

EXECUTIVE SUMMARY

In the summer of 1999, the U.S. Department of Labor (DOL) awarded Social Policy Research Associates (SPR) a contract for the national *Evaluation of the Implementation of the Workforce Investment Act (WIA)*, a study comprised of three phases. The first two phases of this study were concerned primarily with understanding broad issues regarding WIA implementation, such as understanding the transition from the Job Training Partnership Act (JTPA) to WIA, partnership building, and service design and delivery. This last phase of the study focuses on two topics of interest to DOL: (1) engaging businesses in strategic planning and services, and (2) services to special populations, within the One-Stop context. This report examines the first of these topics.

To investigate the issues and challenges related to business involvement, between December 2003 and February 2004, field staff visited nine Local Areas that have adopted innovative approaches to business services and business involvement. Each of these site visits entailed a comprehensive set of interviews with Local Area officials, partners and businesses. The sites were selected through a national nomination and screening process to ensure a broad mix of urban and rural locations throughout the country with a variety of innovative practices. An abbreviated data collection on business issues was also conducted at nine other comparison sites that we visited for the companion study on services provided to special populations by One-Stop centers.

Based on the data collected during these site visits, this report examines business involvement with Workforce Investment Boards (WIBs), business-related partnerships and services provided to businesses.

BUSINESS INVOLVEMENT WITH WIBS

The Workforce Investment Board is a key conduit for businesses to provide policy direction to WIA Title I programs and to help construct broad workforce development policy that embraces K-12 and postsecondary education, key industries, business organizations, and economic development. By contrast, WIB business members play a much more modest role in providing input to the design and delivery of business services.

Establishing the Business Presence on the Board

In establishing a business presence on local Workforce Investment Boards, the nine innovative business Local Areas had to first make the transition from the previous structure under JTPA. Fortunately, respondents from at least four of the nine sites—Arapahoe/Douglas, Dallas County, Northwest Georgia, Pacific Mountain—felt that the transition to a Workforce Investment Board, in both structure and function, from the Private Industry Council was not very difficult. The fact that the Private Industry Council had a business majority and was already approving the One-Stop operator and other major contracts made the change almost transparent for these sites.

In addition to transitioning from JTPA to WIA, Local Areas also had to develop a process for recruiting and appointing businesses to their WIBs. Although the law specifies that business members be appointed by chief elected officials from nominations by business and trade organizations, we found that these requirements were more nominal than actual. In most sites, effective control of the selection process is largely in the hands of the executive director, sometimes individually or in conjunction with Board members

Local Areas differed in the types of firms—both in size and industrial composition—from which they recruited Board members. Typically, WIBs had representation from specific industry sectors that were either important to the local economy or represented sectors that presented specific labor market problems that the Local Area was interested in addressing. Most Local Areas have also been successful in recruiting high level members who are owners of small businesses, senior executives of large companies, or key local managers of branch plants or facilities. Because of the importance and difficulty of recruiting members who will be active Board participants, several largely rural Local Areas opposed any additional federal prescriptions for Board membership via WIA reauthorization.

Nearly all respondents—both staff and business WIB members—uniformly expressed the view that business owners or managers who join the WIB are motivated by a community spirit, but many also acknowledged that many business WIB members also join to take advantage of networking opportunities. Board member respondents also believe that the WIB in these innovative business Local Areas is effective and a place where they can accomplish their goals, which may be one reason why these sites

showed a stronger ability to retain their business WIB members than the comparison sites.

A major concern among all Local Areas is that WIB members—especially business members—have very limited time to attend meetings. Thus, it is a significant challenge to maintain business influence over policy, oversight, and strategic direction while not requiring time commitments that would deter members from joining or staying on the Board. Overall, the innovative and comparison sites both resolve this challenge by limiting time commitments while emphasizing central locations for meetings, establishing good agendas, and providing good food to promote attendance at meetings and help retain business members.

Another way many sites compensate for business members' limited time is by using voluntary committees to conduct most of the work. However, this use of committees may result in diminished business influence on WIB activities if business members do not serve on committees. However, at least four innovative business sites overcome this problem by making special provisions for business membership on these committees, with one area requiring that business members dominate its executive committee.

Defining the Business Role on the Workforce Investment Board

Nearly all WIB business members in the innovative business sites expressed relatively little interest in the mechanics of WIA programs, including business services programs. There is relatively greater interest in the key areas of performance management and procurement. Business members in some of the sites also play an important advisory role to key Local Area staff who initiated and designed business services. Surprisingly, it appears that few Workforce Investment Board members—who nevertheless endorse the value of the business services in general—use the Local Area's business services for their own hiring and other workforce development needs.

Most of our respondents, including WIB members, confirmed that business members are deeply interested in workforce planning, and this is an area of extensive activity at all the innovative business sites. Although strategic planning processes varied considerably among the innovative sites, most included other community members, including additional business representatives. The most common topics of

strategic planning efforts are skill shortages, followed by K-12 and postsecondary education, and long-range demographic issues.

BUSINESS PARTNERSHIPS

Many local Boards have taken steps to enhance their linkages with business organizations in an effort to improve their responsiveness to business concerns. All nine innovative business sites included in our study have developed partnerships with either Chambers of Commerce, economic development organizations or both. In addition, some of them have developed sectoral initiatives to enhance their ability to connect job seekers with high growth industries. Among comparison sites, partnerships with Chambers and economic development organizations are also common but generally much less developed, while sectoral partnerships are rare.

Partnerships with Chambers of Commerce

Among the nine innovative business sites, the most common WIB partnership with business organizations is with regional or local Chambers of Commerce. All but one site reported that they have active partnerships with at least one Chamber in the area and many sites reported collaborating with several Chambers in their region. These partnerships serve a number of important purposes for Local Areas, including enhancing the legitimacy of the workforce development system, providing opportunities to network and conduct outreach to business customers, and reducing turf issues. Partnerships with Chambers range in their levels of intensity from mutual board membership to the joint development, funding and operation of workforce development programs. Among sites with more advanced partnerships, partners flexibly take the lead on different issues. However, such collaboration is not easy to achieve. For the two innovative business sites that do not have strong partnerships with their local Chambers of Commerce, respondents cite a lack of staff on both sides as the primary reason why they have not been able to work collaboratively on projects that call for a deeper level of involvement.

Partnerships with Economic Development

Partnerships with economic development agencies have become key strategies for many business-oriented Local Areas. A majority of innovative business sites have substantial partnerships with economic development organizations, although the strength of these partnerships varies greatly. In general, Local Areas can benefit from partnerships with economic development agencies in numerous ways. For example,

economic development partners can help Local Areas assess business trends and stay abreast of emerging and high-growth industries to prepare job seekers for careers that have growth potential. Economic development agencies can also assist Local Areas in attracting, retaining and expanding businesses.

At their most basic level, partnerships between workforce development and economic development agencies bundle services provided by the two entities into a combined toolkit for businesses who are considering relocating to the area. Some Local Areas and economic development agencies also jointly fund studies to assess the availability and level of preparedness of the local or regional workforce. In some cases effective collaboration with economic development partners is not so much a sign of deep partnership linkages, but the result of an alignment of goals and interests in Local Areas that see economic development and business expansion as inextricably linked to workforce development efforts.

Not all innovative business sites have had success in developing strong partnerships with their economic development counterparts. Among the innovative business sites, there are a few reported incidents where inter-agency competition and turf issues have emerged between economic development and workforce development agencies.

Sectoral Partnerships and/or Customized Training

In recent years, sectoral initiatives have emerged as a promising strategy to allow communities—despite diminished public funding—to impact economic and workforce development by focusing some of their resources on targeted sectors or industry clusters with certain desirable characteristics. For Local Areas, sectoral initiatives are attractive because they allow workforce development to be an influential actor in emerging and high-growth industries. Sectoral initiatives include a range of strategies such as business attraction, worker retraining, and conducting labor market research, among others. Five of the nine innovative business sites have developed or participated in sectoral initiatives, and one site is currently considering whether it should do so. In many of these sites, the sectoral initiatives are still relatively new and are under development.

Most of the sectoral initiatives are designed to improve workforce preparation for a specific industry sector and to stay abreast of industry trends and workforce development needs of high-growth industries. In some cases the WIB or its staff are

the initiators, while in others the WIB joined existing efforts to help support workforce development needs. In addition to meeting internal industry needs, sectoral initiatives—especially in sectors that affect all other industries—can also have a significant impact on the overall health of the business climate. For example, in Arapahoe-Douglas, WIB members and other leaders were growing increasingly concerned about the impact of the nursing shortage on other local businesses.

BUSINESS SERVICES

With the passage of the Workforce Investment Act in 1998, the shift to a greater emphasis on providing services to businesses received a boost. Indeed, the nine innovative business Local Areas visited for this study have devoted considerable time and resources to the development of successful business services programs.

Development of Business Services

A number of factors pushed these nine Local Areas to develop their business services programs, including a sense that the established ways of providing services were not working, the passage of WIA, changes at the State level, and the implementation of welfare reform.

Once Local Areas had made the decision to develop business services programs, and had garnered support from States and local Boards to do so, they typically faced a number of challenges to making those programs successful. One of the biggest challenges was the need to build credibility with businesses. Business services staff also had to show that they were responsive and innovative—completely unlike the stereotype most businesses have of bureaucratic government workers. Finally, Local Areas had to try to coordinate the delivery of business services between One-Stop partners, particularly WIA-funded providers and the Employment Service.

Approach to Serving Businesses

The innovative business Local Areas typically utilize a number of key principles to overcome the challenges to providing successful business services programs. These principles include shifting the primary focus of the workforce system from job seekers to employers, focusing on building strong relationships with businesses, providing services in a customized and individualized way, and viewing service delivery as a process that occurs in phases.

In addition to utilizing these key principles, most of the innovative business Local Areas also target certain groups of businesses for services. The most common group of employers targeted were small businesses. Several Local Areas also targeted or were planning to target high growth industries and nearly half also targeted businesses offering better-paying jobs or good career ladders for workers. In some of these Local Areas, non-target businesses can access the full set of services, while in others, non-targeted businesses are only able to utilize business services that are available on a self service basis.

Description of Business Services

Nearly all Local Areas we visited for the study—both innovative business and comparison sites—offer the same core set of business services that typically include labor exchange services, rapid response/downsizing assistance, job fairs, job seeker assessment, labor market information, space for interviewing and information on tax credits. Although both groups of Local Areas generally offer the same types of services, innovative business Local Areas focus on improving and customizing these basic services to more closely match individual business needs.

Because of the central role of labor exchange services in business services, most innovative business sites have attempted to improve their labor exchange services. They realize that unless they can perform these services well, businesses will not return for additional services. To do this, Local Areas have either worked with their State's Employment Service to improve the State-wide matching process and system, or they have purchased or created their own separate systems.

In addition to the standard business services, a few sites—mostly innovative business Local Areas—provide other less common services such as customized skill assessments, background or credential checks, follow-up and retention services, on-site job analysis and specialized human resource services. Many of these services are available only on a fee-for-service basis.

Most innovative Local Areas also provide businesses with access to training services. Although nearly all sites provide some on-the-job-training, it is used frequently in only two sites. Customized training, particularly for incumbent workers, is also available from most sites, but is seldom provided. When Local Areas do fund or provide incumbent worker training, most said they use Governor's set-aside funds or

other State funding rather than local WIA formula funds because they fear incumbent workers will cause them to miss the WIA earnings change goals.

How Business Services are Provided

Providing effective business services involves a number of related activities that must be carried out successfully. These activities include coordinating service delivery among One-Stop partners, setting up organizational structures to staff and deliver services, selecting and training staff, determining how businesses will access services, and funding, marketing, tracking and evaluating services.

Because more than a single One-Stop partner typically provides business services, coordination between different programs is critical to their success. In many Local Areas, although business services are provided out of One-Stop centers, business services staff from different One-Stop partners are not integrated and coordination is often described as a challenge. However, some of the innovative business sites have surmounted this challenge more successfully than others. Consequently, coordination between the main providers of business services—WIA and the Employment Service—varies greatly from one Local Area or One-Stop center to another. Services are more likely to be better integrated where staff are co-located and Employment Service funding or staffing is controlled by Local Areas.

To implement their WIA-funded business services programs, Local Areas use several different organizational models. One model involves having all business services provided by WIA contractors or One-Stop operators. Another Local Area uses an alternative model by selecting different specialized business services contractors for each county, choosing only entities with a deep history of working with businesses, such as local Chambers of Commerce and economic development agencies. By contrast, several Local Areas use a dual structure with both a centralized business services unit operated directly by the WIA administrative entity out of its administrative offices and independent business services units located at each One-Stop center operated by individual One-Stop operators or WIA contractors.

Most innovative business Local Areas have dedicated business services staff who provide services only to businesses. Several of these sites focus on hiring staff who already have private-sector experience, preferably in the human resources field. Northwest Wisconsin, by contrast, has made a conscious decision to provide business services with existing staff, and relies heavily on technology to assist business staff.

Most contact with businesses is over the phone. In addition, business services staff also commonly interact with business customers via e-mail or through in-person meetings, typically at the customer's place of business. Relatively few business services are available on-line, and many of these are services provided through State web pages.

Typically business services are provided at One-Stop Centers. Only one of the 18 Local Areas we visited—and none of the innovative business sites—has a stand alone business center. Indeed, only two other sites have even designated business spaces in their One-Stop centers. A number of Local Areas attributed their decision not to have a stand-alone business center to the importance of maintaining integrated job seeker and business services programs. Indeed, the close proximity of the two programs sometimes causes an important spillover effect from business services to job seeker services. A number of staff also said that they do not think it is worth investing significant funds in building a business center when businesses typically access services over the phone.

Most funding for business services—primarily used to pay for staff—comes from either WIA or Wagner-Peyser sources, which most respondents found insufficient to meet the demand for business services. Because of the integration of programs and funding, most Local Areas combined their business and job seeker services budgets. Despite the fact that fee-for-service business services could provide increased resources for business services, only five of 18 local areas (three innovative business and two comparison sites) reported charging fees other than the cost-sharing for on-the-job or customized training mandated by law. And even among these five Local Areas, none reported generating more than a few thousand dollars in revenue.

Because of the relatively small number of businesses that have heard of public workforce development services, a majority of innovative business Local Areas emphasize marketing. While nearly every Local Area noted that word-of-mouth is the most effective form of marketing, other common and effective marketing methods involve phone calls, meetings, networking or presentations. Because such direct people-to-people marketing approaches are extremely staff-intensive, most sites also market business services through the media. An important part of all of these marketing programs is the creation of marketing materials, which typically include

brochures, packets, and flyers. One critical issue raised by some of the innovative business sites is the importance of branding to a successful marketing campaign.

Tracking and evaluating business services are important ways innovative business sites ensure high-quality, well-coordinated services. Consequently, most Local Areas have a system for tracking business contacts and services to prevent duplication of efforts. In addition, all nine innovative business sites evaluate the quality of their services and how well they are meeting business needs. The most common evaluation method is to ask for immediate feedback from business customers, although more formal assessments such as surveys are also used. These assessments are conducted in addition to the mandatory WIA business customer satisfaction survey, because respondents assert that the WIA survey does not provide them with the information they need to make program improvements.

Impact of businesses Services

Business-services programs in the nine innovative Local Areas have had a strong impact on local businesses, job-seeker programs and on local WIA performance. For example, several business customers reported that One-Stop business services have substantially reduced both employee turnover and the amount of time their staff spend on hiring. In addition, Local Area staff also said that business-services programs sometimes have a strong effect on job-seeker services by persuading job-seeker staff to use increased care in matching job seekers with jobs and focus more on soft skills and work readiness skills. Finally, even though their success in meeting the WIA performance measures cannot be directly tied to business services, most of the innovative business sites asserted that there is a direct connection between business services and improved performance on the WIA measures. They attributed this impact to the close relationships they have developed with businesses.

CONCLUSION

Until recently, the publicly funded workforce development system has had only limited involvement with businesses. Workforce development programs operated under the auspices of JTPA or the Wagner-Peyser Act focused the majority of their efforts on helping unemployed and underemployed workers to undergo training and find employment. As a result of this heavy job seeker emphasis, businesses tended not to be very involved with the publicly funded workforce development system.

Spurred on by a desire to be more effective in meeting the employment-related needs of both job seekers and businesses, typically beginning with the passage of WIA, the innovative business Local Areas we visited for this study began to try to correct the imbalance between businesses and job seekers in the publicly funded workforce development system. Consequently, businesses have become an important focus in all nine innovative business sites, with the majority making business their primary customer.

These sites do this by trying to involve businesses in all aspects of their operations; on WIBs, in partnerships and through use of business services. To ensure that that this involvement is successful, the innovative business sites typically rely on a number of key practices, each of which is described below.

The nine innovative business sites pay particular attention to the following effective practices to recruit and retain active and able business members on their WIBs:

- **Provide a strong role for key staff in the WIB member recruitment and selection process.** This increases the overall effectiveness of the WIB by reducing the effect of electoral politics and allowing the board to develop a coherent vision and mission.
- **Utilize multiple selection criteria for new business WIB members.** Strong, effective WIBs appear to rely on a combination of the several statutory and non-statutory criteria in selecting business members who are able to effectively participate in WIB activities. These included recruiting members who: hold high positions in their organizations; are from all counties in the Local Area; and have a strong interest in workforce development and a desire to contribute to the economic health of the community.
- **Ensure effective use of business WIB member time.** Typically innovative sites do this by holding short, but effective breakfast meetings with tight agendas. More detailed work is confined to committees or performed by staff.
- **Choose a few priority WIA Title I issues for business WIB members to tackle.** Staff in the innovative business sites sharply refine Board agendas to focus on a few key WIA issues that are of greatest interest to business members and can be handled in a short period of time.
- **Engage in strategic planning regarding broad workforce development issues.** The most engaged business WIB members have

very strong interest in strategic workforce planning, especially those elements that have potential impact on the entire community, such as workforce preparation in K-12 education.

Business-related partnerships are another critical means of involving businesses in the publicly funded workforce development system. Some of the key elements in forging successful business partnerships are:

- **Use mutual appointments to boards of partner organizations as a starting point.** Such mutual appointments are often used by innovative sites to improve trust, reduce turf issues, and help define a common vision among potential partners.
- **Exert strong and visionary leadership.** Strong visionary leadership by the WIB director and WIB staff has often been instrumental in showing business partners that the workforce development system has become more business-oriented.
- **Conduct joint strategic planning activities.** Successful partnerships among the innovative business sites often conduct joint strategic planning sessions, sometimes based on jointly funded labor market and economic development research.
- **Participate in the development of sectoral initiatives where the needs of economic development and workforce development intersect.** Sectoral initiatives are attractive because they allow workforce development to be an influential actor in emerging and high-growth industries and allow sites to address pressing economic and workforce development problems.
- **Know your partners' needs and find your niche to help meet them.** Understanding the needs of their partners has helped the innovative sites determine the best role for them to play for the mutual benefit of all partners.

Persuading businesses to make use of business services is also critical to the success of the workforce development system. Consequently, the nine innovative business sites rely on a mix of the following practices to provide high-quality business services:

- **Focus on building and maintaining credibility among businesses.** Typically, sites do this by first providing businesses with successful “gateway” services that demonstrate their ability to deliver on what they promise. They also uphold very high quality standards and constantly evaluate their services.

- **Use dedicated account representatives to provide business services.** By using single point-of-contact account representatives who work only with businesses, effective business services programs allow staff to develop in-depth knowledge of their customers and increase accountability.
- **Focus on developing strong, long-lasting relationships with businesses.** Most innovative sites try to ensure that interactions with businesses are not one-time events, but rather mature into long-lasting relationships, with businesses viewing Local Area services as a partner in meeting recruitment and hiring needs.
- **Develop an understanding of individual business needs and provide services to meet those specific needs.** Business customers do not want “off-the-shelf” services; they are only interested in services that meet their specific challenges. To provide such customized services, business staff must first develop a clear understanding of the needs of each individual business customer.
- **Target key groups of businesses for services.** Because resources for providing business services are limited, most innovative sites target key groups of businesses for more intensive services. These target groups often include small businesses, businesses that offer high wages and good career ladders and businesses in high-growth industries.
- **Make sure labor exchange services are effective.** Labor exchange services are the most common services provided to businesses. Unless these services are performed successfully, businesses will not return for additional services. Consequently, most sites have focused on making sure their job matching systems more effective.
- **Ensure good coordination between different entities providing business services.** Because multiple entities within Local Areas often provide business services, coordination between all service providers is critical to maintaining program quality. For this reason, the most effective sites ensure that each program or unit has clear roles and duties in providing services and are in regular communication with each other.
- **Make sure that business services and job seeker programs are integrated.** Most successful Local Areas ensure that job seeker and business services programs work in close coordination with each other to ensure that job seekers are meeting the needs of businesses. For this reason, nearly all business services are provided out of One-Stop centers rather than stand-alone business centers.

- **Ensure that staff have a “whatever it takes” attitude.** Responsive, creative staff who are willing to go the extra mile for employers are critical to effective business services. To ensure that staff have these characteristics, the innovative sites either hire staff with private sector experience or purchase technology to assist staff.

In addition to these key practices used by the innovative sites to promote business involvement with the WIB, partnerships and services, there are two additional strategies they use to ensure that business involvement is successful overall:

- **Make business the Local Area’s primary customer.** By making business the primary customer, the innovative sites ensure that business involvement in all aspects of their operations is the Local Area’s number one priority and thus more likely to succeed.
- **Rely on strong, charismatic staff leadership.** Strong, charismatic Local Area staff—often the executive director—in a number of the innovative sites play a critical role in ensuring the success of more intensive business involvement in Local Area activities.

Suggested Changes to Support Business Involvement

To assist the innovative business sites in continuing to be successful and to help the rest of the workforce system make the transition to a business focus, Local Area respondents suggested the following changes to WIA and related workforce development programs:

- **Adjust the WIA performance measures.** Nearly all innovative business sites argued for changes to be made in the WIA performance measures.
 - **Create measures directly tied to the provision of business services.** Most Local Areas commented that if business services are to be a major priority of the workforce development system, there is a need for performance measures directly related to those services. Moreover, nearly all Local Areas said that the business customer satisfaction measure is an ineffective measure.
 - **Adjust the WIA adult earnings change measure to allow for more incumbent worker training.** Nearly every innovative business site said they would like to fund and provide more incumbent worker training. However, they said they were unwilling to use significant amounts of WIA funding to provide incumbent worker training because this might cause them to miss their earnings change performance goal.

- **Provide additional funding for business services.** A number of Local Areas asserted that they do not receive sufficient funding to meet the demand for business services. Some of these Local Areas wanted to see overall increases in their WIA formula dollars, while others wanted to see the creation of a stream of funding specifically earmarked for business services. One Local Area also suggested the creation of a competitive pool of seed money to support the development of innovative business services or business involvement practices.
- **Provide assistance with marketing and developing services.** Several Local Areas also argued for more assistance from the Department of Labor related to marketing One-Stop business services. They also asserted that more guidance and technical assistance on successful strategies and methods would be important in aiding other Local Areas to develop successful business involvement.