Governor's Task Force on Workforce Development

Executive Summary

Revitalizing and invigorating Oregon's economy is one of the tallest orders before the new administration. To achieve economic recovery and quality of life for Oregonians requires a skilled and job-ready workforce. The state must have an adequate supply of skilled and job-ready workers in order to recruit businesses. Responsive workforce training is needed to help recruit new businesses to Oregon and to help business and industry grow and manage major technological and structural changes in the economy.

Workforce training and development is currently not connected to Oregon's engines of economic growth. The workforce training needs of business, industry, and workers are met through a piecemeal, ad hoc approach, not through a coherent strategy that is linked to economic development and responsive to business needs. Oregon has shortages in skilled labor and lags far behind the rest of the nation in public investment in workforce training. Because there is no coherent, statewide strategy, the available workforce programs and funds are not well coordinated, making it difficult for employers and workers to connect with the services they need. To date, the state has spent little effort to determine the overall return on investment of workforce programs.

> "Workforce development cannot be a social services program. It must be an integral part of Oregon's economic development strategy. A highly skilled workforce is the fuel that feeds the engines of economic health and growth."
>
> *Governor Ted Kulongoski*

Recommendations

The key policy imperative for Oregon is to streamline and focus workforce development efforts on the creation and retention of businesses and family wage jobs. It must ensure that public and private sector investments in workforce training are leveraged for the greatest impact and that training programs are responsive to the needs of business, industry, and workers. Toward these goals, the Task Force recommends that the Governor take the following actions to improve workforce development programs:

■ **Recommendation #1:** Link workforce development and economic development to create a single, coherent, statewide policy that meets the training needs of Oregon's business, industry, and workers.

■ **Recommendation #2:** Improve coordination and streamline the administration of workforce programs so that: 1) employers have a single point of contact, 2) resources and activities are strategically focused, and 3) training tools are easily accessed. This includes the creation of new state and regional teams to quickly respond to business requests with real solutions. It also includes the creation of a new "one-stop" jobs, training, and economic development hotline, using the state's "311" phone number and a supporting website. The state must also review and modify its approach to marketing Oregon's assets so that businesses are encouraged to locate and remain here. Finally, the Office of Education and Workforce Policy should immediately undertake a thorough analysis of the effectiveness of workforce programs, and based on the findings, the Governor should take action that will streamline and enhance coordination of existing programs.

Recommendation #3: Create a strategic training fund targeted at meeting the immediate demands of business and industry for skilled workers. Based on the experience of other states, the Task Force recommends a fund of $10 million per year. The Governor should reserve more funds from the federal Workforce Investment Act (WIA) and pool these funds with other potential funds from the Employment Department and the lottery. These funds will support training for growing businesses, sectoral training initiatives, and the development of statewide approaches to English as a Second Language programs.

Immediate Next Steps

The Task Force believes that implementation of these recommendations will result in immediate improvements to the workforce development system, enhanced services to both business and labor, and tangible economic benefits to the entire state, including improved productivity, skill upgrades, and better jobs. To successfully implement the Task Force recommendations, the Governor will have to:

1. Charge the Office of Education and Workforce Policy (OWEP) with oversight and implementation of the Governor's strategy. This office must collaborate with the economic development agencies to articulate a coherent workforce strategy linked to economic development and jobs. This office must also provide a single point of contact for local and regional workforce boards, community colleges, and all members of the workforce community to ensure accountability and adherence to the Governor's approach.

2. Establish the Strategic Workforce Training Fund. This can be achieved legislatively by revamping HB 2302, which establishes a strategic fund focused on training for job retention. It may also be accomplished by budget notes for appropriate agencies or by executive order directing the use of federal funds that flow to the state.

3. Create effective policy boards. The current size and structure of the Oregon Workforce Investment Board (OWIB) does not support effective policy and governance of the state's workforce system. This board must be reconfigured and streamlined to permit true leadership of business and labor. The state board also needs to be more effectively linked to economic development boards.

4. Analyze workforce investments and activities to determine their effectiveness. The effectiveness of workforce training investments and activities must be measured in order to ensure that resources are being used for the greatest impact and that tangible economic results are being achieved.

5. Initiate a pilot project for the new state jobs "311" hotline and supporting websites.

The Governor will also have to give attention to other issues and challenges in order to support long-term systemic change, to reduce fragmentation and duplication of efforts, and to build maximum flexibility and responsiveness into workforce development programs and funding. These include streamlining the reporting of performance measures, reauthorization of the federal Workforce Investment Act (WIA), and addressing fragmentation in programs outside of those covered under WIA.

Context

Oregon's sustained economic vitality is inextricably linked to the quality of its workforce. The ability to recover our economic strength and prepare for fundamental changes in the state, national, and global economy depends on an economic development strategy that builds a highly skilled workforce and links workers to the needs and demands of business and industry. A depressed economy, a fiercely competitive business climate, the restructuring of major industries, the rapid pace of technological change and a shortage of skilled workers is making it increasingly difficult to keep the skills of Oregon's workforce in step with the changing needs of business.

Oregon cannot recruit businesses without an adequate supply of skilled and job-ready workers, nor can it retain existing companies or help them grow and manage technology changes without responsive and flexible workforce training. We must be able to guarantee a trained local workforce with transferable skills that match the specific skill needs of expanding businesses and help Oregon compete with other states to keep and attract businesses.

As Oregon works to regain its economic footing, businesses will be looking for workers who are prepared for the work of tomorrow. New ideas and innovation are the economic drivers of the 21st century. Industries and regions that invest in the development and application of technology will lead the creation of jobs and be more competitive and profitable. With more than 90 percent of technology jobs found in industries outside of high tech, innovation and knowledge workers are just as critical to banks, retail stores, tree nurseries, natural resources and hospitals as to software companies and semiconductor plants. Oregon must ensure that today's workforce learns tomorrow's skills so that our existing businesses and industries can remain competitive and that new businesses will be attracted to locate here.

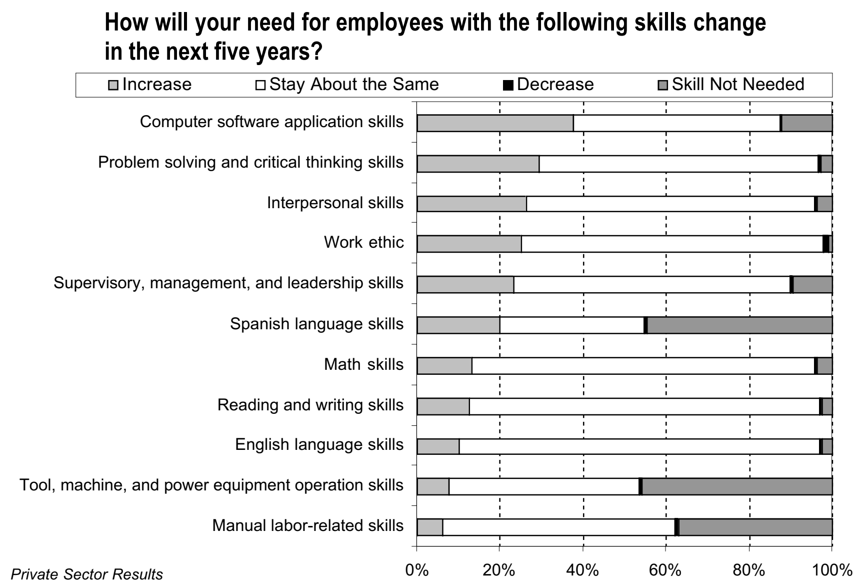
"Oregon's future depends on a commitment to a bold strategy that will achieve long-term sustainable economic growth, create quality jobs, and compete in a global economy."

Oregon Council for Knowledge and Economic Development

Findings

Oregon's workforce development efforts have been largely supported by the state's community college system, which has a long history of supporting business associations, industry sectors, and labor groups with customized worker training programs. The state has also had success in leveraging private sector training investments and developing job and industry-specific training in companies and small businesses through the state's Incumbent Worker Training Program and through the Governor's strategic reserve for economic and workforce development. Privately-funded apprenticeship programs, supported by the workers and the industries that benefit from them, are another strong component of Oregon's workforce development system. Some employers and workers are also participating in Jobs Plus, a state-funded program designed to provide work site training for unemployment insurance recipients.

Even with these successes, much of the workforce training needs of Oregon businesses are being met on an ad-hoc basis. Oregon still has skill gaps in many industry sectors, including manufacturing; services; transportation and communications; construction; agriculture; forestry; and fisheries; wholesale and resale trade; finance, insurance and real estate; and mining. These gaps include computer software application skills, management, supervisory and leadership skills, English language literacy, math skills, tool, machine, and power equipment operation skills, and high level technical skills for our growing knowledge-based sectors.



Source: *Portrait of the workforce: An Employer Perspective (2002), Employment Department*

In addition, the state lags far behind the rest of the country in public investment in workforce training. For example, 32 states have some combination of workforce training funds and training tax credits. The majority of these funds range in size from $10 million to $35 million. In addition, both Alaska and Idaho have training funds that provide $3 million annually to fund the training of new employees and incumbent workers. Overall, Oregon has not been successful in addressing the growing demand for workforce training from the business community and workers.

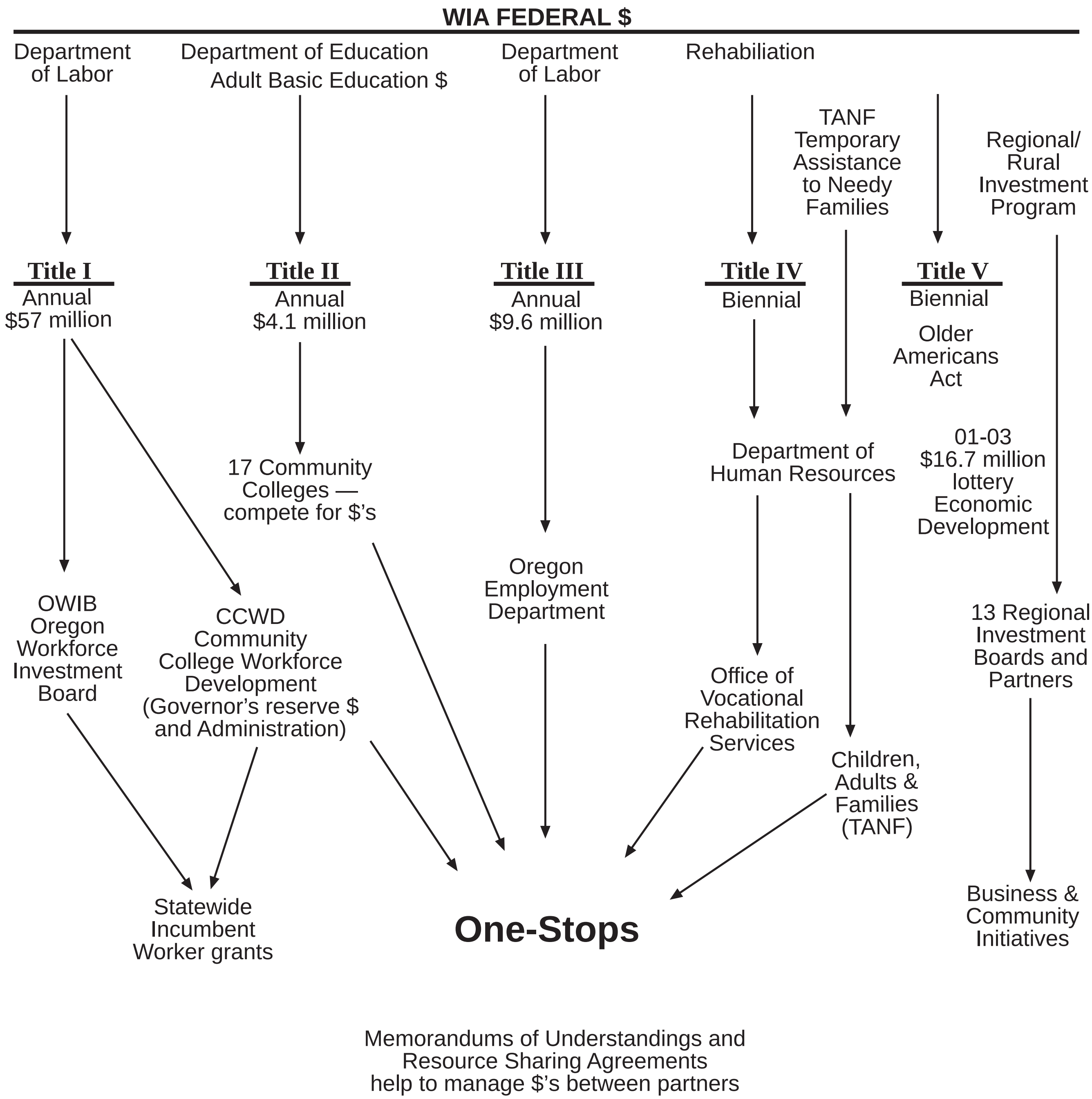
After discussions with a diverse group of stakeholders and reviewing previous studies and reports on workforce development, the Governor's Task Force identified the following perceived weaknesses in Oregon's workforce development system.

1. Because there is no single, coherent, statewide strategy for workforce and economic development, workforce training activities are largely disconnected from the engines of job creation and business growth and expansion. This lack of clear direction causes a number of systemic problems, including wide variation in the quality and results of local and state programs, lack of effective coordination and collaboration among state and local workforce training providers, a perception of inadequate strategies and responses to layoff and worker dislocation, and an inability to consistently make investments that have economic benefits.

2. The process for accessing state and local workforce development and training programs is complex and highly confusing. Programs and resources are scattered across five different state agencies and numerous local training organizations, making it difficult to rapidly respond to industry changes, layoffs, and emerging business needs. While the

Workforce Investment Act

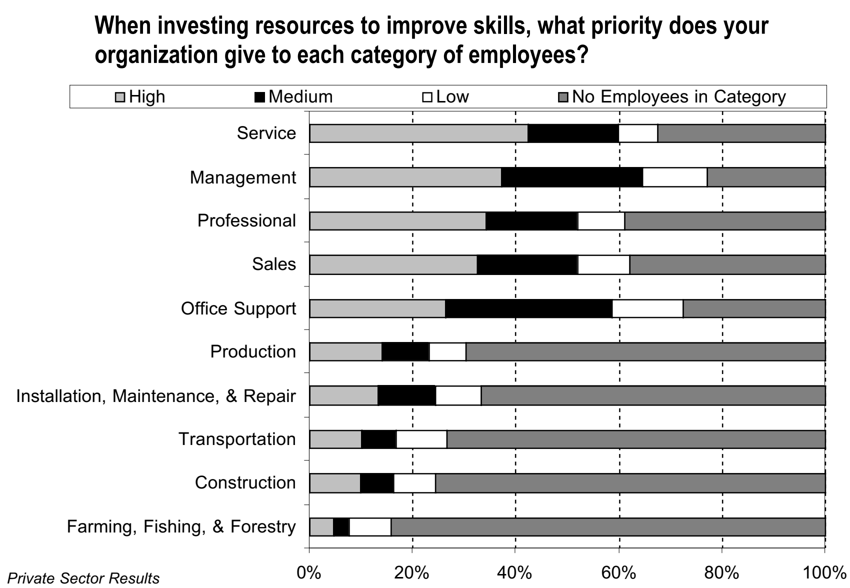
Actual dollars and how they flow



This chart demonstrates the current emphasis in the Workforce Investment Act has been the creation of "one-stop" centers, which primarily serve unemployed workers. It also shows the fragmentation of the funding, and therefore, the system. The recommendations in this report aim to substantially enhance programs that are now peripheral to the workforce system and redirect efforts and funding to economic development, business, and labor initiatives.

current system has served those who have the time, inclination and patience to navigate it, many businesses and workers remain unserved or under-served.

3. Several studies have shown a growing gap between the skills of Oregon's workforce and the skills needed by existing Oregon businesses and the types of business and industry we want to attract to the state. New, faster ways of doing business are driving the need for flexible skills sets and knowledge-based work. A recent study, *Portrait of the Workforce: An Oregon Employer Perspective (2002)* conducted by the Employment Department, shows skill gaps and recruitment challenges in nearly every industry sector.



Source: *Portrait of the workforce: An Employer Perspective (2002), Employment Department*

4. The increasing diversity of Oregon's workforce is having a major impact on Oregon employers across most industries and sectors. English as a second Language (ESL) and Spanish as a Second Language (SSL) programs address part of the challenge, but demand for these programs exceeds the available resources and there is also a broad-based need for enhancing cultural competency of employers and employees alike.

5. Businesses and workers lack awareness of available workforce training and development resources. In addition, because there is no coherent catalog of existing or newly developed programs and curricula, both private and public investments are not leveraged to the greatest effect and both government and business have lost opportunities to replicate effective training programs and add new capacity to their existing training efforts.

6. The state has not provided sufficient strategic direction to local areas in how workforce training funds should be used. Because a single, statewide strategy is not in place, the result is that programs are not well coordinated, funds are not always effectively leveraged, services and programs are duplicated, and resources are not consistently targeted to the businesses and industries that are strategic to both state and local economies.

7. The state Workforce Investment Board structure is cumbersome. Business and labor participants often lose patience with the process or feel their input is diluted by public sector members.

8. Current funding sources, which are made up of a myriad of federal and state funding, are inflexible and difficult to target at Oregon's most significant workforce development needs, including training incumbent workers, averting lay-offs, and helping workers retrain and transition to new jobs prior to dislocation.

9. Federal agencies that oversee workforce programs have not coordinated their policies and procedures at the national level to make it easier to coordinate activities at the state and local levels. For example, training providers and businesses alike have a difficult time meeting burdensome federal requirements for data collection and reporting on performance measures. In addition, obligations and expenditures must be tracked and reported according to each individual funding "silo," which places a significant administrative burden on state and local workforce agencies.

Recommendations

The Task Force is recommending a workforce agenda that creates a flexible, responsive, and timely training system that anticipates the economic needs of communities, meets the rapidly changing needs of business and labor, and supports statewide economic development.

Oregon's workforce development strategy must address skill gaps, labor shortages, and the on-going retraining of workers in ways that are responsive to business and industry needs. The current structure with its myriad funding streams and requirements for performance measures does not encourage this to happen. Any new approach must be grounded in building the skills, competencies, and relevant experiences needed by Oregon employers and workers to build a sustainable economy and compete in the 21st century global economy. The state must be able to use available workforce funds in a more flexible way than is currently in practice. State and local agencies must be able to offer responsive and timely services to businesses and industries that are key to Oregon's economic growth. It must also ensure that public and private sector investments in workforce training are leveraged for the greatest impact and that training programs are responsive to the needs of business, industry, and workers. Toward these goals, the Task Force recommends that the Governor take the following steps to improve Oregon's workforce development system.

Recommendation #1: Link Workforce and Economic Development

It will take a single, coherent statewide policy for workforce development to meet the demands of business and industry, not the piecemeal approach that has dominated the state's efforts to date. Oregon is too small of a state to have seven or eight different strategies for workforce development. The Task Force recommends that the Governor charge the Department of Economic and Community Development and the Office of Education and Workforce Policy (OWEP) with integrating workforce development and economic development into an integrated, coherent strategy. The resulting state-level strategy must ensure that workforce training resources are strategically targeted at increasing the vitality of Oregon's businesses, the productivity of our workers, and the quality of our jobs. It must place business and labor, not training providers, in the driver's seat and connect business recruitment, expansion and retention and the creation of family wage jobs with continual employment and skill development of workers. The state must continue its work of shifting from a compliance-orientation to performance-orientation, providing value-added assistance in meeting needs of the local business community and workers. Once the state provides leadership and clear direction, it will be possible to link and coordinate local workforce training and development efforts to statewide objectives.

Recommendation #2: Improve Coordination and Streamline the Administration of Workforce Development Programs.

Because of the way workforce development programs are funded, there is a natural tendency for efforts to fragment. The Governor must hold state agencies accountable for coordinating workforce and business development throughout the state. The state needs to serve as the leader, defining and communicating the Governor's policy, assisting regions in laying the groundwork for industry strategies, serving as a catalyst for collaborative, innovative workforce development activities, and coordinating available resources in order to replicate programs and bring them to scale.

Program Outcomes

	12-Month Employment Retention Rate		12-Month Earnings Change (Adults and Older Youth) OR 12-Month Earnings Replacement (Dislocated Workers)		Replacements for Participants in Nontraditional Employment		Wages at entry into Employment for those Individuals who Entered Unsubsidized Employment		Entery into Unsubsidized Employment Related to the Training Record of those who Completed Training Services	
Adults	74.2%	155 / 209	$3,735	$780,588 / 209	1.3%	42 / 3,245	$3,534	$11,468,447 / 3,245	25.4%	16 / 63
Dislocated Workers	86.5%	249 / 288	85.2%	$2,597,613 / $3,047,742	1.4%	32 / 2,219	$5,292	$11,743,072 / 2,219	50.0%	31 / 62
Older Youth	62.5%	10 / 16	$2,768	$44,294 / 16	1.8%	2 / 110	$2,373	$261,003 / 110		

Source: *State of Oregon Workforce Investment Act Annual Report, 2002*

Along with coordinated state-level leadership, there must be a responsive workforce network, with a single point of contact that allows businesses easy access to the services of the entire workforce system. To accomplish this, we recommend the formation of regional teams who will work with companies to avert layoffs and closures, and respond to workforce training problems and opportunities. The teams must be able to quickly assess businesses' workforce training needs and respond with strategies to deal with major disruptions to the local economic base, including layoffs, plant closures, and industry dislocation. Regional teams can work with business on economic and workforce development issues, thereby reducing duplication and creating a single stop for business, industry and workers. These teams should be familiar with existing private sector apprenticeship programs and develop additional training that supports, but does not supplant these already successful efforts.

The Task Force recommends that workforce and economic development agencies cooperate to establish core teams in each of the 15 workforce regions to provide a single point of contact for all business recruitment efforts and a seamless, single delivery system to support workforce training and retention. The core team designates agency representatives to work with specific business and industry groups as an "account representative." Businesses and labor will be able to deal with a single contact person representing the workforce community. The teams should include the following participants:

- A representative of the local economic development organization
- The regional officer assigned by the Oregon Economic and Community Development Department (OECDD) for that region
- The region's community college president or designee
- A representative of the local office of the Employment Department
- A representative of the workforce board or provider under Title 1B of the federal Workforce Investment Act
- A representative from labor when organized workers are affected
- Appropriate private sector representatives

A similar team at the state level will monitor activities in the regions to focus and allocate statewide resources and identify opportunities that span regions and industries. The state level team will include:

- The Governor's Workforce Policy Advisor
- The Economic and Community Development Department
- The director of the Community Colleges and Workforce Development Department
- The director of the Employment Department
- The Commissioner of Labor
- A representative of a statewide labor organization when represented workers are affected
- Private sector representatives from workforce and economic development boards or commissions

Both teams will be flexible in organizing for the specific task at hand and draw on other state and local resources, as necessary, including labor organizations, the Department of Human Services, Department of Education, Oregon University System, small business development resources, private training providers, Indian tribes, and others. The teams will make sure that programs and services are appropriately coordinated to meet the special needs of dislocated workers and that labor has access and is represented in the process.

The intended outcome is to provide the Governor with a network of regional contacts that will: 1) help implement a focused, statewide workforce and economic development strategy, 2) support local economic development, and 3) provide businesses and labor with individualized services.

A major theme that emerged from Task Force discussions with business and industry representatives is a lack of employer awareness of the training resources that are available. There is currently no comprehensive repository of information on workforce training activities, programs, services, and resources. The State of New York provides a single website that links to a resource information center for on-line transactions between employers and employees and to the state Department of Labor. Oregon has existing websites that are workforce-related, but the information is not organized in a way that the information is available from a single point of entry.

The Task Force recommends that Oregon develop and launch a website and a corresponding telephone hotline that together function as a "one-stop" resource center for business and industry, training providers, and workers. To access information about workforce training over the telephone, businesses and workers would dial "311," just as "911" is dialed for emergencies. "311," the general information number for state government, could be modified to provide information to new and existing businesses and Oregon workers.

This hotline can be enhanced by a related website (www.311.oregon.gov) that serves as a gateway into a wealth of resources on doing business in Oregon, including regulatory information, access to capital, access to workers, workforce training curriculum and resources, and information on labor market and economic trends. Workers will be able to access job postings, career information, and dislocated worker services. Concentrating information into one resource center will break down communication barriers so that business and industry can easily link up with available training providers and programs and get answers to their questions.

Recommendation #3: Create a strategic training fund to support business and industry demands for highly skilled workers.

Oregon needs sustained, flexible funding that is targeted at training incumbent workers. The only funds directed to this effort are the Governor's discretionary funds from the federal Workforce Investment Act, which is about $2 million per year, and lottery funds allocated by OECDD on a project-by-project basis. In reviewing best practices in other states, the Task Force found that most workforce development funds make grants based on employer demands for skilled workers. For example, the Minnesota Job Skills Partnership Program provides grant awards to partnership efforts between businesses and educational institutions for the purpose of training workers for new jobs or retraining incumbent workers. This fund is administered by the Department of Trade and Economic Development and was created through a gross appropriation of $14 million. In New York, the Strategic Training Alliance program funds projects that are designed to address workforce shortages in distinct industries. Administered by the State Development Corporation and the Department of Labor, the program was created with a $34 million appropriation over three years.

Based on the experience of other states, the Task Force recommends pooling already available discretionary funds to create a workforce training fund of at least $10 million per year. Potential sources of funding are Workforce Investment Act (WIA) discretionary monies, administrative funds from the Employment Department, unspent funds from the Jobs Plus program, lottery funds, and Temporary Assistance to Needy Families. Even if these funds cannot be actually brought together in one fund, we urge that they be made available for a coordinated approach to workforce development. The Governor may also wish to consider the Attorney General settlements in upcoming energy trading cases. The majority of this money should offer relief to businesses unduly burdened by market manipulation and for training and retraining of employees who may have lost their jobs due to layoffs and an individual company's inability to absorb high energy costs.

Funding for Workforce Training - 2002	
Incumbent Worker Program - WIA Funds	$2 million
Targeted Training - Lottery Funds	$2 million
Regional and other federal funds	Unknown

Proposed Funding for Workforce Training - 2003	
Workforce Investment Act	$6 million
Employment Department administrative funds	$2 million
Access to lottery funds for targeted training and recruitment	$2 million
Access to TANF and vocational rehabilitation funds	Unknown
Unspent funds from Jobs Plus program	Up to $4 million
TOTAL	**$10-14 million**

One goal of the strategic fund is to provide responsive training to existing businesses. WIA funds cannot be used for recruitment of new businesses, but lottery funds can supplement WIA funds for these efforts. A second goal is to train the current workforce by investing in innovative, cross-industry training approaches in a number of different but economically related employers or industries. These investments will leverage private sector funding and build increased training capacity through the development and replication of business and industry-driven programs. Businesses can compete on products while cooperating on training. Workers benefit by learning skills that apply to several firms, not just one.

Thus, the fund would be used for business recruitment, retention and expansion activities, to provide rapid response resources to help businesses avert layoffs or plant closures, and to re-train workers who are facing dislocation. It will be important that the state fund be managed so that new training initiatives do not disrupt or compromise existing apprenticeship programs.

While local and regional workforce boards have been successfully working with colleges and training providers to increase the capacity of workforce training, many of the effective training courses are not available to all who could benefit because there is little capacity for expansion. The state fund could be used to help solve this problem by allowing local boards to fully fund high-skill, high wage training courses focused on the existing workforce. These intensive courses, tied directly to local businesses' skill needs are critical for creating a highly adaptable workforce, where workers can be retrained and redeployed within a region to meet the changing demands of the economy.

Grants from the state fund can also help with replication of existing high demand programs, such as ESL and SSL, so that additional capacity is available to meet business and workforce demands. All program activities that are supported with the HB 2302 fund must be able to be replicated, sustained, and held accountable to performance measures determined by the Office of Education and Workforce Policy. Any curriculum, course outlines or instructional materials must be actively made available throughout the state.

Part of the funds will be used for statewide business and industry - driven activities and part will be disbursed to the 15 regions for local, site-specific training programs. The process for granting funds at the local level will be managed through the regional workforce and economic development teams described in Recommendation #2.

Currently, resources are scattered among a number of agencies, but under the right circumstances, funds can be targeted for workforce and economic development opportunities. To ensure the resources can be directed with strategic focus, the Task Force recommends this fund be placed in the Governor's Office, directed by the Governor's Workforce Policy Advisor in consultation with the Oregon Workforce Investment Board and administered by the Department of Community Colleges and Workforce Development.

Issues and Challenges

The Task Force believes that implementing these recommendations will make significant immediate improvements to Oregon's workforce development system. However, there are additional issues and challenges that must be addressed in order to support long-term systemic change, reduce fragmentation, and build maximum flexibility and responsiveness into the workforce system.

1. Governance Structure of State and Local Workforce Investment Boards

The federal Workforce Investment Act (WIA) requires state and local Workforce Investment Boards that are charged with governing how WIA activities are carried out and how the corresponding Title IB funds are dispersed. The Act requires a cumbersome structure, particularly for the state board. It mandates that certain public agencies be members of the board, but also that the majority of the board be made up of private sector participants. The result is a 40-member state board whose size is unmanageable for effective governance. In addition, relationships between the state and some of the workforce regions are strained, which causes further fragmentation and erosion in the ability to have strategic focus and return on investment. It will be important for the Governor's Workforce Policy Advisor to renew and rebuild the state's relationships with local workforce boards and training providers by providing clear expectations and emphasizing initiatives and efforts that are mutually beneficial to state and local communities.

2. Analysis of Program Performance

The Governor will also need to examine the effectiveness of workforce training and development activities, particularly those that are carried out under WIA. Currently, the state sends approximately $45 million in federal funds annually to local workforce investment boards for workforce development activities. The state needs to analyze the performance of workforce programs to determine if they are producing quality training programs for businesses and placements of workers into new or better paying jobs.

Under the direction of the Office of Education and Workforce Policy, the state should assess how effective the Workforce Investment Act funding and initiatives have been in responding to the needs of the local economy. The Task Force recognizes the significant investment the state has made in advancing the employability, productivity, and wages of Oregon workers through the one-stop career centers. At the same time, it is important to know how the outcomes of these WIA-funded efforts connect to the drivers of local economies and what improvements may be needed.

Oregon must continue to push at the federal level for system-wide measures that have common definitions and simpler reporting formats. It must also work within the state to simplify and clarify performance and data reporting so that local partners are not discouraged from accessing workforce training programs and funds. Performance measures must be a means to a successful result, not the result itself.

Participation Levels

	Total Participants Served	Total Exiters
Adults	13,110	9.277
Dislocated Workers	10,129	4,899
Older Youth	887	437
Younger Youth	4,647	1,921

COST OF PROGRAM ACTIVITIES

Program Activity		Total Federal Spending
Local Adults		$12,306,324*
Local Dislocated Workers		$19,450,825*
Local Youth		$13,047,181*
Rapid Response (Up to 25%) 134(a)(2)(A)		$2,629,615*
Statewide Required Activities (Up to 15%) 134(a)(2)(B)		$989,937
Statewide allowable Activities 134(A)(3)		
	Incumbent Worker Skill Development	$1,170,477
	Local Workforce Investment Board Support	$576,390
	Miscellaneous	$1,341,152
	Total	$3, 088,019
TOTAL OF ALL FEDERAL SPENDING LISTED ABOVE		**$51,511,901**

These programs served 28,773 participants, 16,534 of whom completed their program.
Cost per participant $1,648
Cost per exiter $2,868

Source: *State of Oregon Workforce Investment Act Annual Report, 2002*

3. Fragmentation Outside of Workforce Investment Act Activities

One of the biggest challenges facing state and local governments today is designing business-driven, publicly funded workforce development systems that are flexible enough to adapt to changes in the economy. As mentioned before, funding from the federal government still comes in separate streams, or "silos," so that flexibility for state activity is lost to strict accounting and operational requirements. While the U.S. Department of Labor has agreed to request more flexibility in the WIA funding, states are unanimous in pushing for flexibility across all federal legislation. It will be important for the Governor and the Governor's Workforce Policy Advisor to continue to seek simpler governance structures and other changes that give Oregon the ability to manage funds and programs to meet changing business needs and economic conditions.

4. Federal Reauthorization of the Workforce Investment Act

Reauthorization of the Workforce Investment Act (WIA) presents an opportunity to make strategic adjustments that will benefit Oregon. The Task Force supports the President's efforts to expand resources for workforce training and provide more flexibility for states to tie their efforts to economic drivers. We also support the efforts of the administration to consolidate and streamline the performance requirements of federal workforce programs. However, the proposals in the reauthorization do not go far enough. The current reauthorization does not offer Oregon enough funds or flexibility to target resources to youth who are exiting the criminal justice system, youth who will likely not attend college, or growing industry sectors that will provide good, high wage jobs for Oregon workers.

It also does not provide enough funding to continue an effective network of one-stop centers for workers, along with training for dislocated workers, disadvantaged adults and youth, and incumbent workers. The Workforce Investment Act requires the creation of one-stop centers to provide access to and coordination among workforce development services but provides no federal appropriation to support these centers. This unfunded mandate means the infrastructure costs of the one stop system are paid by diverting resources from direct customer service and skills training under unemployment insurance, WIA, and other funding streams. This cannot continue. If federal funding is not maintained and increased, Oregon and other states will need to downsize the one-stop system or divert additional funding away from workforce training in order to keep the doors open at one-stop centers.

Finally, while we applaud the President's recognition of additional funds to serve the unemployed, the proposed shift of resources to "individual reemployment accounts" is a serious misstep. Not only would it be costly to implement and administer, it would drain resources from other priorities, including the services to business and labor that support economic development. The Governor should continue to push for funding levels and flexibility that will allow states to meet workforce training needs, driven by state and local economic demands, and designed with the least amount of bureaucracy possible.

Immediate Next Steps

If the Governor accepts the Task Force recommendations, it will be important to proceed with the following immediate next steps.

1. **Charge the Office of Education and Workforce Policy (OWEP) with oversight and implementation of the Governor's strategy.**
   This office must collaborate with the economic development agencies to articulate a coherent workforce strategy linked to economic development and jobs. This office must also provide a single point of contact for local and regional workforce boards, community colleges, and all members of the workforce community to ensure accountability and adherence to the Governor's approach.

2. **Establish the Strategic Workforce Training Fund.**
   This can be achieved legislatively by revamping HB 2302, which establishes a strategic fund focused on training for job retention. It may also be accomplished by budget notes for appropriate agencies or by executive order directing the use of federal funds that flow to the state.

3. **Create effective policy boards.**
   The current size and structure of the Oregon Workforce Investment Board (OWIB) does not support effective policy and governance of the state's workforce system. This board must be reconfigured and streamlined to permit true leadership of business and labor and to be more effectively linked to economic development boards.

4. **Analyze Workforce Investments and Activities to Determine their Effectiveness.**
   The effectiveness of workforce training investments and activities must be measured in order to ensure that resources are being used for the greatest impact and that tangible economic results are being achieved. We suggest that the Governor immediately initiate an independent analysis of all state and regional workforce training and development programs and resources. The Governor should meet personally with key stakeholder groups such as the counties, business and industry leaders, and community colleges to determine what changes will be required to achieve the goal of streamlining programs and improving coordination.

5. **Initiate a pilot project for the new state jobs "311" hotline and supporting websites.**
   An information clearinghouse using "311" and internet access holds great potential for streamlining and improving business and worker access to training programs and opportunities. We recommend a pilot project to determine how the concept can be fine-tuned and implemented.

Conclusion

Oregon's ability to direct its workforce development system to meet the needs of a changing economy is directly linked to a higher level of cooperation among state and local agencies and training programs. Staff in each of these agencies must expand the way they think about workforce and economic development. They must first understand the inextricable link between the two, and then work together more collaboratively than ever to direct their activities and resources toward the recruitment and retention of businesses and family wage jobs. Even if the state implements each of the Task Force recommendations, Oregon will not be able to sustain a flexible and responsive workforce system without the necessary level of cooperation from each of the state and local partners.

The Task Force appreciates this opportunity to serve Governor Kulongoski and help improve workforce training services for businesses and workers throughout the state. Members of the Task Force are committed to assisting the Governor and the Governor's Workforce Policy Advisor in implementing these recommendations and engaging local elected officials and private sector businesses in supporting the Governor's initiatives.

Matt Hennessee, Co-Chair

Tim Nesbitt, Co-Chair