cindy and Dexter Ligot-Gordon. *From food Processing to Fabricating Metals: a Profile of Manufacturing Sector Initiatives Across the Country*, Oakland, CA: National Network of Sector Partners, 2004.
- ⁱⁱⁱ Washington State Workforce Training and Education Coordinating Board, *Integrated Performance Information for Workforce Development: A Blueprint for States*, Olympia, WA: Washington State Workforce Training and Education Coordinating Board, 2005.