Economic Development Strategies for Individuals and Communities
Skills Training as a Community Economic Development Strategy

By Whitney Smith

The importance of a skilled labor force to the nation's economic health and prosperity cannot be denied. Since the globalization of our economy, business representatives have been particularly vocal about their labor needs: “employers ... within all industries share a common understanding—a qualified and well-trained workforce is perhaps the most critical factor to sustained growth and competitiveness.”¹

Political leaders also recognize the need to prepare workers with skills for the changing economy: “The Governors are vitally concerned with the competitive position of our states and the nation in addressing the challenges of the new economy, which increasingly require both high-performance firms and workers.... Government should support these private sector modernization and quality improvement efforts and must radically restructure its strategies in order to build a world-class workforce.”²

But perhaps communities know best the positive impact of workforce skills on local economies. Skill development of job seekers has been linked to better employment opportunities, such as jobs with benefits, increased earnings, advancement opportunities, and longer retention in the labor market.³ Increased employment among residents also typically means improved community stability and greater business activity.

Yet, despite widespread agreement about the need to create a strong and healthy labor force, several disturbing trends have emerged. A report that the Domestic Strategy Group released on Labor Day 2002 suggests that three mutually reinforcing problems—a worker gap, wage gap, and skills gap—will threaten our country’s productivity, growth, and international competitiveness.⁴ Indeed, as the “baby boomers” retire, the labor force is expected to grow far less in the next twenty years than it did in the past twenty years. During the same period, rapid growth in the educational level of the

¹ CTR. FOR WORKFORCE PREPARATION, A CHAMBER REPORT ON HIRING, TRAINING, AND RETAINING QUALIFIED WORKERS: KEEPING COMPETITIVE: A REPORT FROM A SURVEY OF 1,800 EMPLOYERS (2002).

Whitney Smith is associate director, Chicago Jobs Council, 29 E. Madison St., Suite 1700, Chicago, IL 60602; 312.252.0460; whitney@cjc.net.
workforce will slow dramatically and the wage disparity between the top and bottom earners will likely grow.\(^5\)

Another major concern is federal disinvestment in skills training, which has hit low-income adults and youth particularly hard. According to an analysis conducted by the Workforce Alliance, the United States Department of Labor’s investment in workforce development declined by 15 percent in inflation-adjusted dollars between 1990 and 2003.\(^6\) Partly as a consequence of this diminishing investment and policies that curtail access to training under the federal Workforce Investment Act of 1998, participation in federally funded training opportunities has plummeted in recent years. Whereas 163,223 adults received training in 1998, only 41,933 adults received training services in 2000.\(^7\)

Our ability to reverse these trends will determine the future of our nation’s economy; making strategic investments and developing programmatic innovations to build new workers’ skills will be essential. Especially important will be to develop the skills of individuals who have not been considered ideal workforce candidates in the past. Such individuals include high school dropouts, ex-offenders, and people with limited English proficiency, all of whom will be needed to meet workforce demands.

Until recently, too little attention has been paid to, and too little money invested in, one particularly effective workforce development strategy: community-business training partnerships. Spearheaded by community economic development intermediaries, the fundamental components of such partnerships include

- ongoing community and business cooperation in program development and evaluation;
- regular consultation with employers regarding curriculum, training methods, and materials;
- direct employer involvement in training as a motivational or instructional strategy;
- links to community service providers for recruitment and support of program participants; and
- programs targeted to specific needs, barriers, and potential disadvantages of community residents, particularly limited literacy and access to child care and transportation.

Graduates of training conducted by a community business training partnership obtain the skills that they need to qualify for good career-path jobs. For example, low-income adults who participated in six industry-specific community business training programs around the country earned substantially more than before they entered the program. Participants who were new to the industry and who reported earnings before and after the program saw their earnings increase 156 percent, from an average of approximately $7,800 to an average $20,000 per year.\(^8\)

Commenting on his opportunity to participate in a community business training partnership, one worker highlighted in a report recently released by the American Assembly said: “There aren’t too many programs for people like me who have worked all their lives and never had a chance to move up…. You need training in this world to survive and stride forward, and this program gives people that chance. I see a career path that’s open to many more things.”\(^9\)

Local businesses benefit as well when they have a supply of workers with the

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5 Id.


8 LILY ZANDNAPOUR & MAUREEN CONWAY, ASPEN INST., GAINING GROUND: THE LABOR MARKET PROGRESS OF PARTICIPANTS OF SECTORAL EMPLOYMENT DEVELOPMENT PROGRAMS (2002).

skills needed to increase productivity. A 1998 survey conducted by a Chicago-based trainer, the Jane Addams Resource Corporation, found that seventeen of twenty-eight participating metalworking firms reported that participation in training courses led to increased worker productivity due to reduced waste, improved worker communication and problem solving, reduced setup time for machinery and other production processes, and improved safety practices.10

Evaluations consistently document the societal benefits such training brings. For example, Focus:HOPE in Detroit estimates that the taxes paid by every graduate of its machinist program, which trains and places welfare participants and other unemployed individuals, result in an average annual return of 9.5 percent. When employee and employer withholding are included, the average annual return on investment jumps to 20 percent. Graduates repay public investment in training in just over three years.11

Project Quest in San Antonio, Texas, is a model for community business partnerships. Its mission is to demonstrate the social and economic benefits that can be achieved through investments in long-term training for those who otherwise would not have access to training. Project Quest helps analyze the skills required to succeed in specific occupations in health care, information technology and business services, and maintenance and repair; customizes training programs to meet the needs of employers in these industries; and produces qualified, motivated employees who possess the requisite skills. For participants, the project uses state-of-the-art assessment tools to evaluate aptitudes and interests and helps match candidates with the jobs for which they are best qualified; it also provides employer-driven, certified training to teach the technical skills required for success and advancement and offers support services and comprehensive counseling to develop life skills and job readiness. For the community, Project Quest assists businesses, educational institutions, and community organizations as they work toward the common goal of workforce development and helps attract new industrial and business enterprises by training a skilled workforce.12

Reauthorization of the Workforce Investment Act (WIA) presents an opportunity for advocates to promote the benefits of increased skills training for residents of low-income communities.13 When Congress passed WIA to replace the Job Training Partnership Act in 1998, it significantly changed the federal government’s approach to funding, overseeing, and offering workforce development services. The new legislation brought together once-separate laws governing job training, adult basic education, vocational rehabilitation, and employment services (Wagner-Peyser).14 WIA emphasizes five goals:15

- **Streamlining** services through a “one stop” service delivery system involving mandated sector partners;
- Providing **universal access** to all job seekers, workers, and employers;
- Promoting **customer choice** through vouchers and consumer report cards on the performance of training providers;
- Strengthening **accountability** by implementing stricter and longer-term performance measures; and

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13 For further discussion of reauthorization issues, see NISHA PATEL & JULIE STRAWN, CTR. FOR LAW & SOC. POLICY, WIA REAUTHORIZATION RECOMMENDATIONS (2003), available at www.clasp.org/DMS/Documents/1057258510.44/WIA_Recomm.pdf.
15 MARIA L. BUCK, PUBLIC/PRIVATE VENTURES, CHARTING NEW TERRITORY: EARLY IMPLEMENTATION OF WORKFORCE INVESTMENT ACT 3 (2002).
Promoting leadership by the business sector on state and local workforce investment boards.

The stated purpose of WIA Title I, which governs employment services for universal customers, dislocated workers, disadvantaged adults, and youth, is “to provide workforce investment activities … that increase the employment, retention, and earnings of participants, and, as a result, improve the quality of the workforce, reduce welfare dependency, and enhance the productivity and competitiveness of the Nation.”

WIA workforce programs are authorized through September 30, 2003. Congress must decide whether to maintain or change funding and governance requirements and will revisit the key programmatic policies by that date. Three specific ways to improve WIA to support skill development and better meet the needs of employers are to

- Encourage local areas to fund community business training partnerships. WIA set an unrealistic expectation that “one stop centers” would be the primary broker of labor market exchanges. While these centers have been effective in some regions, especially in dispensing career advice and labor market information, they are not geared toward customizing training solutions for business or local residents. Through reauthorization, WIA should encourage local areas to engage in a broader range of strategies, including community business training partnerships.

- Eliminate the mandatory “sequential access to services” and instead allow customers to receive an array of services based on assessment of need. WIA prescribes that customers must access services sequentially. In other words, to be eligible for training subsidies, a customer must first receive a set of core services such as résumé help or browsing job listings and then must participate in intensive services such as job readiness classes or career planning. Despite assurances from the U.S. Department of Labor that this structure is not intended to impose a “work first” approach, that is how the sequential services requirement tends to operate. As a result, individuals have been discouraged and have even missed the start dates of training programs. Through reauthorization, WIA should mandate that an array of services be available and allow access based on an individual’s needs.

- Ensure adequate funding for training. In addition to increasing the overall appropriation for WIA, current law could be improved by designating a separate funding stream to cover infrastructure and basic service costs associated with the “employment resource room” that must be included in every one-stop center. A major lesson learned from the first few years of WIA implementation was that local areas spent the vast majority of their WIA budgets on required infrastructure, leaving little for training. Separating the funding streams would ensure the availability of skills training.

Given the near universal concurrence—by businesses and workers—on the need for skills training, updating WIA to increase provision of and access to skills training programs should be considered common sense. However, despite its rhetoric about building a twenty-first century workforce, Congress has not made the issue a priority. Business, labor and other workers, community activists, and advocates must continue to bring it to the forefront.

Advocates involved in promoting increased access to skills training through WIA must be involved in Temporary Assistance for Needy Families (TANF) reauthorization issues as well, especially the need to increase access to education and training opportunities for TANF participants through a broader definition of workforce participation to include vocational training. Although TANF participants may be eligible for training services through the WIA-funded one-stop deliv-

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17 Information about local advocacy efforts to promote WIA reauthorization is available from the Workforce Alliance, 312.252.0460 ext. 305; see also www.workforcealliance.org.
ery system, their work participation requirements are likely to prevent them from accessing these career advancement programs.

While WIA did not name TANF as a mandatory partner in the one-stop system, many legislators and federal agencies have since expressed an interest in seeing greater coordination of the welfare and workforce programs. Despite significant differences in program goals, governance, service delivery models, and accountability provisions, most states have coordinated TANF and WIA in some way. That coordination has taken many forms, including unified welfare and workforce agency functions, integrated service delivery at the one-stop centers with one caseworker for all services, coordinated service delivery but separate caseworkers within one-stop centers, colocation of services, and information sharing. Coordination appears to be increasing. Still, according to the General Accounting Office, several factors contribute to decisions about coordination; these factors include historical relationships, geography, adequacy of facilities, and differing perspectives about how to serve TANF recipients best. Different program definitions and information systems pose challenges to coordination. These challenges can be addressed through TANF reauthorization by aligning that program’s goals with those of WIA.

The period after WIA reauthorization will also offer advocates an important opportunity to become involved in WIA implementation. States and local areas, which have considerable discretion under the statute, must submit WIA implementation plans that detail eligibility for services (e.g., income thresholds and priority for serving different populations) and service delivery strategies (work first versus training, training by voucher versus through contracted partnerships) and describe how WIA dollars will be spent locally. Implementing WIA following reauthorization is likely to differ in each area, but information is available through local workforce investment boards. Contact information for the boards is available at www.doleta.gov or by calling 877.U.S.2JOBS.

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Two types of car ownership programs for low-income people are acquisition ownership programs and loan ownership programs, and legal aid attorneys can assist clients in both types of programs.

**Acquisition Ownership Programs.** Acquisition ownership programs obtain cars by donation, purchase, or both to donate, lease, or sell to low-income job seekers and workers.\(^1\) Sponsored by business, government, nonprofit organizations, including legal services, or a combination of these, such programs vary in the number of cars they make available per year from 5 to 300. The cost to clients, usually single mothers making the transition from welfare to work, is $120 to $5,000. The cost of making a car available is $1,500 to $6,250. Despite the costs, the trend toward the development of acquisition ownership programs by large nonprofit organizations and government continues.

**Loan Ownership Programs.** Loan ownership programs make loans for car purchase or lease available to low-income job seekers and workers.\(^2\) The development of this type of program reflects the need for and unavailability of low-cost car financing for working poor families—a policy area to which legal services need to devote more attention.\(^3\) Sponsored by business, government, nonprofit organizations, or a combination of these, these programs vary in the amount of loans they make from $500 to $4,600. The cost to clients, again usually single mothers making the transition from welfare to work, is $100 in those programs with no interest and largely forgivable loans to more than $5,000 in repayment-with-interest programs.

**How Legal Aid Attorneys Can Help.** In acquisition ownership programs, legal aid attorneys can give a nonprofit organization the information it needs to decide whether to donate, sell, or lease cars to the organization’s low-income client. They also can review or draft lease or sales contracts for the organization. On a larger scale, they can help nonprofit organizations start a dealership, which entails assisting them in becoming licensed as a dealership, registering as a state sales tax collector, obtaining a liability bond and liability insurance, and advising on federal and state disclosure requirements.\(^4\)

Loan ownership programs are easier for small nonprofit organizations to develop than acquisition ownership programs because the former require less funding and less staff; thus they are easier for legal aid programs to assist. Legal aid attorneys can review or draft loan contracts for nonprofit organizations, give these organizations the information they need to decide whether to partner with a credit union or a federally certified community development financial institution for the financial skills to service loan funds, or assist them in starting such an institution, which entails helping them write and obtain grants, loans, or both to cover the cost of funding a loan pool and loss reserve.

The National Economic Development and Law Center has set up a Car Ownership Clearinghouse to provide information, policy analysis, and technical assistance for new and existing car ownership programs, policymakers, funding sources, and other partners. Information is available on program planning and development, financial resources, and policy efforts. For more information, see www.nedlc.org/center/car.htm.

Barbara Corkrey

Barbara Corkrey is a community economic development staff attorney, Legal Aid Foundation of Los Angeles, 8601 S. Broadway, Los Angeles, CA 90003; 213.640.3983; BCorkrey@lafla.org.

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1 See Carolyn D. Hayden & Bronwyn Mauldin, *On the Road: Car Ownership as an Asset-Building Strategy for Reducing Transportation Related Barriers to Work* (2002), and Office of Port Jobs, *Working Wheels Update: Car Ownership Program Practices Nationwide* (2001), www.portjobs.org\slash resources\slash research\slash working_wheelsupdate.htm, from which this definition and most of this brief overview on acquisition ownership programs was drawn.

2 See Heidi Goldberg, *State and County Supported Car Ownership Programs Can Help Low-Income Families Secure and Keep Jobs* (2001), www.cbpp.org/11-8-01wel.htm, from which this definition and most of this brief overview on loan ownership programs was drawn.


4 For an excellent resource, see Michele Casey et al., *How to Set Up a Nonprofit Car Dealership* (2000).