



Accelerating State Adoption of Sector Strategies:

An Eleven-State Project to Promote Regional Solutions to Worker and Employer Needs

Phase I Project Report

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Preface and Acknowledgements

This report is the product of a two-year project focused on accelerating the adoption of sector strategies as a state policy framework. State sector strategies support sector initiatives – regional, industry-specific approaches to workforce needs implemented by an employer-driven partnership of relevant systems and stakeholders. They are part of a growing movement by states and local areas to adopt industry-focused strategies that are rooted in the economic, human capital and community strengths of a region. They rely on strong partnerships of employers and stakeholders to make data-informed decisions about workforce needs and solutions that will keep regional industry strong and provide quality jobs and advancement opportunities for workers, particularly low-income and at risk workers.

To design and implement the project, the National Governors Association Center for Best Practices (NGA) joined with two national leaders in the workforce development and sector strategy fields, the Corporation for a Skilled Workforce (CSW) and the National Network of Sector Partnerships (NNSP). Recognizing a rejuvenated focus by policy makers on regional skills-based economic growth models, the project partners sought to design a project that would lead to a greater understanding of how governors and state policy leaders might develop the infrastructure and policies that best promote sector strategies as one way to grow regional economies. This was the primary focus and driving force behind the convening of the states that participated in the project.

States participated at three levels: a Knowledge Exchange that was open to all states, a Learning Network of six states with significant prior sector strategy experience, and a Policy Academy of five states that were just beginning to implement sector strategies. This report offers a close look at the advancements and initiatives in these states as a result of their participation in the Learning Network and Policy Academy. It also provides a set of findings and recommendations that partners and participating states believe are promising directions for the further adoption of state sector strategies. These findings are core elements of Phase II of the project, launched in early 2008.

This project, and its continuance, would not have been possible without the funding and support from the Charles S. Mott foundation and the Ford Foundation. Much gratitude is extended to the Mott Foundation's project officer, Jack Litzenberg, who committed time and passion to the conceptual development of the project, as well as to its on-going evolution. Additionally, the eleven state teams deserve special appreciation for devoting time, hard work and peer-to-peer networking and information sharing toward the goal of identifying the elements of success to advance regionally targeted industry strategies.

Executive Summary

The speed of global economic change presents new challenges – and new opportunities – to industry leaders, workers and communities. Everyone must find new ways to stay competitive. For industry, this means employing appropriately skilled workers to help companies grow. For workers, this means identifying and building relevant skills to be able to move into jobs in growing companies.

Yet, nationwide the pool of skilled labor is not increasing sufficiently to keep up with demand and traditional public education and workforce system responses are not adequately addressing the gap between worker skills and industry needs. The reasons are complex, and include a lack of coordination across relevant systems; a traditional single-employer focus by public workforce and economic development systems; a lack of data-driven decision-making; and a missing focus on job quality issues and the advancement of underskilled adults to move into available “good jobs,” among others.

An increasing number of states are addressing these challenges by establishing sector strategies – policy approaches that support regional, industry-specific approaches to workforce needs and are implemented by an employer-driven partnership of relevant systems and stakeholders. Believing that state sector strategies were at a tipping point across the nation, the National Governors Association, the Corporation for a Skilled Workforce, and the National Network of Sector Partnerships launched a two-year state sector strategy project in 2006 to accelerate the adoption of this approach. The project partners worked closely with five states just beginning to implement sector strategies (Georgia, North Carolina, Oregon, Oklahoma, and Minnesota) and six states with significant experience in sector strategies (Pennsylvania, Michigan, Washington, Massachusetts, Arkansas, and Illinois).

The project has yielded many lessons, opportunities to advance the sector model, and recommendations to state policy leaders. Project partners will use these findings for continued work in the second two-year phase of the project, beginning in 2008. Findings from the first phase of the project indicate that state sector strategies:

- ◆ **Promote Regionalism:** Labor markets rarely span an entire state or conform to political boundaries, and employers and job seekers do not recognize artificial geographic boundaries in the labor exchange process. Sector strategies promote a focus on regional economies.
- ◆ **Increase Funding Opportunities:** A promising element of sector strategies is that they provide for a “big tent” of partners that allows for multiple and alternative funding strategies to be identified and utilized.
- ◆ **Use Data to Drive Decisions:** Sector initiatives need a deep understanding of particular industries and regions to identify needs and formulate effective solutions. States play a key part in collecting and providing data to regions.

- ◆ **Align Resources and Strategies:** Sector strategies allow for various programs, resources, and strategies to be aligned and leveraged. This does not necessitate full-scale system integration, but rather creates effective cross-system connections and aligned protocols toward common goals.
- ◆ **Present Opportunities for Unified Messages:** Marketing and capacity building have been identified as key to the success of sector strategies. Several states have developed marketing brands specific to their sector strategies. Others use the brands of larger workforce and economic development campaigns to promote their sector strategies.
- ◆ **Build Legislative Support:** Legislative support and funding are often the difference between short and long-term success for state sector strategies.

Additionally, project partners and participating states identified a set of success factors that are critical to implementation, including: collaboration with other agencies; alignment with other strategies (e.g. career pathways); work credentialing; leveraging other funding; providing incentive and planning funds; strong industry and employer involvement; operating within an “economic competitiveness” framework; providing technical assistance to local areas; and gubernatorial and legislative leadership. For state policy leadership, including governors, this will mean setting aside funding; assigning the right people to do the work; marketing and messaging to the public and to employers; creating performance benchmarks, with funding that supports an evaluation process; promoting regions defined by labor market data; and structuring policies that build a sector legacy, instead of single-term programs.

Project partners and participating states believe that these findings demonstrate that the tipping point for sector strategies is within reach. The number of sector partnerships at state and local levels, the financial investments made, the innovative approaches to funding strategies, and the data-driven approach are remarkable achievements. The second phase of the project will be an effort to put these lessons into practice by including more states, while keeping the first round of eleven states actively engaged in expanding and deepening their sector initiatives.

Introduction

A recent analysis of the American Community Survey and data from the Bureau of Labor Statistics indicates that two-thirds of the 2020 workforce is already in the labor market, and half of the current workforce possesses only a high school degree or less. The economic vitality of our nation is at significant risk, considering the estimate that by 2014, 24 of the 30 fastest-growing occupations will require postsecondary education or training (either an occupational certificate or degree).¹ These statistics call for new approaches to workforce development. Traditional approaches simply do not address the multiple challenges industry must overcome to remain competitive and that workers must overcome to secure jobs and opportunities for advancement.

The workforce and economic development systems in place in many states create a set of barriers to achieving truly “demand-driven” service delivery to employers and to providing opportunities for individuals to access and advance in high-growth, high-wage industry. These include:

- ◆ Misalignment between the regional labor markets from which employers hire and public systems, which have jurisdiction based on political boundaries; as well as overlapping but not identical jurisdictions of workforce, economic, and education agencies;
- ◆ Lack of meaningful employer engagement, in part driven by a single-employer focus, making it difficult to develop a deep understanding of a particular industry-wide need, and therefore barring policy or practice solutions from reaching any level of scale;
- ◆ Lack of coordination among key stakeholders, due to separate funding streams, divergent organizational cultures, different missions, and disincentives to collaborate; and
- ◆ A limited focus by any system on job quality issues, such as a limited focus on industries that provide “good jobs,” as well as limited focus on industries that can improve job quality.²

Sector approaches have emerged as a response to these challenges in an increasing number of local regions and states. They are more responsive to industry demand than traditional job-matching and training services because they are problem oriented, not program oriented; address needs interdependently, not independently; and work with employers in an industry collectively, not as individual firms.³ Sector strategies bring

¹ Strawn, Julie. *Policies to Promote Adult Education and Post-Secondary Alignment*, Center for Law and Social Policy, August 2007.

² “Good jobs” are defined here as jobs that pay family-sustaining wages, offer benefits such as healthcare, and provide opportunities for advancement.

³ *State Sector Strategies: Regional Solutions to Worker and Employer Needs*, National Governors Association Center for Best Practices, November 2006.

together economic development, workforce development and education systems to focus on key regional industries, changing the way states think and act on:

- ◆ **Economic development issues** such as global competition, outsourcing, critical skills shortages, and linking economic and education strategies. Sector strategies foster customized approaches to competition through focused attention on key industries and development of extensive knowledge about those industries' needs.
- ◆ **Advancement of low-income and at-risk workers** and sustaining middle-class jobs. Sector strategies can help create new job opportunities for hard-working men and women by helping to promote education and training programs, developing career ladders, and ensuring the workforce is appropriately skilled to help employers grow and prosper.
- ◆ **Leveraging and aligning resources and strategies** to strengthen agility, flexibility and responsiveness for the benefit of industries and workers. Sector strategies bring coherence to the public response by making it possible to work across individually funded programs and focus priorities in the same direction.

Sector strategies support sector initiatives – industry-specific, regional approaches that address skill gaps – by:

- ◆ Addressing the needs of **employers** by focusing intensively on the skill needs of a specific industry sector over a sustained period, often concentrating on a specific occupation or set of occupations within that industry;
- ◆ Addressing the needs of **workers** by creating formal career paths to good jobs, reducing barriers to employment, and sustaining or increasing middle-class jobs;
- ◆ Bolstering **regional economic competitiveness** by engaging economic development experts in workforce issues and aligning education, economic, and workforce development planning;
- ◆ **Engaging a broader array of key stakeholders** in regional economic strategizing through partnerships organized by workforce intermediaries; and
- ◆ Promoting **systemic change** that supports innovation and achieves ongoing benefits for the industry, workers, and community.

As experimentation with and implementation of regional, sector-based approaches to workforce development shows promising results, an increasing number of governors and other state leaders are making sector strategies a central element of their states' workforce and economic development policies. In response to this trend, the NGA Center for Best Practices (NGA), the National Network of Sector Partners (NNSP), and Corporation for a Skilled Workforce (CSW) partnered to launch a new project on Accelerating State Adoption of Sector Strategies in early 2006. The project was supported by the Charles S. Mott Foundation and the Ford Foundation. Based on the success and momentum of the project in its first two years, the partners started the second phase of the project in early 2008.

Project Activities and Accomplishments

The project was launched in May 2006 at a State Roundtable hosted by the project partners in Washington, D.C. The roundtable was attended by 75 participants who represented 33 states.

Following the roundtable, the project was implemented along three major tracks: a learning network, a policy academy, and a knowledge exchange. Each is discussed below.

Learning Network

Six states were invited to join a learning network that was intended to give those states that were experienced (at least two years doing sector-type work) in the field of practice an opportunity to learn from one another and push themselves and the entire field of practice further along. The six states that participated were: Arkansas, Illinois, Massachusetts, Michigan, Pennsylvania, and Washington.

The Learning Network met three times over the course of thirteen months (in August 2006, February 2007, and jointly with the Policy Academy in September 2007.) Team leads from each of the six states participated in a series of regularly scheduled leadership calls to discuss the project and plan the agenda for upcoming meetings. This process formed a critical component of how the member states were able to set the course of their own learning agenda.

Learning network states also decided that co-creation was an important part of the work and learning they wanted to do together. They chose to focus on the development of an evaluation framework for sector strategies, which is discussed in more detail later in the report. This work was done through a workgroup of state participants; full Learning Network meetings; and a specific, one-day on-site planning meeting. A white paper about the evaluation framework is scheduled to be released in April 2008, and funding is currently being sought for piloting the framework in at least two states.

Learning Network members also served as formal and informal mentors to Policy Academy states. Several Learning Network member states participated in the Policy Academy meeting (described below) to lend advice. Several Policy Academy states visited Learning Network states, invited Learning Network representatives to speak at events in their states, or engaged with them directly over the phone and via e-mail.

Policy Academy

States at the beginning stages of developing sector strategies were invited to apply for participation in a Policy Academy for technical assistance and shared learning. The NGA Policy Academy process offers a structured format to focus on sets of key policy issues with support from expert faculty and peers from other state teams. Seventeen

states applied for the Sector Strategy Policy Academy. Five were selected – Georgia, Minnesota, North Carolina, Oklahoma, and Oregon.

With guidance from the project partners (NGA, CSW and NNSP), each Policy Academy state convened internal meetings of critical stakeholders. Additionally, the project partners conducted a one-day strategic planning session with each of these state groups. This process prepared each state to participate in a three-day Policy Academy meeting that brought all five state teams together. The Academy meeting combined state-to-state peer sharing, access to expert faculty, and additional “closed door” sessions where individual state teams could continue strategic planning and decision-making. Following the Academy meeting, state teams received on-going technical assistance (including on-site assistance as needed).

Policy Academy teams also participated in the development of the evaluation framework. Their input as newcomers proved invaluable in pushing the framework to a more readily-usable and feasible format for states at different stages of sector strategy development and implementation.

Knowledge Exchange

The third track of the project was the Knowledge Exchange. It was developed for the purpose of sharing learning and promising practices about the adoption of sector strategies across all fifty states. There were four major elements to the Knowledge Exchange.

- ◆ Two *State Roundtables* were held, one at the launch (the aforementioned May 2006 Roundtable in Washington D.C.) and one at the conclusion of the project (held in November 2007 in Colorado). As previously noted, seventy-five participants from thirty-three states participated in the original Roundtable. The latter was attended by several states participating in the project plus many others that were interested in hearing about potential opportunities for participation in Phase II of the project.
- ◆ An NGA *Issue Brief* (State Sector Strategies: Regional Solutions to Worker and Employer Needs) was published at the outset of the project to frame the current field of practice as of early 2006 to help states and their leadership better understand how sector strategies could be utilized and implemented as part of their state efforts to build regionally-competitive workforces. The Issue Brief is available at <http://www.nga.org/Files/pdf/06STATESECREG.PDF>
- ◆ A website was designed to provide collaborative space for the Policy Academy and the Learning Network but was ultimately opened up to the general public at www.sectorstrategies.org and became the information clearinghouse for the project. Project-related documents were posted to the site as well as tools and templates from the larger field of state sector practice. The website will be leveraged to a much greater extent during Phase II of the project.

- ◆ Three *Webinars* were held during Phase I of the project. Each webinar reached over 100 participants. Topics included an introduction and overview of state sector strategies; state sector strategies and low-income worker strategies; and an overview of the current field of practice.

Findings

Early in the project's development, several factors were identified in the 2006 Issue Brief as important to the acceleration of state sector strategies. The findings in this report are framed to run parallel to those factors, expanding upon them with state examples that were discovered and explored in the course of the two-year project. Several examples across the participating states within each of these factors are highlighted in this section.

Distinctions *are not made* here between Learning Network and Policy Academy states. Several states that entered the project in the Policy Academy are now seen as leading edge states due to their innovative approaches, which the project partners believe demonstrates the effectiveness of the project.

Findings come from several sources of information including: (1) the various interactions and meetings among project partners and state leads over the course of the project; (2) fact sheets developed by states as part of the project to inform peer states about sector innovations; and (3) a survey conducted of state team leads by project partners.

Promoting Regionalism

Labor markets rarely span an entire state. Employers and job seekers do not recognize artificial geographic boundaries in the labor exchange process. In recent years, state policy makers have begun to focus on regional economies within their states. Sector strategies have been seen as a vehicle for promoting regionalism, and competitive grants have been used to bring local areas together in a more regional fashion to better address labor market challenges of both employers and workers. Consider the following examples:

- ◆ In **Michigan**, 34 Regional Skills Alliances have been funded since 2004. The competitive grant process in Michigan allows those seeking funding to identify their region, their industry of focus, and their occupations of focus. One Regional Skills Alliance in the City of Detroit addresses long-term care employers in Detroit and neighboring communities. Another covers the vast Upper Peninsula region of the state and centers around the expected shortage of utility line workers. Michigan's approach has been to let the partnerships determine their own geographic regions to help address labor market shortages where they exist and are most pronounced.
- ◆ In **Illinois**, the Critical Skills Shortage Initiative (CSSI) awarded non-competitive grants to each of the state's ten pre-determined economic and workforce development regions, anticipating the process would spur regional thinking and activity across a multitude of local workforce development, economic development, and education organizations, among others. These grants helped the regions perform root cause analysis on critical labor market shortages.

Following that initial investment, Illinois then allowed each region to apply for competitive grants to address the identified root causes.

- ◆ In **Georgia**, the state recently issued a Request for Proposals (RFP) for \$500,000 each to promote “Work Ready Regions⁴.” These Work Ready Regions are intended to bring together two or more counties to focus on a critically important industry (or two) in that region. An important goal is to increase the number of employers using work ready certification and the number of employees who receive a work ready certification. Georgia’s approach marries several important aspects including promoting regionalism in a state that has historically been county-centric, promoting sector strategies through its focus on one or two industries within a region, and focusing on work readiness credentialing as a means to increase the labor market competitiveness of Georgia’s workers.

Quick Facts:

There are **398 “local sector partnership projects”** funded and supported by the eleven states in phase I of the project, an average of just over 36 per state, ranging from 7 in North Carolina to 87 in Illinois.

The projects span at least 15 industries. The **most common industries of focus** are

- ◆ Manufacturing 11 states
- ◆ Health Care 8 states
- ◆ Biotechnology / Bioscience 7 states
- ◆ Logistics 6 states
- ◆ Agriculture and Food Production 5 states
- ◆ Energy – Traditional 5 states
- ◆ Energy – Renewable 4 states
- ◆ Aerospace, Construction, Business and Financial Services, Lumber Wood and Paper, and Information Technology were cited in three of the states.
- ◆ Education and Hospitality and Tourism were cited in two of the states.
- ◆ Film and Video and Homeland Security were cited in one state.

Funding Strategies

Many options are available to states for funding state sector strategies. The 2006 NGA Issue Brief identified over a dozen sources of funds that states across the country have tapped as part of these efforts. One promising element about sector strategies is that they create a “big tent” of partners that allows for multiple and alternative funding strategies to be identified and utilized. While many states are utilizing resources that seem intuitive, such as discretionary funds from the Workforce Investment Act and/or

⁴ <http://www.gaworkready.org/>

the Governor’s Office, some less obvious funding sources are being used as well. Listed below are some of the various funding sources utilized by the eleven participating states:

Funding Type	# of States Using Funds for Sector Strategies (of 11)
WIA Discretionary Funds	6
State Appropriations / General Revenue	5
Incumbent Worker Training	3
Adult Education	3
WIA Incentive Funds	3
WIRED Grants	3
Post-Secondary Education	2
TANF	2
Community Based Job Training Grants	2
Other Federal Government Funds	2
Philanthropic Foundations	2
Partnership Contributions	2
Unemployment Insurance Surplus	1
Fund Pool from Nursing Home Assessment	1
Wagner Peyser	1

Further review of the sources informs how innovative states can be in their approach to funding strategies. Below are some illustrative examples:

- ◆ **Temporary Assistance for Needy Families (“TANF”)** – A key feature of the State of **Arkansas’** overall sector strategy is the state’s Career Pathways Initiative. Career Pathways is a program that allows participants to attend college courses and earn credits towards a certificate or degree while also getting supportive services such as child care and transportation. Arkansas is focusing its career pathways program on targeted industry sectors, which include advanced manufacturing, aerospace, automotive, food processing, and transportation. The state is using TANF dollars to support this work.
- ◆ **State General Revenue** – The Legislature of the Commonwealth of **Pennsylvania** has provided a \$20 million state appropriation for each of the past three years to support sector strategies. Five million dollars of the annual funding is targeted to support the development and maintenance of the industry partnerships that drive the local strategies, and the other \$15 million is for training needs identified through the industry partnerships.
- ◆ **Unemployment Insurance Surplus and other Assessments** – The **Pennsylvania** Legislature set aside \$1.5 million dollars to fund training-related equipment purchases for targeted industries and occupations. The Commonwealth of **Massachusetts** uses a pool of funds available through an assessment on nursing homes.

- ◆ **Philanthropic Foundations**– The Charles Stewart Mott Foundation helped support the launch of the Regional Skills Alliances in the State of **Michigan**, and the State of **Minnesota** is linking its sector work funded by WIA Title 1B, WIA Title 2 and Carl Perkins with sector projects funded by the West Central Initiative Foundation and a planning grant from the Joyce Foundation, to integrate its sector strategies with a broad agenda for rethinking adult education.
- ◆ **Leveraging Other Grants** – Several states (**Arkansas, Michigan, Minnesota, and Washington**) are leveraging dollars from Workforce Innovation in Regional Economic Development (WIRED) grants from the U.S. Department of Labor, and two states (**Arkansas and Washington**) are leveraging Community-Based Job Training Grants.

Only one state – **Minnesota** – specifically cited employer or partner investment as a source of funding for sector strategies in the survey conducted by project partners. However, other knowledge gained through the project demonstrates that most of the states require or encourage employer investment as part of their competitive bid process. In meetings and discussion, states frequently listed employer financial engagement as a strategy for long-term sustainability of sector initiatives. While direct employer contribution may not be a funding factor at the state level, in many cases it is a key component of the implementation of those strategies at the regional level. **Michigan, Illinois and Georgia** require or strongly encourage regional partnerships to seek out and incorporate industry funding into their approaches, and many local initiatives require at least an in-kind employer match of some type.

Quick Facts:

- ◆ Over **\$145 million dollars** (\$145,398,132) have been invested in sector strategies across the eleven states, ranging from \$500,000 in North Carolina to \$65 million in Arkansas (primarily Career Pathways) for an average investment of just over \$13 million per state.
- ◆ The majority of states in the Learning Network have been **funding sector strategies for the past three to four years**, with Massachusetts particularly active since 2000, although some of the local efforts in that state go back much further.
- ◆ All eleven states have had or plan to have **competitive RFP's** to promote sector strategies in their state.

States were less variable in the use of funds than they were in the sourcing of funds. Typical allowable uses of funding include **intermediary activities** (such as convening and facilitating, research and development, and managing sector initiatives and initial operations); **employer services** (e.g., assistance with human resource practices), and **worker services** (e.g, skill development, support services, case management).

Including funding for an intermediary is particularly critical. At the regional level, most sector initiatives engage an intermediary with a depth of understanding regarding the needs of an industry and its workers, and the capacity to manage financing and

partner service delivery, as well as partner organizations that provide particular services. Most state sector competitive grants have required the presence of a strong intermediary as a key requirement of funding.

Quick Facts:

Funding for sector strategies has been used in the following manner across the eleven states (parentheses indicate the number of states allowing use of funds for the activity):

- ◆ Planning and Development (10)
- ◆ Implementation / Operations (9)
- ◆ Training (9)
- ◆ Employer Services (9)
- ◆ Administration (8)
- ◆ Equipment (7)
- ◆ Support Services (6)

Other activities mentioned by at least one state included school-to-career, post-secondary access, technology transfer, and infrastructure development.

9 of the states allow the use of funds to promote systems change of employer practices (recruitment, retention, etc.), 8 allow for change to public institutions (e.g. community college curriculum development), and 5 allow for systems change around public policy.

Data-Driven Decision Making

Sector initiatives at a regional level require a deep understanding of particular industries and regions to identify needs and formulate effective solutions. Likewise, data-driven decision making at the state policy level is essential. States have taken different approaches to the data used to develop a sector strategy. Some states have used data to help identify the regions in the state in which it will fund sector work (e.g. Illinois) while others have used data to identify specific occupations for which it will provide sector-related training (e.g. Pennsylvania.) States also differ in what data they provide at the onset of a project, the requirements for data-driven decision making within the projects they fund, or performance requirements of funded projects. For example:

- ◆ In **Pennsylvania**, the state Labor Market Information office provided in-depth analysis of critically important industries and occupations at the outset of its sector initiative, and works closely with local industry partnerships to produce up-to-date regional analyses.
- ◆ In **Illinois**, regions used economic and workforce data to identify root causes of critical occupation shortages in the industries it selected. This included: (1) how individuals become qualified for occupations; (2) the capacity of the education and training system to produce qualified candidates for the occupation; (3)

employer recruitment methods; (4) K-12 career preparation and awareness; and (5) understanding the impact of job turnover on the shortage.

- ◆ In **Georgia**, the recent RFP to award upwards of \$500,000 per region required applicants to use workforce and economic intelligence in both the identification of their region as well as providing a baseline assessment of the region. Together these two factors were worth over one-third of the total funding criteria.
- ◆ In **Oklahoma** and **North Carolina**, the state provided detailed analyses about targeted industries. In Oklahoma, the state released both the Aerospace Industry Workforce Report⁵ and Health Care Industry Analysis Report. In North Carolina, the Cecil G. Sheps Center for Healthcare Research produced a series of reports that have been used by the state in targeting allied health care as the state's initial sector of focus.

Once funded, local area initiatives often incorporate data products and services into their projects. This might include supply and demand gap analysis, identification and analysis of industry career ladders and lattices, and skill identification for entry-level occupations (and others that are in high demand). Other data products and services focus on the relationship between demand at entry-level and high-level occupations along a career path, curriculum development needs for high-demand occupations, the extent to which workers (and their skills) are mobile enough to move along the career paths, and whether jobs in an industry provide self-sufficient and family-sustaining incomes.

State funds are often used by local areas to perform research in the areas cited above. Activities in performing this research might include secondary data analysis, literature reviews, surveys via telephone, internet, or in-person, and focus groups or other data-gathering meetings with employers.

Aligning Resources and Strategies

Anecdotal evidence suggests that resources and strategies across policies and programs are, too often, not aligned across local, state, and national levels. Economic developers often believe they are communicating their industry targets in a clear fashion, only to learn that education leaders have no idea what those targets are. It is more difficult for a state or region to grow when key stakeholders are not on the same page or all supporting the same targets. A benefit of sector strategies is the ability to align resources and strategies in support of common goals. Sector strategies allow for various programs, resources, and strategies to be leveraged and aligned. These efforts do not take full scale integration. Rather, the "big tent" of sector work allows for innovative partnerships and protocols that create win-win situations for all parties involved. Consider some of these illustrative examples:

⁵ http://staging.okcommerce.gov/test1/dmdocuments/Oklahoma_Aerospace_Industry_Workforce_Report_2007_0108072231.pdf

- ◆ In **Arkansas**, The Governor's Workforce Cabinet, local workforce centers, community colleges and adult education centers have collaborated to form a statewide network of assessment centers that grant career readiness certificates. CRC regional teams comprised of state and local workforce staff, state economic development staff, community college staff and adult education staff work together to implement the program for local industries. Arkansas is also one of the states leveraging WIRED project strategies and resources into its sector efforts.
- ◆ **Georgia** is aligning the state's focus on work-ready credentialing, promoting regionalism, and sector strategies into one large, competitive RFP process intended to reshape the way local areas plan and act on workforce and economic development strategies.
- ◆ In **Illinois**, the Critical Skill Shortage Initiative led to the Illinois Workforce Investment Board creating a task force for each demand sector (healthcare, manufacturing, and transportation). These task forces issued reports with findings and recommendations for action that are serving as guideposts for the state's activity. Each report recognized the need for the workforce community to collaborate with education and economic development and leaders in the private sector to align sector strategy efforts.
- ◆ **Michigan** has had several large, ongoing initiatives working in alignment with state sector strategies including the state's 21st Century Workforce initiative and the new No Worker Left Behind initiative. Michigan is now in the midst of a transition phase due to a change in state agency leadership that is likely to result in a more focused and strategic direction that better aligns its multiple strategies.
- ◆ **Minnesota** is integrating its sector strategy with a *Shifting Gears* grant from the Joyce Foundation aimed at provoking state policy changes that increase educational attainment of low-income workers. Minnesota held a series of forums across the state to help stakeholders understand their sector strategies and this important relationship.
- ◆ **Oklahoma's** sector strategies are central to the state's "Grow Oklahoma" campaign and economic development strategy. In 2007, \$850,000 was awarded for Oklahoma WIRED-like grants, and the state conducted workforce training for economic developers. In January of 2008 the state held a three-day Regional Strategies for Industry Sectors Institute. Over 160 Individuals worked in regional teams representing K-12, higher education, CareerTech, economic development organizations, social services, adult educational programs, employment programs, and industry. Regions will be provided follow-up technical assistance that will help them continue this work within their regions.
- ◆ **Oregon's** Workforce Investment Board plan connects sector strategies to the "similar but different" cluster strategies that are favored by economic

developers. Those seeking competitive money from the State Workforce Investment Board must demonstrate their intention to build linkages between these two approaches; in other words, they must address the state's economic/cluster strategy as well as the state's workforce/sector strategy. Oregon also convened a cabinet-level planning meeting to understand and align both sector strategies and cluster initiatives.

- ◆ **Washington's** efforts exhibit strong alignment in many ways. The state is currently focusing on developing buy-in from regional organizations that are part of/affiliated with state agencies to create a state-regional infrastructure that brings all stakeholders to work in concert and to create a table at which all regional stakeholders sit and collaborate. Many instances can be found in Washington of the operators of Industry Panels (regional sector partnerships) integrating their efforts with those of community college-based, industry-focused Centers of Excellence. Various state boards have ex-officio seats for members of other boards, and there is a shared RFP framework across multiple agency grants including workforce and education.

Additionally, the Innovation Partnership Zone initiative has recently made its first five awards in an attempt to link the state's research institutions further into sector strategies. This included \$2.4 million towards Research Innovation Teams and an additional \$5 million for capital funds for Innovation Partnership Zones. Eleven have been designated throughout the state. All partner agencies are involved in some way. The proposals from each of the selected zones build on an existing sector or cluster-based investment. Zone proposals required local partnership of economic and workforce development and post-secondary education.

Marketing

Marketing was identified by participating states as a key differentiator in the success of their sector strategies. Several states developed marketing brands specific to their sector strategies, while others integrated their sector brand into their larger workforce and economic development strategies. Below are three examples of sector-specific marketing brands, including the Michigan Regional Skills Alliances, the Workforce Competitiveness Trust Fund in Massachusetts, and Certified Work Ready Region in Georgia.



Branding the campaign is just one aspect of the work that can be done to market state sector strategies. Both state policy makers and local practitioners have commented anecdotally that marketing and communications around the effort can be very difficult. It is both hard to articulate a clear message, and hard to show tangible results for initiatives that start out with a lot of process and planning. Even states who feel like they have done a good job acknowledge how difficult it was to communicate both the effort involved and results in effectively.

While a branding campaign can contribute to the success of sector strategies, developing multiple communication and awareness vehicles is needed to achieve success. Further exploration of other marketing and communication tools is needed and will be included in Phase II of the project.

Capacity Building

While marketing is an important and distinguishing feature, capacity building is also critically important. States have largely used one of two models to raise capacity of sector initiative partners and intermediaries, sometimes employing both models.

Convening intermediaries and their partners for a sector strategies information session and project orientation after the grant award – This model has been used across several states’ initiatives including **Pennsylvania, Massachusetts, and Michigan**. **Michigan** has gone so far as to convene leaders from industry-specific initiatives, for example, bringing together all of the conveners of health care sector initiatives. **Washington** provides technical assistance as needed to grant recipients.

Convening intermediaries and their partners before the grant award – This approach has been used by many states in the Policy Academy including **Georgia, Minnesota, North Carolina, and Oklahoma**. These have ranged from informational sessions designed to educate prospective applicants on the elements of the RFP and strategic initiatives to consider (**Georgia**) to three day institutes designed to walk intermediaries through an interactive toolkit (**Oklahoma**).

Capacity Building for State Staff – **Michigan** has taken capacity building to the next level by concentrating intensive efforts on raising the capacity of state sector staff. It has encouraged staff to become deeply knowledgeable about particular industries so that they can better serve their sector intermediaries. Both **Michigan** and **Pennsylvania** have had state sector staff attend the Aspen Institute’s Sector Academy, aimed at building the skills and knowledge of sector practitioners.

Quick Fact: States reported that there are 59 dedicated state-level staff positions across the sector strategies of the eleven participating states, ranging from 1.5 (in Illinois) to 12 (in Minnesota) for an average of over 5 staff per state. However, it is important to note that different states define their staffing positions differently, and counts may not be directly comparable.

Pennsylvania has 86 partnerships that are staffed by three workforce positions (Executive Director, Deputy Director, and Director of Sector Initiatives.) In Minnesota, the Department of Employment and Economic Development employs five industry specialists as well as several staff who support the Minnesota Sector Partnership program and the Job Skills Partnership Programs.

Legislative Strategies

Legislative support and funding often makes the difference between short and long-term success for state sector strategies. While the use of federal funding streams is an important aspect of launching and sustaining sector strategies, so too is the commitment of state legislatures. This commitment has proven to be important to sustaining the strategy beyond any one particular governor or set of cabinet officials.

The most significant examples of legislative strategies are found in three of the more experienced sector states – Massachusetts, Pennsylvania, and Washington, two of which (Massachusetts and Washington) have operated state sector initiatives long enough to exceed the tenure of the originating Governor.

- ◆ **Massachusetts** – The commonwealth’s economic stimulus legislation has funded both Bay State Works and the Workforce Competitiveness Trust Fund in the state’s evolving sector strategy (see Spotlight box below). Through the Workforce Competitiveness Trust Fund, over \$6.7 million was awarded for implementation and planning grants for sector strategies.
- ◆ **Pennsylvania** – The commonwealth’s sector strategy is now in its third year of receiving legislative funding of \$20 million per year. Five (\$5) million of that investment funds industry training partnerships to identify labor market shortages. Fifteen (\$15) million of that investment goes towards training solutions to address those labor market shortages.
- ◆ **Washington** – The state has an integrated series of funding strategies that align under its sector effort. These include Research Innovation Teams (Innovation Zones,) capital funds for innovation partnership zones, high demand/math and science enrollments, job skills training, customized training, high demand training, Centers of Excellence, and Skills Panels. All of the Washington programs are funded with state general funds, with the exception of Targeted Industry Training and a portion of Skill Panels which both use WIA 10% funds. The sector leadership has been able to continue this funding through an

integrated approach across workforce development, economic development, and education.

Spotlight: The Evolution of a State Sector Strategy

Massachusetts' sector strategy is the longest running of the Learning Network and Policy Academy states. It began in earnest about 25 years ago with the creation of the Bay State Skills Corporation (BSSC), which was established as a catalyst between the private sector and government, and specifically to help the private sector address immediate and long-term workforce needs. Between 1981 and 1996 BSSC operated the 50/50 program, so called because a 50% employer match was required for every dollar of state funds spent. The 50/50 program funded sector initiatives in every major critical industry in Massachusetts, and created programs that spanned the continuum of the workforce pipeline, from youth to adult, and from entry-level worker to management. In 1996 BSSC merged with Industrial Services Program (ISP), which also worked with employers to build a more competitive workforce, and the two became the Commonwealth Corporation. The learning from these programs laid a foundation for continued development of sector strategies in Massachusetts.

The Extended Care Career Ladder Initiative (ECCLI) is one of the largest sector initiatives of its kind, and has been operating since 2000. The initiative was designed to meet the needs of the long-term care industry, which faced increasingly high turnover rates and a corresponding decrease in the quality of patient care.

While the ECCLI initiative continued, Massachusetts began the BEST initiative, which evolved into Bay State Works. It was launched as a result of a concern that many adult workers were lacking basic skills. BEST and Bay State Works both took a sector approach, with a goal of dual customer benefit – meeting needs of industry/the economy while also benefiting individual workers through career advancement and job security. Until recently, the focus has been on developing the skill level of low skill workers, but new funding will support extending the sector approach to higher skill workers as well. In 2007, Bay State Works gained increased state funding and was renamed the Workforce Competitiveness Trust Fund. To date, it has awarded over \$6.7 million dollars in implementation and planning grants related to sector strategies.

Implementation Lessons

Implementation of state sector strategies has taken many varied paths. Yet, there are important lessons learned from the implementation processes of the eleven states in the project. Project partners and participating states agree with the following assertions:

- **Understand where you start from.** This includes multiple elements, such as use of labor market information to better understand regions, key industries, or critically important occupations. It may involve an analysis of possible funding streams to support the sector strategy. Regardless, the strategy must be grounded in solid data that supports and informs the overall approach. This analysis must continue after regional work has been funded, focusing on root cause analysis and identification of industry/worker needs, service delivery gaps and leverage points for system change.
- **States may start with pilot initiatives but need to rapidly advance towards a broader state policy framework.** The key is to conceive of the pilot initiative as a learning approach/building block for state policy development. The term “state policy framework” was consistently used across the eleven state teams as a shared goal. Moving from a one or two-time funding opportunity to something that is more systemic takes time and hard work. Progressing past a pilot stage is important for making sector strategies more than just a fortunate series of interconnected events and instead reaching the threshold of a policy framework from which a variety of strategic resource decisions are made.
- **Businesses will only stay engaged if initiatives are relevant, action-oriented, and appeal to their bottom line.** A number of publications have explored the importance of business involvement in local sector initiatives. State strategies have been most effective when the competitive bid process requires active employer participation and engagement, particularly when that participation is identified from the beginning and/or employers are putting matching funds into the overall funding strategy. Finding an employer who can serve the role as “business champion” and galvanize support from peer employers is vital at both the state and local level.

Critical Success Factors: What the States Had to Say

The following were cited by at least two states as a critical success factor:

- ◆ Collaboration with other agencies
- ◆ Alignment with other strategies such as Career Pathways, work credentialing
- ◆ Leveraging non-state funding, such as philanthropic, employer and local funding, among others
- ◆ Providing incentive and planning money
- ◆ Strong industry and employer involvement
- ◆ Gubernatorial and legislative leadership
- ◆ Operating within an “economic competitiveness” framework
- ◆ Providing technical assistance to local areas

- **It takes time to get the right people to the table.** While sector strategies provide a “big tent,” it often takes a while to have necessary partners fully bought-in and engaged in the process. This dynamic is likely because sector strategies represent a new approach to doing business (for both public and private actors) and because resources may need to be aligned and/or leveraged. For example, in some states economic development is not a full partner, or may just be coming to the table after years of only providing lip service. In another state, community colleges may be the reluctant partner. In another state, financial investment from employers may be missing. It takes time to align all the stakeholders, but in due course the benefits of sector strategies can be demonstrated and proven to reluctant partners.
- **Think and act regionally.** This is critically important. Nearly all states are too large to serve as a single labor market, and artificial boundaries limit the impact strategies can have. How states think about the identification of regions or decide if regions should be self-defining is one of the most important decisions to be made before implementation.
- **The need for an evaluation or measurement framework is critically important.** While many of the more experienced states have been actively involved in devising ways to measure the achievements of their initiatives and prove return-on-investment, bringing the state teams together to develop a joint framework proved very beneficial in pushing their thinking and providing a blueprint for new and emergent state sector strategies across the nation. Thinking about evaluation on the front-end is important. As project partners and primarily Learning Network states embarked on the co-creation of the evaluation framework, the Policy Academy states reinforced how vital this framework was in helping to identify elements to include in their evolving sector strategy. The more experienced states also indicated dissatisfaction with their existing metrics and evaluations and put significant energy into building a shared evaluation framework that holds great promise as they move forward.

Co-Creation of an Evaluation Framework

One of the expressed desires of Learning Network states was to co-create something that would benefit the larger community of states. Efforts soon turned to development of an evaluation framework to help identify the positive results of a state sector strategy. Four major elements were identified: impact on workers, impact on employers, quality and effectiveness of partnership, and systems change. Over a dozen specific measures were identified across the four categories. Additional work remains to finalize the evaluation framework, and in 2008 the project partners will release a white paper promoting the framework as a tool for experienced and new states to consider in their sector strategies, and to pilot the framework with an experienced state and a new state. Visit www.sectorstrategies.org to track the progress of this exciting collaboration.

- **Peer-to-peer learning is beneficial.** Peer sharing across states was deliberately planned and used across the states participating in the project. The Learning

Network and the Policy Academy both emphasized and provided mechanisms for meaningful peer-to-peer learning. The Learning Network in particular provided this opportunity by allowing members of the network to direct the agendas of their meetings. The success of the peer-to-peer learning approach is illustrated by the fact that it has taken hold in a number of the participating states where they are convening sector leaders and stakeholders from across their regions to learn from each other. This was true of Learning Network states interested in maintaining and expanding their sector strategy as well as Policy Academy states interested in launching a sector strategy.

Recommendations to State Leaders

The project partners and eleven participating states in the first phase of this project identified a set of elements critical to developing effective sector strategies that foster regional skills-based economic competitiveness. Leadership and support by state leaders, particularly the governor, is critical to the success of a state's sector strategy. Governors have tremendous discretion in how they approach and implement state sector strategies. State sector strategies provide an opportunity to increase state competitiveness, align resources and strategies, and provide entry-level and career pathways for low income workers while simultaneously growing and maintaining middle class jobs. Project partners believe that important considerations for state leaders include:

- **Fund it.** Throughout this report, the importance of funding for long-term sustainability is stressed. Project partners and participating states agree that while many strategies can pull from a variety of sources including federal and philanthropic, having gubernatorial (and legislative) funding support is critically important.
- **Make sure the nuts and bolts of the state strategy are tight.** Sector strategies can take many forms but throughout the course of this project, partners and state participants learned that states have tremendous influence over three specific “nuts and bolts” areas, including promoting regionalism, aligning resources and strategies, and building capacity. Governors would do well to charge a state sector team with addressing these nuts and bolts issues at the outset.
- **Assign the right people to do the work.** As mentioned earlier, sector strategies allow for a “big tent” and can include various programs, agencies and private stakeholders. Yet, the people who lead the work are still the heart and soul of the strategy. Having someone inside the governor's office actively engaged in this strategy is an important element, as is having a cabinet or associate cabinet level leader with access to the governor lead the initiative. This high profile person in the right place will help attract other state and private sector leaders. Anecdotal evidence from participating states suggests leading business executives are most likely to participate in public-private partnerships when cabinet-level officials are involved.
- **Market. Market. Market.** Let as many partners, stakeholders, employers, and citizens know what the strategy is, why they would want to be part of it, and how they can become part of it. It can be difficult to communicate a clear message that also communicates the importance of process and early planning. Regional sector initiatives that receive state funding and produce results can provide an important “proof of concept.” Project partners and states agree that acknowledging these challenges early in the effort is important to garnering broad-based support for continued efforts.

- **Measure your success.** The project’s work in co-creating an evaluation framework helped the partners and participating states learn how important it is to think about evaluation at the front-end of a sector strategy. Too many strategies wait until they are downstream from the launch to think through what to measure. In developing the framework, partners and participating states hope that other states will understand the importance of determining what to measure as baseline data at the start of a strategy as well as gathering performance benchmark data throughout the lifespan of the strategy.
- **Put the right resources behind evaluation.** Having an evaluation framework is just the starting point of a longer journey. It is necessary to make sure that the framework has buy-in and support from those whose resources have been utilized or whose programs are being measured. This might require a dedicated staff person to “sell” the importance of evaluation, work with key data partners, and process and analyze the data. Likewise, this effort might also include aligning or integrating data systems.
- **Define regions by what makes the most sense, not artificial boundaries that lack alignment with real world labor markets.** While some states have pre-defined their regions, they are the exception and not the rule. Even those that have pre-defined regions are promoting regional behavior in new and unique ways. Regardless of the approach, participating states agree that regionalism is best promoted by at least expanding beyond the traditional borders of a single county.
- **Plan for sustainability.** Project partners and participating states understood that a sector strategy must be structured in a way that will build a legacy, not fizzle with a leadership change. In addition to gubernatorial leadership and funding support, it is also important that the infrastructure exists that will sustain these strategies beyond any one elected official or set of policy makers. This is hard work, and patience will be necessary. However, to ensure that lasting change is realized, the ground work must be laid early and continually built upon. Governors can use incentives and call for a commitment of local and industry funding and regional partnerships of local and state organizations as a requirement to access state funding.

Conclusion

Project partners and funders believed at the outset of the project that state sector strategies were at a tipping point, and accelerating the expansion to other states was important for a variety of reasons, including but not limited to:

- **Bringing the concept of sector strategies as an effective model to increase regional skills-based economic competitiveness to the attention of states not yet engaged in this strategy.** As governors and their workforce and economic development advisors look for effective approaches to the economic and social challenges of their states, sector strategies provide a viable solution. A significant number of states have either launched sector strategies or are now making support for sector initiatives a priority, and a body of experience is emerging that can be shared among states.
- **The speed of global economic change combined with tight state budgets** make Governors much more open to new policy approaches that offer a basis for setting priorities and leveraging multiple funding sources to address the resulting social and economic challenges.
- **State sector strategies offer a way to combine being “demand-driven” with focusing effectively on how workers find and move through career pathways.** All states face high costs and much effort to ensure their workers access education and training that will lead to a job or career. Sector initiatives can be an important part of reducing the cost and effort of: transitions both for employers and dislocated workers; “grow our own” workforce strategies that provide industry-relevant skills to existing worker populations; poverty reduction; and strategies that strengthen regional economies.
- **Federal laws, including workforce, education, and trade are pending reauthorization.** It is possible that reauthorization of several related laws will create funding streams that can help support sector initiatives and create a greater demand for strategies that link lower skilled and middle-class workers to higher quality jobs. States with a solid foundation in the sector model will benefit by being ready for changing laws and potentially new funding requirements.
- **States are being pushed in this direction both from above and below.** Current federal strategies stress industry-centered approaches. At the same time, many local constituencies, including workforce boards, community based organizations, trade associations, unions and community colleges are engaging in sector initiatives to bridge the needs of at-risk workers and employers in key industries.
- **States have funds that sector strategies can leverage and align with other resources,** including locally controlled public funding, employer funding, and fees.
- **States can provide crucial support and legitimacy to the work of regional intermediaries.** States that have undertaken substantial sector strategies are finding extensive opportunities through these relationships, including alignment and

support with a wide array of organizations who are acting as conveners, facilitators, project managers, and other aspects of being intermediaries with key industries in their regions.

Project partners learned much over the two years of working with the eleven states highlighted in this report. In hindsight, partners and funders believe the above assumptions have held true, and add the following conclusions:

First, no two state sector strategies are the same. Flexibility is one of the key qualities of a sector approach. There is not a “one size fits all” model that works in every state, nor is there a set of parameters that work in every region since the needs of industries and workers vary. States that promote the model of sector initiatives but with flexibility for local areas to pursue innovative adaptations of the model will likely enjoy more success.

Second, even experienced states face long-term sustainability challenges. States and their regions struggle to build long-term partnerships between economic development, workforce development, and education; to engage the right employers at the right level; they also are only beginning to think about the importance of a consistent evaluation framework. These are areas that project partners and participating states hope to more deeply understand in the next phase of the project.

In addition, states appear committed to meeting the needs of particular industries while also meeting the needs of workers. However, while many local sector initiatives traditionally have a strong low-income worker focus, the majority of state sector strategies do not reflect this emphasis. States that are making efforts to better integrate a low-skilled, low-income focus into their sector strategies recognize that success requires engaging a broader group of stakeholders (include human service agencies and community based organizations), while maintaining a balance with the priorities of economic development entities. Project partners believe this will be an important area for further analysis and innovation in Phase II of the project.

Finally, there is amazing energy around this strategy across states. The sheer number of sector partnerships formed at the regional (labor market) level, the financial investments being made, the innovative funding strategies being used, and the value placed on data to inform and measure the work are all significant achievements. Project partners believe that the eleven states that participated in Phase I will continue to contribute to the project and to push themselves and their peers to a higher level.