ECONOMIC DEVELOPMENT STRATEGIES, INFORMATION BRIEF 2

Coordinating Workforce and Economic Development under WIOA

Lauren Eyster

October 2015

An important component of effective economic development is ensuring a skilled workforce can support business and economic growth. Better coordination among the numerous economic and workforce development policies and programs within state government, an area of study for this project, has the potential to improve the workforce and drive economic growth across a state and its local markets. The passage of the Workforce Innovation and Opportunity Act of 2014 (WIOA) has created an important opportunity for state economic development agencies to coordinate with their workforce agency. WIOA's goals include economic growth and aligning economic development for the successful implementation of the public workforce system it funds.

Economic development policies focus on long-term economic growth, and workforce development policies build and supply a labor force to meet the demand generated by that economic growth (see box 1 for definitions of key terms used in this brief). Ideally, economic and workforce development policies should work in conjunction at both at the state and local levels. However, in practice, governments operate these two programs with different goals and outcomes in mind, and thus these activities are often not coordinated (Conway 2011).

WIOA explicitly recognizes the need for coordination of economic development and workforce programs. Part of WIOA's purpose is to "support the alignment of workforce investment, education, and economic development systems" and "improve the quality and labor market relevance of workforce investment, education, and economic development efforts."[1] State agencies that oversee the public workforce system are currently engaged in a rigorous planning process for WIOA implementation. At the same time, state and local governments are reviewing how they account for certain tax incentives under new disclosure requirements for financial reports (Francis 2015). These related activities provide a window for state leaders to coordinate all statewide economic development efforts and assess how tax incentives and workforce development work together to foster better economic outcomes.

BOX 1

Definitions

Economic development is the range of activities, policies, and programs of a state, region, or municipality used to "create conditions that enable long-run economic growth." These activities often include investments in the "generation of new ideas, knowledge transfer, and infrastructure" and rely on cooperation between the public and private sectors.[a]

Workforce development is the range of activities, policies, and programs used to "create, sustain, and retain a viable workforce" that can support current and future business and industry across a state, region, or municipality. This may include education and training, job matching, and employer engagement. It also involves the coordination of public- and private-sector efforts, providing individuals with career opportunities and supporting business and industry workforce needs.[b]

The *Workforce Innovation and Opportunity Act of 2014* governs the publicly funded workforce system in the United States and is administered by the US Departments of Labor and Education. WIOA is intended to "help job seekers and workers access employment, education, training and support services to succeed in the labor market and match employers with skilled workers they need to compete in the global economy." States are responsible for developing four-year WIOA plans for submission to the US Department of Labor by March 3, 2016. The plan must include adult, dislocated workers, and youth programs; adult education and literacy programs; Wagner-Peyser Act Employment Service; vocational rehabilitation programs; and other targeted programs such as Job Corps. States can choose to expand their plan to include programs not under WIOA, such as career and technical education, Trade Adjustment Assistance, Supplemental Nutrition Assistance Program Employment and Training, and Temporary Assistance for Needy Families.[c]

[a] See Feldman et al. (2014) for a more detailed definition of economic development.
[b] See Haralson (2010) for a more detailed definition of workforce development.
[c] See US Department of Labor (2014) for more information on WIOA. Workforce Innovation and Opportunity Act of 2014, Public Law 113-128, *US Statutes at Large* 128 (2014): 1426.

Overview of WIOA

Several federal and state programs fund the public workforce system, but WIOA creates the organizational structure. WIOA provides about $3.2 billion in annual funds for the employment and training services for the public workforce system, nearly all of which is directed by formula to states.[2]

WIOA funds employment and training programs for adults (mostly disadvantaged), youth, and dislocated workers. It also funds adult education and literacy and vocational rehabilitation services. WIOA is designed to serve employers, especially to ensure they have qualified applicants for available jobs. Success for states and local areas under WIOA is measured both by outcomes for potential job seekers or currently employed workers participating in WIOA-funded activities and by employer satisfaction with the potential hires sent to them for consideration.

A key feature of WIOA and the public workforce system is that coordination must occur across many stakeholders. State workforce agencies work closely with workforce investment boards (WIBs), made up mostly of members from business and industry, to set policy for the public workforce system across the state. These policies are then implemented by local WIBs, which oversee the local or regional workforce system and coordinate the operation of American Job Centers, where job seekers and employers receive services.

State workforce agencies and state and local WIBs also coordinate with other government agencies, such as economic development or human services, the education system offices (public school systems, community colleges, and universities), unions, and industry or trade associations. However, states have great flexibility in how they coordinate with other agencies and organizations. Economic development agencies are not a required partner for the workforce system, but they may be involved in strategic planning efforts, especially through WIBs or sector strategies and partnerships.[3]

Economic Development and State WIOA Plans

States must submit WIOA plans no later than March 3, 2016, and implementation must begin by July 1, 2016. In April 2015, the US Department of Labor released draft guidance for state WIOA plans, and many states have already begun preparing their plans (see box 2). The draft guidance directs states to include considerations for economic development strategies and activities and how the public workforce system can support economic growth. Specifically, state plans must include the following:[4]

- An analysis of the state's current economic conditions, economic development strategies, and labor market;
- A state strategy for achieving the goals and vision for the workforce system that accounts for economic and workforce development, as well as education and training activities, including sector strategies; and
- A state implementation and operational strategy that specifically describes how WIOA program activities will be coordinated with economic development entities, strategies, and activities in the state.

These guidelines are high level and allow states flexibility in how they choose to develop and implement their overall strategy and how they engage other agencies and government entities in developing these plans. Economic development agencies may need to reach out to state workforce agencies to participate in the planning process if they have not already been engaged.

BOX 2

New Jersey Gets a Head Start

New Jersey, led by its Department of Labor and Workforce Development, began its WIOA planning process soon after the law was signed in 2014.[a] One of the cornerstones of the planning process was stakeholder engagement. Workgroups aligned with WIOA components were created whose members included state government partners and key stakeholders. The workgroups were tasked with developing a WIOA blueprint for New Jersey. They plan to reach out to employers and other industry stakeholders to weigh in on the plan, especially on sector strategies.

[a] For more information, see DeRenzis, Bergson-Shilcock, and Shaw 2015.

Coordinating Economic Development Strategy

State economic development and workforce leaders and staff are already coordinating in some states (see box 3). Seven states (Alabama, Florida, Michigan, Minnesota, North Carolina, North Dakota, and West Virginia) have combined their economic development and workforce agencies, reflecting the close connection between economic development and workforce development. In these states, there may be more deliberate coordination between the agencies if department leadership prioritizes it. State economic development representatives also currently sit on many state and local WIBs. If so, they may have already been a part of previous state planning efforts under the Workforce Investment Act of 1998, WIOA's predecessor.

Economic development and workforce agency staff may also participate in other strategic efforts, such as sector partnerships, in which leaders from business, government, and education coordinate workforce strategies to support the growth of a particular industry. The two agencies may also coordinate on labor market research, job-matching strategies, education and training, attracting talent, and reemployment strategies.

Although combined agencies and strategic efforts offer opportunities for coordination between economic development and workforce development, it is unclear how coordination occurs and to what degree it is sustained over time. But WIOA provides a new impetus for economic development and workforce development collaboration.

BOX 3

Three Ways State Economic Development and Workforce Agencies May Be Coordinating

- Offices and staff for both agencies are combined under the same state government department.
- Economic development agency staff sit on the state and local WIBs and have previously participated in workforce planning efforts.
- Economic development or workforce agency staff participate in each other's strategic efforts, such as state sector partnerships.

Taking Advantage of WIOA's Opportunity

Fulfilling WIOA's requirements is an opportunity for economic development agencies to work with workforce agencies, ensuring the plan aligns economic development and workforce strategies and the public workforce system. This coordination can support statewide economic growth. Some initial steps interested stakeholders can take include the following:

1. Review the state's current plan under the Workforce Investment Act to understand how economic development has been a part of the public workforce system to date.
2. Identify and assess major workforce gaps that will impede successfully implementing the state's economic development strategies. For example, employers may need more workers with skills and credentials for employment in high-growth industries.
3. Coordinate on the WIOA state plan with the agency responsible for administering the federal workforce grants.

Governors and legislators should make sure this opportunity is not wasted. Coordination between the economic development agency, which is marketing the workforce to businesses, and the workforce development agency, which is training and developing that workforce, is the best way to ensure state residents are getting the training and access required for future jobs. This coordination will also improve and refine the statewide economic development strategy and make the state more competitive in attracting new business.

Notes

1. See Workforce Innovation and Opportunity Act of 2014, Sec. 2.

2. See US Department of Labor (2015a) for more information on the FY 2015 budget appropriations. The dollar amount does not include funding for Job Corps as it is not a state-administered program.

3. See Conway (2011) for more information on economic development and sector strategies and partnerships.

4. For more information on the state WIOA plan requirements and when the guidance has been finalized and approved by the Office of Management and Budget, see US Department of Labor (2015b).

References

Conway, Maureen. 2011. “Where Labor Supply Meets Labor Demand: Connecting Workforce Development to Economic Development in Local Labor Markets.” *Update* 6 (August). Washington, DC: Aspen Institute. http://www.aspenwsi.org/resource/update6/.

DeRenzis, Brooke, Amanda Bergson-Shilcock, and Ashley Shaw. 2015. *A Case Study of New Jersey’s WIOA Planning Process.* Washington, DC: National Skills Coalition. http://www.nationalskillscoalition.org/resources/publications/file/2015-05-19-Engagement-Matters-a-Case-Study-of-New-Jersey-WIOA-Planning-Process.pdf.

Feldman, Maryann, Theodora Hadjimichael, Tom Kemeny, and Lauren Lanahan. 2014. “Economic Development: A Definition and Model for Investment.” Chapel Hill, NC: University of North Carolina. http://www.eda.gov/tools/files/research-reports/investment-definition-model.pdf.

Francis, Norton. 2015. “GASB 77: Disclosing Tax Abatements.” Washington, DC: Urban Institute.

Haralson, Lyn E. 2010. “What Is Workforce Development?” *Bridges*. St. Louis, MO: Federal Reserve Bank of St. Louis. https://www.stlouisfed.org/publications/bridges/spring-2010/what-is-workforce-development.

US Department of Labor. 2014. “The Workforce Innovation and Opportunity Act—July 22, 2014.” Washington, DC: US Department of Labor, Employment and Training Administration. http://www.doleta.gov/WIOA/Docs/WIOA-Factsheet.pdf.

US Department of Labor. 2015a. “Summary of the Appropriations Budget Authority, Fiscal Year 2015.” Washington, DC: US Department of Labor, Employment and Training Administration. http://doleta.gov/budget/docs/15app$_150306.pdf.

US Department of Labor. 2015b. “Required Elements for the Submission of Unified and Combined State Plan and Plan Modifications under the Workforce Innovation and Opportunity Act.” Washington, DC: US Department of Labor, Employment and Training Administration. http://www.regulations.gov/#!docketDetail;D=ETA-2015-0006.

About the Economic Development Strategies Project

The Economic Development Strategies project is a three-year project to assemble comprehensive research on state economic development strategies. The scope of the project goes beyond tax incentives and abatements to include workforce development (discussed here) and best practices. This is the second of eight informational briefs that will frame the project.

About the Author

Lauren Eyster is a senior research associate in the Income and Benefits Policy Center at the Urban Institute, where her research focuses on innovative workforce development programs and how best to evaluate and learn from them. Most recently, Eyster has examined industry-focused job training and career pathway initiatives implemented through the workforce investment system and at community colleges. She studies how these programs can best provide education and training to different groups such as laid-off workers, youths, low-income individuals, and older workers. She also researches how systems and various stakeholders can collaborate to help these individuals find and retain jobs.

Acknowledgments

This brief was funded by the Laura and John Arnold Foundation. We are grateful to them and to all our funders, who make it possible for Urban to advance its mission. Funders do not, however, determine our research findings or the insights and recommendations of our experts. The views expressed are those of the authors and should not be attributed to the Urban Institute, its trustees, or its funders.

The author gratefully acknowledges comments from Richard Auxier, Don Baylor, Donald Marron, and Kim Rueben.

ABOUT THE STATE AND LOCAL FINANCE INITIATIVE

The State and Local Finance Initiative (SLFI) is an Urban Institute project in the Urban-Brookings Tax Policy Center. The initiative equips policymakers, citizens, and the media with tools to understand and address the fiscal challenges and opportunities facing state and local governments. SLFI provides current, reliable, and unbiased research, data, and analysis. The initiative integrates knowledge across policy domains and government levels to give decisionmakers the best possible information to navigate among competing options and understand tradeoffs.

ABOUT THE URBAN INSTITUTE

The nonprofit Urban Institute is dedicated to elevating the debate on social and economic policy. For nearly five decades, Urban scholars have conducted research and offered evidence-based solutions that improve lives and strengthen communities across a rapidly urbanizing world. Their objective research helps expand opportunities for all, reduce hardship among the most vulnerable, and strengthen the effectiveness of the public sector.

2100 M Street NW
Washington, DC 20037

www.urban.org