

BUILDING A NEXT GENERATION WORKFORCE DEVELOPMENT SYSTEM

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I. Introduction

In a recent speech to the nation's governors, Federal Reserve Board Chairman Alan Greenspan described the changing reality of skills and careers in the New Economy:

“The heyday when a high school or college education would serve a graduate for a lifetime is gone; basic credentials, by themselves, are not enough to ensure success in the workplace. Today's recipients of diplomas expect to have many jobs and to use a wide range of skills over their working lives. Their parents and grandparents looked to a more stable future—even if in reality it often turned out otherwise. Workers must be equipped not simply with technical know-how but also with the ability to create, analyze and transform information and to interact effectively with others. Moreover, learning will increasingly be a life-long activity.” (Greenspan, 2000)

The current workforce development system has not kept pace with the changing economy and changing expectations for the role of education and training. In addition, there is a wide and growing gap between public workforce programs and private sector human resource practices. We believe the time is ripe for a fresh examination of the existing workforce development system. It is also time to define a vision for a next generation workforce system. This discussion paper is a work in progress that:

- Summarizes key features of the New Economy and the forces of change that have given rise to it;
- Briefly characterizes existing workforce development programs in the United States;
- Lays out a series of characteristics of a next generation workforce system;
- Suggests possible strategies for building the workforce system of the future; and
- Initiates a dialogue among key players in the workforce system, particularly the states and regions responsible for its implementation.

II. Economic Context: Forces of Change

We live and work in a period of rapid, all-encompassing change that is driven by a number of forces, some of which are economic, managerial and technological, while others are more demographic and societal in nature.

Forces Leading to the New Economy

Forces pushing and pulling the world's economies to what is commonly referred to as the New Economy (e.g., Cappelli et al., 1997, ILO, 1998) include:

- Technological change, including computerization, miniaturization, and advances in information technology, among others;
- Globalization and increased inter-relatedness of the world's economies, which portends greater direct and indirect competition for domestic operations, as well as expanded opportunities for learning from competitors and organizational change;
- New management practices (e.g., economic value added, total quality management) and forms of work organization (e.g., high-performance work);
- New business strategies, such as pursuing 'niche' markets and smaller, more flexible production runs; and
- New financial institutions and mechanisms, e.g., growing ownership concentration in large institutional investors and innovations in debt financing.

The New Economy stresses speed, performance, flexibility and collaboration (e.g., Atkinson and Court, 1999). At the same time, it also features (e.g., Alfthan et al., 2000):

- Widespread enterprise restructuring;
- Greater job instability and insecurity and increased reliance on non-standard forms of work, including contingent work, outsourcing and temporary employment firms;
- Flattened management structures and truncated career ladders;
- Weakened unions and dated industrial relations systems;
- The demise of the "social contract" under which workers traditionally received career advancement and training opportunities, earnings growth, employee benefits and lifetime security in exchange for their abiding commitment to a single employer; and
- Increased labor market segmentation and widening earnings and wealth inequality.

Demographic Shifts

Demographic shifts are also affecting the U.S. workforce, including (Judy and D'Amico, 1997):

- The aging of the baby-boom generation;

- The coming of the “baby bust”;
- Increased immigration, legal and illegal, from many nations; and
- Growing diversity of the workforce, with greater participation by women and minorities.

Changes in Societal Mores and Expectations

Society’s mores and expectations also have been changing in ways that have implications for U.S. workforce and related policies (e.g., Nathan and Gais, 1999). Among these are:

- Valuing work over welfare;
- Stress on individual or personal responsibility;
- Emphasis on private over public interest; and
- Reliance on market rather than institutional forces

Implications

These changes have far-reaching implications for work and workers, as well as for the system that prepares people for work and careers. A few of these implications are mentioned here.

- First, there is a marked premium on education and skills in the labor market, as well as rising demand for broad-based workplace competencies (e.g., SCANS, 1991, Murnane and Levy, 1996). Current skill gaps are likely to persist due to the speed of economic change and the need for continual skill upgrading. Considerable evidence suggests that the increasing demand for educated and skilled workers has contributed to the development of an earnings and income gap between those workers and less educated and skilled workers.
- Second, there is increased job “churning” and labor market volatility due to the dynamism of the New Economy. This dynamism is the result of the continual creation of new technologies, industries and jobs and the displacement of old technologies, industries and jobs. One of the byproducts of rapid economic change is increased economic insecurity felt by many workers. (Atkinson and Court, 1998) Employers are generally less attached to workers, while workers are less committed to any given employer. Although rapid change and flexible labor markets may be good for the economy as a whole, the insecurity it creates can lead to political resistance and adverse effects on the flexibility and responsiveness of the economy.

- Third, individuals are responsible for arranging and financing their own skill development with the government and employers as partners. This is the result of several trends. Career ladders within firms have been reduced due to the restructuring of work, outsourcing and other business practices. At the same time, workers are increasingly moving among numerous employers over time rather than pursuing a long-term career with a single employer. Although employers are investing in workers, they are most likely under-investing in low-skill workers (Carnevale and Desrochers, 2000).

III. The Current Publicly-Supported Workforce Development ‘System’

The current workforce development system has not kept pace with the changing workplace, economy and society. A common criticism of public workforce programs (prior to recent state reforms and federal legislation) is that they are difficult to understand, sometimes duplicative and hard to access. (USGAO, 1995) Employers and individuals have faced a confusing array of categorical employment, training and education programs delivered by multiple agencies. Program administrators have often struggled with conflicting and restrictive administrative rules and narrow eligibility criteria. Another common criticism is that some public programs and certain institutions are perceived to be of low quality. (Grubb et al, 1999) Other features of public programs are:

- Traditional public employment and training programs, which are rooted in anti-poverty and social welfare policy rather than economic policy, have been focused on the unemployed and economically disadvantaged rather than the broad range of individuals who need education and training.
- Public programs have been focused almost exclusively on the supply side rather than the demand side of the labor market.
- Public programs have been characterized by relatively modest returns that reflect design changes made as a result of extremely modest public investments.
- Public programs lack a broad-based constituency. (King, McPherson, and Long 2000)

There is also a wide and possibly growing gap between public workforce programs and the human resource practices of leading edge firms. (NGA, 2000) Private sector companies have begun to introduce learning technologies and other new, interactive models of learning while the norm for the public sector continues to be traditional, classroom-based instruction. Private sector companies have begun to focus on measuring individual and organizational competencies while public sector education and training providers continue to measure enrollments and “seat time” without adequate attention to learning outcomes. Frustrated by a lack of responsiveness from the public sector, a number of firms have begun to develop their own solutions. Motorola, for example, has instituted a university, a technical college and even a high school to train its corporate employees in a significant effort to establish a comprehensive and private “knowledge supply chain.”

Cisco Systems, Microsoft and other IT firms have moved aggressively to establish their own certification systems for network administrators and other key occupations. Unless public sector workforce programs respond to the major trends in the private sector, they will be increasingly viewed as outmoded and irrelevant.

IV. Vision for the Next Generation Workforce Development System

The United States needs a next generation workforce development system that will be responsive to the needs of individuals and employers in the New Economy. Unlike past efforts, the new system must combine both public and private human resource development activities and closely link workforce development with state and local economic development strategies. The new system must:

- Be *market-driven*;
- Support and promote *lifelong learning*;
- Incorporate *new ways of learning*, including learning technologies;
- Recognize *new performance measurement and accountability mechanisms* for individuals, institutions and companies; and
- Provide *flexibility and responsiveness* so that individuals, employers and the government can successfully adapt to rapid economic change.

The vision must go beyond the promise contained in this rhetoric to deliver on the reality of a new, more comprehensive workforce system.

A) Market-Driven

The next generation workforce system must be market-driven—that is, public policy should be driven by the needs of individuals and employers (customers), not those of institutions and providers. A market-driven system has a number of important features. First, consumer choice and individual decision-making are central. Second, individuals require good information on current and future employment opportunities, provider performance and employers so that they can make good choices and navigate the marketplace. Third, there are no presumptive deliverers: either the public or private sector or a combination of the two may provide services to individuals. Finally, however services are provided, performance must be evaluated based on outcomes appropriately measured.

Government's role is likely to change in a more market-driven system. The role of the public sector is not to create second chance programs aimed at targeted groups of individuals but to make markets work better. This suggests that government must ensure that all individuals can actively participate in and benefit from the market for lifelong education and training opportunities. Another important government role is consumer protection, providing information about opportunities and undoubtedly some regulation.

The public sector may have an important role to play in establishing credentials, performance assessment and standards.

Possible strategies:

- Implement sectoral strategies, which focus on meeting the education and training needs of particular industries or economic sectors, as an effective way for the public sector to understand and respond to market signals.
- Encourage customized training programs, especially ones that work with clusters of firms, which may be useful strategies for aggregating market demand so that it is economically and organizationally feasible to meet this demand.
- Expand overall market participation by targeting and bringing into the workforce currently peripheral and unattached groups, using the outreach and capacities of non-profits, community-based organizations and grassroots organizations.
- Expand the role of market-based incentives. For example, government might provide incentives for the private sector to better serve a broader population, including individuals with barriers to employment, instead of competing with the private sector in providing an Internet-based labor exchange.
- Enrich information for jobseekers, learners and employers so that all stakeholders in the workforce development system can make informed choices about program effectiveness and about the demand and supply of workers for particular careers.
- Use public–private partnerships as effective mechanisms for aligning the private sector’s demand for market determination rather than regulation and the public sector’s interest in quality assurance, reusability, equitable access and portability.
- Use technology to create more customer-friendly, integrated service delivery systems that also expand and simplify access to information and services. A clear example is the development of one-stop systems that provide self-directed services and use information systems for case management purposes and to carry out administrative support and reporting.

B) Lifelong Learning

The workforce system of the future should support and promote lifelong learning. As Alan Greenspan has said, “we need to foster a flexible education system—one that integrates work and training and that serves the needs both of experienced workers at different stages of their careers and of students embarking on their initial course of study” (Greenspan, 2000).

Currently, our delivery systems, financing, research and approaches to learning are oriented toward initial preparation rather than learning undertaken later in life. For

example, postsecondary financial aid mechanisms are biased toward the needs of full-time students in traditional, degree programs. In the future, there needs to be a better balance of investments between initial preparation and ongoing learning.

Although lifelong learning necessarily builds on and depends on K-12 and postsecondary education, its orientation must be much more dynamic than the initial preparation system because the accelerating speed of change in the workplace requires continual skill acquisition and upgrading. Keeping up with the pace of change will require real-time, market-based approaches for articulation between what employers need and what the education and training system provides.

Possible strategies:

- Review and revise public sector resource allocation for the workforce development system as well as financial aid and tax incentives for adult learners to take into account the increasing need for effective mechanisms that support learning throughout one's lifetime.
- Address the imbalance in financing for, and access to, continuing work-based education and training. Most training expenditures and opportunities in the United States tend to be focused on upper-level workers and managers who have already had the benefits of solid initial preparation. In addition, continued access to learning in the workplace is necessary for initial investments in public education to pay off.
- Encourage opportunities for trade and industry associations to promote, finance and deliver training, in part to socialize the increased risk that employers now face of failing to capture the return on their training dollars as workers "churn" in the labor market.

C) New Ways of Learning

The next generation workforce system must adopt new ways of learning that are emerging in leading edge firms. Currently, public sector programs continue to emphasize traditional, classroom-based programs organized by academic disciplines, semesters and credit hours. They have also struggled to keep up with technological advances that have changed the face of private sector training. There needs to be a paradigm shift in our approach to learning. The emphasis on classroom-based education and training accessible through brick and mortar institutions must shift to a range of education and training opportunities accessible anywhere, anytime. In addition, public sector programs should adopt new models of instruction that are based, not on rigidly structured courses or sequences of courses, but on the continual assembly and reassembly of basic building blocks of learning in innovative ways for different people.

At the same time, there needs to be a shift toward technology-supported, interactive learning. New learning technologies, including simulation and performance support

systems, can provide instruction tailored to learners' needs and learning styles as well as low-cost strategies for increasing access and providing opportunities for learning anytime, anyplace. Currently, most distance learning initiatives through virtual universities and community colleges have taken the initial step of putting traditional teaching and learning practices on-line. In the future, the public and private sectors must fully tap the potential of new technologies by breaking new ground in teaching and learning.

Possible strategies:

- Provide open access to new technology-supported learning opportunities and avoid extending the digital divide between those who have access and the ability to use information technology and those who do not. The issue of access is as much about content and attitudinal issues as hardware and infrastructure concerns.
- Develop new accreditation and quality assurance models that are appropriate for the emerging distance learning market and that cut across national and state boundaries.
- Address the need for privacy protections for individuals using technology-supported learning opportunities.
- Enhance professional development for education and training professionals to ensure that they can effectively use distance learning approaches.

D) New Performance Measurement and Accountability Mechanisms

The market-driven workforce system of the future will require new performance measurement and accountability mechanisms that have value in both the education and business communities. These mechanisms will need to be able to document, measure, and convey, in meaningful and understandable terms, performance information for individuals, training providers, firms and the whole workforce system. The key arenas for performance measurement and accountability will be:

- (i) Individual performance: the measure of performance for the individual participating in education and training programs will be “competencies” broadly defined as skills, knowledge, abilities and personal qualities rather than credits or courses taken.
- (ii) Institutional performance: the measure of performance for training providers will be the learning outcomes achieved by students rather than the inputs that currently dominate the accreditation process.
- (iii) Workforce system performance: performance of public programs will be gauged by outcomes-focused measures that describe how effectively and efficiently workforce services for multiple programs have met customer needs.

- (iv) Corporate performance: New measures are needed to capture the contribution of human capital to corporate performance, that is, the impact of training on the bottom line. (Note: the American Society for Training and Development has begun exploring this area.) In addition, measures are needed to gauge the impact of human resource development on the wider economy.

The public sector can play an important role in facilitating the establishment, adoption, and integrity of these mechanisms.

Possible strategies:

- Review state-of-the-art and state-of-development in the four arenas listed above and conduct a gap analysis by identifying the areas of strength and the areas for improvement, in the current landscape, against the desired situation.
- Create market-based, real-time approaches for defining what employers need and what education and training institutions provide.
- Develop high-quality performance measures for public programs that truly reflect the expectations of policymakers, the business community and the public.
- Encourage development and use of cost-benefit, economic impact, and Return on Investment methodologies for measuring the effectiveness of training, the relative effectiveness of different training methods and technologies, the relationships between training and firm productivity, the value of training to the firm and the individual, and the wider social returns of private training.
- Re-design public accountability systems to emphasize flexibility and continuous improvement rather than top-down government control and compliance.

E) Flexibility and Responsiveness

Since “churn” is a reality in today’s economy, there is a need for public and private policies and practices that promote flexibility for individuals, firms and industries and that enable individuals to make effective transitions between jobs and careers. Some current programs, such as unemployment insurance, were designed in a different time for a different economy. Worker support policies such as UI, health care and pension policies need to be reconsidered and possibly reformed in light of the more dynamic characteristics of the New Economy.

Possible strategies:

- Identify innovative ways of expediting the development, adoption and implementation of policy (for example, use of an “open design process” for developing regulations and policy guidance).

- Decentralize decision-making for workforce services to better serve customers while at the same time ensuring greater consistency in workforce policies and practices across regions and states to improve communication, efficiency and portability.
- Focus continuous improvement and capacity building efforts for workforce services close to the point of service rather than on distant, top-down endeavors as they have been for several decades.

V. Next Steps

We have presented an initial vision of a workforce development system that we feel could respond better to the features and demands of the New Economy, as well as to major demographic and other changes that have been underway in recent decades. We have also suggested a number of strategies to get us from the current array of fragmented programs for workforce education and training to the more comprehensive workforce system.

The next step in the process of moving toward this vision will be to put meat on the bones of this initial framework, a step that requires considerable dialogue and debate with a broad array of key workforce actors across the country. Employers, public officials, workforce board members, staff and service providers, as well as high school and college administrators, all need to be engaged in this dialogue for it to be productive.

The outcome of this dialogue hopefully will be a clearer, more encompassing vision of the workforce system that is required in the near future and the strategies essential for attaining this vision. Subsequently, we will need to devote time and resources to devising detailed implementation plans, securing the resources to carry them out and cultivating the political will required to make some difficult choices.

We are seeking comments and suggestions on the vision and strategies described in this paper. Responses may go to the following partners:

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