Human capital includes labor market skills, leadership skills, general education background, artistic development and appreciation, health, and other skills and experiences. In this chapter, we focus on the labor market skills of individuals, especially the role of workforce development networks in building these skills, which is the main focus of many community development programs. Human capital, however, has benefits beyond simply getting a high-paying job. It is related to other aspects of quality of life as well.

Human capital is an essential asset in most communities. Traditional approaches to human capital development emphasize individual responses. Individuals bear the cost and burden of obtaining education and training. Although many government programs have been developed to provide training, they tend to focus on specific populations (e.g., youth, unemployed) and often are not well connected with local labor market conditions. CBOs offer one useful strategy for building these assets in a way that simultaneously improves the mobility of workers while meeting the demands of local employers. The asset-based approach builds on the experiences and interests of individuals and communities and matches them with the needs and opportunities in the region.

Why do communities engage in workforce development? Many communities have limited information on the changing needs of the workforce and the best way in which to position themselves to capture the types of jobs that are emerging in the economy. Having an adequate, skilled, and trained workforce is a prerequisite for economic development today. Yet communities face several obstacles in developing their workforce. If the community provides training for jobs that are not available locally, workers may move to where the jobs are, leaving the community with the costs and none of the benefits of the training. If the community attracts new employers requiring skills that are not available locally, the employer may have to hire workers outside the community or face a skills shortage. Training institutions have a difficult time gauging the future needs of employers. Much of the training that employers demand is specific and too costly for training institutions to provide. Similarly, the availability and cost of child care and housing in the community may not be adequate to support the workforce.
A more fundamental issue is a collective action problem: There is a collective need for skilled workers, but individual firms may be unwilling to train workers because they fear they will lose their investment. Because workers are mobile, they may take their skills to other employers that will provide them with better wages and benefits. Employers often respond to this problem by providing firm-specific training or no training at all. Historically, workers have been responsible for obtaining their education and training. This system worked fairly well when individuals worked for one or two employers in their career and the employers invested in training. Today, workers are much more mobile, and employers tend to hire their skilled workers rather than provide existing workers with training. This system has a difficult time meeting the growing needs for a skilled workforce and overcoming the obstacles that low-income residents face in preparing for the new economy.

CBOs can address many of the obstacles workers, employers, and training institutions face in workforce development efforts. By establishing workforce networks, they can improve the flow of information between employers, workers, and institutions involved in the local labor market. They can reduce some of the costs, and risks, of training workers by spreading the costs out across several organizations. This coordination can begin to address some of the obstacles communities face in building their local labor market.

In this chapter, we review the key concepts and issues surrounding workforce development, the major actors and institutions involved, and the primary strategies and tactics for building a local workforce. Workforce development efforts have changed dramatically in recent years due to welfare reform, the aging of the workforce, and the restructuring of major industries. CBOs are uniquely situated to improve the functioning of local labor markets by providing networks between employers, workers, and trainers. CBOs can be an important source of information for various actors and institutions involved in workforce development. They also can play an important role in informing workers of the other types of programs and services that they may need, such as transportation services and child care. In this chapter, we review some of the strategies and tactics that communities are using to address the changing needs of the workforce.

Box 5.1 Workforce Development Facts

- Of the 25 occupations expected to be the fastest growing in the next decade, 8 require substantial experience and education and 9 are in health care.
- The average earnings of Whites significantly exceed those of Blacks and Hispanics, but Blacks are increasing their earnings more rapidly than Whites are, though Hispanics are lagging even further.

Communities face several interrelated challenges regarding workforce development issues. Most of these issues are concerned with the supply of and demand for labor, the matching process between job searchers and job opportunities, and the institutions (e.g., vocational training, child care) involved in supporting employers and workers. The following issues are a few that might be addressed:

1. What are the sources of persistent unemployment and underemployment in the community? Are under- and unemployment due to increased skill requirements of employers or the lack of training among workers, or both? Are jobs being created that better match the skills of workers?

2. Do workers have sufficient information about the location and skill requirements of jobs? Do employers use the appropriate methods for searching for qualified workers in the community?

3. Is job training offered by employers? If yes, what type? If not, why not and what obstacles do employers face in obtaining additional training? What types of programs are available from training institutions in the region and how well do they match the needs of employers and workers in the area?

4. What is the current level of job turnover among employers? What are the causes and consequences of this turnover for employers, workers, and the community? What types of programs might reduce the turnover?

5. How many jobs will be created in the area in the next few years and what are the skills, education, and experience requirements for these jobs? How well does the available demand for labor match the available supply of labor in the region?

6. What are the current levels of wages and benefits available to workers in the region? Do the jobs being created by local employers provide a living wage?

7. How many workers are commuting out of the community and what are the skills and experience of these workers? Would these out-commuters be willing to work locally if jobs were available that provided similar wages and benefits?

8. To what extent do the availability and cost of day care in the community present obstacles to residents entering the labor force? Are employers facing any problems in adding additional shifts because of the costs or availability of day care?
9. Are there resources available in the community that are not being used? Do retirees who have significant job experience and skills have opportunities to find meaningful work in the area? Are there jobs for the disabled?

10. Are there factors preventing the community from seeking good jobs?

**Key Concepts and Debates**

*Workforce development* is a frequently misunderstood term; many people think of it as only job training. Harrison and Weiss (1998) defined workforce development, however, as the “constellation of activities from orientation to the work world, recruiting, placement, and mentoring to follow-up counseling and crisis intervention” (p. 5). Training is only one component of workforce development.

A growing number of CBOs are responsible for workforce development. Probably one of the most publicized models of workforce development is the Center for Employment Training, which is based in San Jose, California, and now operates throughout the western and southwestern United States (Melendez, 1996). This model has three basic functions: enhancing job-specific skills, assisting with job-search strategies, and facilitating access to jobs by establishing relationships with employers and providing information on job opportunities. Other models may be organized differently, but they provide essentially the same services (see Case Studies 5.1 and 5.2).

**Case Study 5.1**

**Milwaukee Jobs Initiative, Inc.**

Milwaukee suffers from some of the same problems that affect most major cities—a growing demand for high skilled workers and a declining demand for unskilled positions. The Milwaukee Jobs Initiative (MJI) was established in 1995 to provide a match between inner city workers with the broader regional economy, and thus jobs that provide good wages and benefits. The initiative has brought together major businesses, unions, and community organizations to design and implement the project. MJI works on both the demand and supply side of the regional labor market. The initiative is working primarily with three industry sectors: manufacturing, printing, and construction. In these sectors, MJI establishes intermediary organizations that help to improve employment and training in the sector. Because many of the firms in the sector will have similar training and employment needs, MJI can provide an incentive for employers to participate. The organizations identify job openings and workforce development needs and help with systems to train and retain workers for these sectors. MJI also works with community organizations to recruit low-income individuals for good jobs in the region and provides support for them. Since 1997, MJI has successfully placed 368 individuals in jobs that pay an average of $11.12 per hour with access to health benefits. MJI plans on focusing on establishing clear pathways to high-wage employment for central city residents and coordinating the demand for skilled workers throughout the region.

SOURCE: Center on Wisconsin Strategy (1999).
Human capital theorists argue that variations in earnings are consequences of differences in workers’ abilities and skills (Beaulieu & Mulkey, 1995). Individuals can enhance their future earnings by investing in their labor skills (through education and job training). A basic assumption behind human capital theory is that individuals will be motivated to increase earnings, which means they will be willing to invest in education and training necessary to improve their position in the labor market. Human capital theorists tend to assume that workers are mobile and will move to other locations with more job opportunities. This individualistic view of education and training tends to ignore the importance of community attachment and ties to family and friends. The theory also assumes that employers do not have any responsibility toward their workers for increasing their skills or education. Some employers, however, may see it as being in their interest to provide job training as a way to increase the productivity of their workforce.

Many low-income and minority workers face obstacles in developing their human capital or finding jobs that adequately reward their skills and abilities. In many communities, the available jobs do not match the skills and experience of the local workforce. Spatial mismatch theorists suggest that inner city minorities experience high unemployment rates because the jobs available within their labor market demand high skills and advanced education, attributes the inner city residents lack. Entry-level jobs appropriate for inner city residents are much more likely to be located in the suburbs. This spatial mismatch leads to lower wages or longer commutes for the poor. The poor suffer not only because of physical isolation from the jobs (lacking transportation to work) but also because of social isolation (lacking contacts

Rural Opportunities Incorporated

Rural Opportunities Incorporated (ROI) was established in 1969 to serve as an umbrella organization to provide services to migrant and seasonal farmworkers throughout New York. Today, it has expanded to other states in the region and provides a variety of services, including education, training, child development, health and safety, housing, and real estate development. Its most important program is provided through the National Farmworker Jobs Program (NFJP). Under the NFJP, ROI provides (1) urgent assistance, such as food, shelter, and medical care; (2) skills assessment, placement assistance, and counseling; (3) adult education, such as English as a second language; and (4) traditional occupational training.

ROI fits the hub-spoke model for providing services. It works closely with local businesses, training institutions, public agencies, and other CBOs. Most of ROIs clients are Hispanic. It serves several hundred farmworkers each year. People served by ROI tend to have poor command of English, little education, and practically no job experience outside of agriculture. The holistic approach of ROI seems to work best to provide the variety of workforce services that are needed by this population.

to obtain information about these jobs). Kain (1968) argued that the root cause behind the spatial mismatch is residential segregation due to racial discrimination in the housing market. The negative effects of housing segregation are magnified by the decentralization of jobs in most cities.

The occupational and industrial structures in the local area shape the demand for labor as well. It is important to distinguish between occupations and industries to understand these forces. An industrial classification identifies what a worker helps to produce, and an occupation is the kind of work the employee does. An occupation is defined as the group of job-related activities that comprise a single economic role directed toward making a living (Hodson & Sullivan, 1990). The U.S. Census Bureau has defined more than 500 occupational categories for analyzing these roles. An industry is the branch of economic activity devoted to the production of a good or a service. The Census Bureau uses more than 200 industrial categories.

A local labor market is defined as the social relations between sellers (workers) and buyers (employers) of labor. Within a community, several labor markets may be operating between buyers and sellers, some involving local markets and others constituting regional or national markets. So, for example, professionals, such as computer programmers or attorneys, may be competing in a national labor market, while machinists or receptionists may be competing in a local or regional labor market. A local labor market area is difficult to define, especially in rural areas where workers may commute long distances and employers may recruit from surrounding communities. Most workforce development activities focus on the local labor market because the activities will most likely affect unskilled and semiskilled workers.

The labor force participation rate is calculated as the percentage of the population (most government agencies consider only people 16 years or older) in the labor force. Persons not in the labor force consist mainly of students, homemakers, retired workers, inmates of institutions, and others unable or unwilling to seek employment in the reference week (Myers, 1992). The unemployment rate is the percentage of the labor force that is searching for work but is currently unemployed.

Labor markets are portrayed frequently as consisting of individual workers searching for work and employers searching for workers, with no mechanism linking the two together. In many cases, however, workers and employers make use of employment networks or intermediaries. Employment networks are “lines of communication that link many potential occupants of jobs in multiple firms with employers who make decisions to fill those jobs” (Tilly & Tilly, 1998, p. 25).

Theories about how labor markets operate tend to fall into one of three broad categories (supply-oriented, demand-oriented, or institutionally oriented theories), based on which factors are stressed in explaining the functioning of labor markets. Supply-side theorists emphasize the importance of the number of workers with specific skills at various wage levels as the primary determinants of the functioning of labor markets. These theorists argue
that productivity is a function of the skills, knowledge, and experience acquired by workers. Unemployment, underemployment, and poverty are generally explained as results of a lack of investment by individuals in the types of skills that are demanded in the labor market.

There are a standard set of issues that need to be addressed when analyzing the supply of labor in a community, including sociodemographic characteristics of the population (e.g., race, age, gender, income, educational background), work experience, training experience and projected needs, job search strategies, commuting behavior, and wages and benefits received. In addition to this basic information, it is useful to assess the availability of other sources of labor. Are there retired workers interested in re-entering the labor market? Are there part-time workers interested in full-time work? Are there workers who are commuting out of the area who might be interested in working locally? Are there workers interested in upgrading their skills to obtain local jobs? Unfortunately, most communities rarely collect this basic level of information about their workforce.

Demand-side theorists emphasize how changes in the structure of occupations, industries, skills, and the location of work shape local opportunities. According to this theory, development depends largely on the creation of new jobs demanding higher skill levels. Demand-side theorists assume that workers have perfect information about the available job opportunities and will seek to obtain the necessary training and education for these jobs.

Most of the information needed to assess the demand for labor can be obtained from employers. Several methods (e.g., phone or mail surveys) could be used to collect this information, but face-to-face interviews are preferable if the resources are available. Among the basic questions that need to be asked are the anticipated number of workers to be hired in the next few years; the training, education, and experience required for these positions; the wages and benefits offered to entry-level workers in these positions; and the methods used to search for workers to fill these positions. In addition, it is useful to collect some information about the basic characteristics of the firms, such as number of employees, the industry, the organizational structure, and so forth.

Although it is useful to collect information on the current demand for workers, it also is helpful to obtain data on anticipated demand to plan for future training needs. Also, it may be useful to collect data on training activities of employers to assess the type of training they are providing and how they provide it to workers. This information should provide an understanding of opportunities for mobility within the area and how training institutions can best supplement training efforts that take place in the workplace.

Institutional theorists of the labor market recognize the importance of supply and demand factors but emphasize the importance of the organization of work as a mediating factor. These theories point to the importance of firm size, industrial sector, and other organizational factors in influencing returns on education, skills, and work experience. For example, workers who are employed in large firms and in industries that are highly unionized
may obtain higher returns on their human capital than workers in small firms or industries with low levels of unionization.

In addition, institutional theories may focus on the organizational support for workers and employers in the region. One strategy for obtaining this information is to collect data from training institutions to evaluate the number of people trained in various occupations, and the level of training provided to these individuals, so that we can assess how well the supply matches the current demand among employers. At a minimum, it is necessary for community leaders to have information on the number of graduates from various training programs and the types of programs that are available.

It also may be useful to examine how other institutions in the community are affecting the workforce. How well do the availability and cost of housing match the current and anticipated demand for workers in the area? For example, are employers adding a large number of low-wage positions even when few affordable houses are available for workers? How many spots are available for children in child care centers in the community and how well does the availability match the local need?

These theories represent different approaches to building local labor markets. Supply-side theorists suggest that the way to build the workforce is through development of worker skills and productivity. According to supply-side theorists, the availability of a skilled workforce will attract employers to the community, or workers will be more attractive to employers elsewhere and they will move to where the job opportunities are. Demand-side theorists suggest it is better to attract, retain, and develop employers that need a skilled workforce. Communities may provide funding for a targeted industry, help existing employers modernize, and provide capital for new businesses that will hire a skilled workforce. Of course, the supply of and demand for labor are complementary. It is difficult for trained workers to find work if the employers are not demanding those skills. Conversely, a community may be able to provide incentives for a new business to locate there, but the business will need workers who have the required skills and training.

Institutional theorists focus more on how the organizational structure of work may influence the supply of and demand for labor in the community. Here, institutionalists make a distinction between internal and external labor markets. In an internal labor market, an employer hires entry-level workers and trains and recruits workers within the firm. Upward mobility for most workers occurs within the firm. A firm relying on external labor markets tends to hire workers who already have the skills and training needed for these positions. Workers wishing to improve their job skills and move to higher paying jobs may have to obtain the training on their own and take a job with another employer. The trend over the past 30 or so years has been for employers to rely increasingly on external rather than internal labor markets. As we discuss later, communities may respond to this problem by identifying the common training needs across groups of employers to ensure an adequate supply of skilled workers for employers or by re-creating internal labor markets across a set of employers in the community (career ladders).
CBOs and Workforce Development

What role can CBOs play in workforce development? Many of the problems that communities face in building their workforce are difficult to address through the actions of individual businesses or workers. Solutions to these problems may require efforts by groups of employers and workers, along with public organizations. For example, many employers may be reluctant to invest in the training of their workforce because they fear they will lose their investment if workers take jobs elsewhere. This dilemma is essentially a collective action problem. It is in the interest of all businesses to have a skilled workforce, but individual firms may be unwilling to take the risk of this investment.

One approach to solving this problem is to build career ladders that link employers together in a labor market to create opportunities for mobility across the labor market rather than within firms (Dresser & Rogers, 1997). In Dane County, Wisconsin, CBOs are establishing career ladders for unskilled and semiskilled workers in the health care industry. The system is based on the idea that unskilled workers will stay with employers involved in the career ladder program because the program provides them with opportunities for upward mobility. Employers in the system benefit as well. Employers that rely heavily on low-skilled workers are likely to lower their turnover rate, which can be very costly to these firms. They also are more likely to invest in job training because their workers will be more likely to stay with their employer to get access to better paying jobs. Similarly, employers relying on better skilled workers will benefit from a steady stream of trained workers. CBOs are essential in coordinating these relationships.

There are several other examples of employers working collectively to solve problems in their labor market. Many communities lack adequate child care facilities. It is probably too expensive for most employers alone to provide this benefit to workers, but it may be possible for a group of employers to share the cost of providing child care for their workers’ children. Similarly, employers can share the cost of providing transportation by pooling their resources of vans or buses. CBOs can help identify the need, locate resources, and bring employers together to address the need. Currently, there are two community-based strategies for coordinating these activities. Some communities mobilize employers within an industry, such as banking or healthcare. This strategy assumes that there are common training needs or issues within the industry that can be addressed best through some collective action. Other communities rely primarily on a place-based strategy that brings together employers that are in close proximity to one another. This approach may work best when the community is addressing problems such as child care, which are much more influenced by proximity to employers.

Welfare reform has placed much of the responsibility for assisting the poor on local communities. Many communities are engaged in efforts to prepare former welfare recipients for the workforce, train them, and match them with available jobs. CBOs have strong links with local employers, which means they may have a better understanding of the needs of local workers than do
state and federal agencies. CBOs are able to provide training programs that better reflect the needs of local employers. In addition, they are able to maintain contact and monitor the progress of individuals. CBOs also may be a better source of job information for workers than more formal mechanisms, such as a state job service. Research suggests, however, that minorities, especially Hispanics, suffer when relying on informal networks to search for jobs (Green, Tigges, & Diaz, 1999). Relying on family or friends to search for jobs often leads to lower paying jobs for several reasons. Probably the most important reason is that family and friends have similar employment information as the job seekers do. The best job information system would combine the positive aspects of a formal mechanism for accessing job information with the local knowledge and access of informal networks. CBOs can accomplish this by improving the access to job information for employers and workers, while still serving as a formal source of job information in the local labor market.

Communities are engaged in a variety of activities related to workforce development. For example, numerous communities have initiated school-to-work programs in the past few years. These programs improve the transition from schools by offering apprenticeships, job shadowing programs, and other initiatives that provide students with more information about local job opportunities. Public-private partnerships are attempting to improve training opportunities. The vision of the local workforce may require the community to establish new programs or provide greater coordination of what is already happening in the community. Or the workers’ vision may lead to identifying the need for new programs. An inventory of current activities may provide useful information on what programs are already in place and how the action plan could build on these activities.

Residents in most communities have a wide range of untapped skills and experiences, which could contribute to community development. CBOs are critical institutional mechanisms for identifying these assets, matching them to local needs, and overcoming the obstacles to building human capital. For example, a community that has recently lost a major manufacturing firm in the machine tool industry may have many workers with skills that would be appropriate and useful for another industry, such as plastics molding. Local knowledge of these assets and experiences is crucial to linking human capital with employment possibilities.

**Context for Workforce Development**

The United States relies heavily on a market approach for matching workers to jobs. Workers obtain education and training based on their interests and their expected outcomes of these investments. Employers move to a region with only a limited amount of information on the labor supply or the skills of the workforce. Workers enter the labor market with imperfect information on available jobs in the region and often with little idea of the job requirements. In reality, many workers rely heavily on social contacts to find
jobs and to obtain information about the nature of those jobs. These social ties also are important for employers, who thereby obtain some information about workers as well.

The primary purpose of most federal training programs is to assist disadvantaged workers, especially unemployed and dislocated workers. One of the first general training programs was the Comprehensive Employment and Training Act (CETA) of 1973. The 1982 Job Training Partnership Act (JTPA) later replaced this program. One of the advantages of JTPA programs was that they were relatively decentralized, giving Private Industry Councils (PICs) greater flexibility in developing programs to meet local needs. PICs were organizations that represented local businesses, unions, and institutions involved in training. These organizations were responsible for designing the public programs that provided resources for training. The PICs had much more business participation than many of the previous training programs. The Workforce Investment Act established Workforce Investment Boards that now replace PICs.

Recently, there has been an interest in programs that provide a much more coordinated approach to linking training with job opportunities at a very early stage. The School-to-Work Opportunities Act of 1994 and the Carl D. Perkins Vocational and Applied Technology Education Act of 1990 provide the basis for school-to-work programs as key labor force strategies. School-to-work programs are designed to increase educational and career opportunities for young people by establishing learning partnerships between employers and schools (Fitzgerald, 1997).

Two recent policy changes at the national level enhanced the role of community-based development organizations in workforce development. First, in 1996, Congress passed the Personal Responsibility and Work Opportunity Reconciliation Act. This legislation ended the program known as Aid to Families with Dependent Children (AFDC) and replaced it with a program called Temporary Assistance to Needy Families (TANF). Under TANF, welfare assistance is no longer an entitlement program. Welfare benefits are time limited and are closely tied to work requirements that are intended to move welfare recipients off welfare and into the labor force.

Second, the Workforce Investment Act of 1998 is one of the most comprehensive workforce education and training programs ever passed by the U.S. Congress. This act, along with the Personal Responsibility and Work Opportunity Reconciliation Act, have provided new opportunities for community-based development organizations in addressing the needs of workers. The Workforce Investment Act has made great strides in providing a more coherent system for employment and training in the United States. It has attempted to improve the system, however, through a formal bureaucratic structure and has done very little to encourage the Workforce Development Boards to reach out to CBOs. A major element of the act is that each board must contract with local organizations to provide many of the services and training programs. Pitcoff (1998) argued that the Workforce Investment Act presents some challenges to CBOs. One challenge is that nonprofit organizations will have difficulty
competing against for-profit trainers because of their emphasis on strict performance standards. CBOs are likely to take on tougher cases and to deal with a broader set of worker issues.

This brief review of programs suggests that there is a growing recognition that training programs need to be linked closely with employers and workers. The Workforce Investment Act of 1998 places more emphasis on this feature than any previous training program. This emphasis on accountability and local ties places CBOs at the forefront of job training.

Training programs in the United States have been criticized for being isolated from mainstream workers and employers (Osterman, 1988). Most training programs in the United States were established at the federal level with fairly standard implementation policies. Recently there has been growing criticism of the multitude of federal training programs, which do not appear to be coordinated or focused on specific community needs (Grubb & McDonnell, 1996). High schools still provide some job-specific education, but increasingly vocational schools, community colleges, and postsecondary institutions are responsible for providing vocational education. Although there is a potential for duplication in effort among all these programs, CBOs play a special role in coordinating these programs (Grubb & McDonnell, 1996). CBOs can provide an informal channel of information between employers, training institutions, and workers that will improve the matching process in the local labor market. In the next section, we outline different models for organizing these training efforts around CBOs.

Key Actors and Institutions

Bennett Harrison and Marcus Weiss (1998) identified three prevalent models for workforce development networks: (1) hub-spoke employment training networks with a focal CBO as the hub, (2) peer-to-peer employment training with webs of CBOs, and (3) intermediary employment training networks with intermediaries (e.g., community college, public-private authority, development finance institution) at the hub. These models are ideal types (there is a lot of variation in how these networks are structured in the real world). We outline these models in Figures 5.1, 5.2, and 5.3.

In the hub-spoke employment training network, the CBO is at the center of the network and provides information and ties to providers and resources. In the peer-to-peer model, a group of CBOs provide this function. One of the chief obstacles in this model is providing collaboration and coordination across the various organizations. And, in the intermediary employment training model, the CBO is linked with local governments and employers through an intermediary, such as a regional development organization.

Examples of the hub-spoke networks include the San Jose–based Center for Employment Training (CET) and Project QUEST in San Antonio. Both of these programs have been replicated around the country. Examples of the peer-to-peer networks are the Chicago Jobs Council, the Pittsburgh
Partnership for Neighborhood Development, and the Business Outreach Centers of New York City. An example of the regional intermediary model is Lawson State, a Black community college in Birmingham, Alabama, that is providing technical assistance to small and medium-sized businesses in the region.

Probably the most common form of workforce development network is the hub-spoke network. The San Jose CET model has been widely adopted across the United States. It requires less coordination than the other types and more easily links employers with training. Although these workforce development networks have grown in popularity, the evidence is unclear at this point whether they can be successful over time.

Aside from their central role as sources of information and contacts, CBOs can broaden the available training and services to workers. The structure of the workforce development network may influence the breadth and depth of training offered to workers. Training institutions can be captured by local
Figure 5.2  Peer-to-Peer Employment Training Networks

Figure 5.3  Intermediary Employment Training Networks With Intermediaries as the Hub
employers and can fail to address the broader workforce development needs for the community. Networks that have CBOs at the center tend to offer broader training to workers than do those with technical colleges or other training institutions at the center (Green, 2007). Similarly, the structure of the network may influence employer participation. If the network is highly centralized or if large firms dominate the decision making, then small firms may be reluctant to participate and invest in the workforce development effort.

Data on Local Labor Markets

A community may decide that it wants to collect information on the local labor force to develop a plan or a vision of its workforce. There exists a wealth of data on employers and workers. Most of the data is now easily accessible through the Internet or through universities or state agencies (see the list of Web sites at the end of this chapter for several widely used sources). In addition, the community may decide that it is necessary to collect some of their own information on the labor market. Collecting data may be expensive and time-consuming, but it may be the only way to understand what is happening in a CBO’s local labor market area. Also, the data will be more current.

A CBO might consider gathering and analyzing data for four broad issues:

1. What is the local labor market?
2. What is the current demand for labor in the region and how is it likely to change in the future?
3. What is the current supply of labor in the region and how is it likely to change in the future?
4. How are local institutions (e.g., training and educational institutions, temporary agencies, local job centers) affecting the match between the supply of and demand for labor in the region?

Most communities do not constitute a local labor market area. A local labor market area is difficult to define, especially in rural areas where workers may commute long distances and employers may recruit from surrounding areas. The size of labor markets may vary by region. Probably the most useful data to help define the local labor market are the Place of Work Data for Municipalities and Counties. These data permit CBOs to evaluate where and how many workers commute to work. By looking at commuting data, CBOs can see where local employers draw workers from and where local residents work. CBOs can also obtain some of this information by asking local employers to identify the zip code of local workers’ residences. Based on this information, CBOs may decide to include an adjacent county or region as part of their local labor market area.
In many cases, it is probably sufficient to consider the county as the local labor market area. In some rural areas, this approach might not work—for example, in a rural community that is proximate to a metropolitan area. In these counties, a large proportion of workers typically commute into the urban areas, so it makes sense to include this broader region as part of the local labor market. Another exception would be a rural area that is extremely sparse in its settlement pattern, with few employment opportunities in the local area.

It is important for a community to identify what the local labor market is if it is to understand the factors influencing the supply of and demand for labor in the area. By focusing on commuting rates, CBOs also can see how mobile the workforce is in an area. It is important to recognize that local labor markets do not exist for some professions—these professions are in national or regional labor markets. A good example might be a professional position, such as a physician. Most other workers, however, are influenced by the conditions affecting the local labor market area.

Several data sources exist for analyzing the composition of the industrial base, wages, and occupational structure of local labor market areas. Some of the most widely used sources are the County Business Patterns (CBP), the Bureau of Economic Analysis (BEA), and the Department of Labor. The CBP is published by the U.S. Department of Commerce and includes employment in business categories (Standard Industrial Codes, which are broken out into two, three, and four digits). The data include employment covered by FICA but not government employment or self-employment. The BEA provides data on county population, personal income, and per capita income.

**Developing Goals And Strategies**

On the basis of data analyzed through this process, communities can identify the most appropriate strategy for building a local labor force. In the following section, we describe five basic goals and specific strategies that communities can adopt.

**Preparing the Future Workforce**

To have a productive workforce and employers that are competitive in the global marketplace, it is essential that workers have the basic skills necessary in the workplace today. This goal may require businesses to become much more involved with schools and to forge productive partnerships with school systems. Some younger workers may need basic skills, such as how to interview for jobs and how to plan their careers. The specific tactics to be considered include the following strategies:
• **Increase exposure to issues concerning careers and work in or before high school.** Many communities are accomplishing this goal by asking local employers to visit with students and discuss the types of work available and the training and education required for these jobs.

• **Develop an understanding of all career and postsecondary educational options.** There is increasing concern that students are not being exposed to the variety of postsecondary educational opportunities that are available to them. Several states are beginning to develop programs that better communicate the opportunities to students at an early stage of their educational career.

• **Strengthen career and technical education.** One of the issues here is the need to have a strong educational base to build on for an entire career, with special emphasis on math and reading skills.

### Sustaining the Workforce

To attract and retain qualified workers, communities need to address the obstacles that many workers face in obtaining additional training or searching for jobs. Most of the obstacles are related to child care, housing, or transportation, although there are others that may be important. The following strategies can help communities overcome these obstacles:

• **Develop partnerships for child care availability.** In most cases, employers cannot afford to provide on-site child care for their employers, but there may be opportunities for a group of employers to cooperate and provide more child care opportunities in the community.

• **Create family-friendly work environments.** CBOs can help employers identify ways to make their work environment more family friendly, such as providing flexible hours or allowing parents to use sick days when their children are sick.

• **Increase efforts and assistance to employers to retain employees.** Workforce development efforts are emphasizing programs designed to help employers reduce their turnover. One example of a program that could be offered by communities is an educational program on how to conduct exit interviews, which help employers better understand why workers leave their firms.

• **Develop partnerships for increased training efforts in the workplace.** As we discussed earlier, sectoral and placed-based strategies for collaborative efforts to provide training help overcome some of the disincentives for individual employers to provide training.

• **Assess and provide resources for transportation availability.** Some communities have been able to develop van pools or a busing system to attract workers from other areas or to help local workers commute to jobs outside the local community.
• Provide affordable housing closer to businesses. An employer-assisted housing program (discussed in Chapter 7) is one way to accomplish this.
• Offer postemployment assistance to reduce turnover. This strategy could involve courses on budgeting and money management, homework balance, and so on.

Upgrading the Workforce

A key to improving the productivity of employers and increasing the earnings of workers is improving the education and training in the community. Several strategies may be necessary to upgrade the workforce. In many cases, it may be in the interest of all employers in the community to upgrade the workforce but not in the interest of any single employer to invest in the training because they may lose their investment. Community strategies need to address this basic problem. The following strategies are a few examples:

• Improve the success rate for completing education and training. This goal may be accomplished by linking students with employers before students complete their training. These links may improve students’ motivation for completing the work.
• Upgrade the workforce through funding and resource shifts. State governments may be reluctant to provide resources for individual employers, but they may respond to groups of employers that have common training needs and have a major affect on a region’s economy.

Expanding the Workforce

A major obstacle in many communities is the lack of workers, especially workers with the skills demanded by local employers. Communities may consider a variety of tactics to expand the workforce to meet these needs:

• Develop partnerships that address barriers to expanding the labor pool. For example, groups of employers (and local governments) may work together to provide a transportation system that helps workers commute from areas in the region that may not be facing such a high demand for workers.
• Expand efforts to attract qualified workers needed to meet employer demands. CBOs can help employers with the screening and matching process to ensure that workers are qualified to meet the demands of available jobs.
• Increase efforts to connect education with the world of work. Apprenticeships and school-to-work programs provide excellent ways of increasing this connection.
Promoting Entrepreneurship

Programs promoting entrepreneurship, especially among women and minorities, have proliferated over the last few decades. Citizens with the vision and ability to start and run a business represent human capital resources that are very important to community welfare. The small business option may be pursued increasingly by women for noneconomic reasons, such as flexibility or accessibility, especially in areas where child care and employment options are more limited (Tigges & Green, 1994). Minorities frequently turn to the small business option because of the obstacles they face in the local labor market. Communities can encourage and support entrepreneurship with a variety of mechanisms:

- **Establish loan funds for start-up and working capital.** In Chapter 8, we discuss several types of loan programs that can benefit small businesses at the start-up stage. In particular, many communities have initiated revolving loan funds as a strategy for this type of development.
- **Provide training programs that build the managerial skills of entrepreneurs.** In particular, communities are becoming involved in helping small businesses with managing their links to suppliers and consumers.
- **Provide technical assistance, such as information and educational programs, to entrepreneurs.** Small business incubators provide an excellent way of providing some of this assistance.

Summary and Conclusions

Matching the demand for and supply of labor in a region can be a difficult challenge. In some communities, there may be unemployed or underemployed workers who cannot find entry-level jobs. In other cases, employers may not find enough workers with the skills and training needed for positions. There are serious limits with market solutions and government training programs in addressing these problems. CBOs can play an integral role in solving the training and matching problems in low-income neighborhoods, and we believe CBOs are critical to implementing an asset-based approach to community development. CBOs have knowledge of the skills and experiences of the local workforce and the needs of local employers. They also have a better understanding of the problems that constrain the functioning of the local labor market, such as the lack of child care or transportation. CBOs also can provide a good channel for information.

Federal and state policies are increasingly recognizing the important role of CBOs in workforce development. Increasingly, policies such as TANF emphasize the comprehensive nature of workforce development. It is no longer sufficient just to train workers—and then expect they will have access to jobs. Instead, these programs need to be comprehensive and address the
housing, transportation, and child care needs of workers. The Workforce Investment Act offers new opportunities for CBOs to become key actors in the workforce development effort.

Finally, federal policy has moved toward greater involvement of local actors and institutions in developing training programs. Policy makers recognize that local residents need to be involved in designing these programs and that one standard model will not work in a wide variety of settings.

KEY CONCEPTS

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QUESTIONS

1. What is the difference between job training and workforce development?

2. Compare and contrast traditional models of workforce development with community-based approaches.

3. Compare and contrast three prevalent models of workforce development networks: hub-spoke employment training networks, peer-to-peer employment training, and intermediary employment training.

4. What are the four main types of information communities need to assess their labor market situation?

5. What are the broad goals and strategies frequently used by CBOs to build their local labor force?

EXERCISES

1. Analyze some aspects of your local labor market.
   a. Define the area of your local labor market. How far do most workers commute and how far do employers recruit in the region? You can use census data to examine the commuting patterns.
b. Identify the major employers in your community. Try to find out the types of jobs they have available, the starting wages and benefits for these jobs, and the types of skills and experience needed for these jobs.

c. Identify local institutions involved in training and collect information on the types of programs available, the number of graduates in each program, and any plans for new programs in the area.

d. What gaps do you see in the supply of and demand for labor in the region? How well do the job openings match the skills and experiences of workers?

2. Using census data and other local sources of information, try to determine what a living wage would be in your community. What percentage of the population in the community is not earning a living wage?

REFERENCES


### ADDITIONAL READINGS AND RESOURCES

**Readings**


**Web Sites**

ALMIS—www.doleta.gov/almis/index.htm. The U.S. Department of Labor, Employment and Training Administration sponsors America’s Labor Market Information System (ALMIS). This Web site offers information about ALMIS projects, upcoming events, and state-maintained bulletin boards, products and services, labor market information contacts, and news releases of interest to the LMI community. In addition to Web links to various states’ Web sites, there are also links to national statistics sources.

Community Economic Toolbox—http://www.economictoolbox.geog.psu.edu/. This useful Web site provides you with the ability to develop an economic snapshot of communities, calculate location quotients and shift-share analyses, and develop living wage estimates for your region.

Downtown and Business District Market Analysis—http://www.uwex.edu/ces/cced/dma/. This Web site provides a tool for using geographic information systems and market data to identify business opportunities in small towns.
Employee Benefits Survey—http://www.bls.gov/ncs/ebs/. This survey provides comprehensive data on the incidence and detailed provisions of selected employee benefit plans in small private establishments, medium and large private establishments, and state and local governments.

Employment Cost Trends—http://www.bls.gov/ncs/ect/. The employment cost trends program produces two ongoing surveys: the Employment Cost Index (ECI) and Employers’ Costs for Employee Compensation (cost levels). The ECI measures the change over time in the cost of labor, including the cost of wages and salaries and employee benefits. Cost levels data provide average costs per hour worked for wages and salaries and specific benefits.

Employment Projections—http://www.bls.gov/emp/. The Office of Employment Projections develops and publishes estimates on the economy and labor market 10 to 15 years into the future. Included are projections of the labor force, potential gross domestic product, industrial output, and employment by industry and occupation.

Living Wage Calculator—http://www.livingwage.geog.psu.edu/. This is a useful site to help you identify the components for calculating a living wage.

Occupational Compensation Survey—http://www.bls.gov/ocs/. These annual or biennial surveys provide information on average weekly or hourly earnings for selected occupations in the nation and certain metropolitan areas, as well as related benefits data for white- and blue-collar workers.


National Longitudinal Surveys (NLS)—http://www.bls.gov/nls/. The Bureau of Labor Statistics sponsors the collection and production of data from the NLS. Each survey gathers information on the labor market experiences of five groups of American men and women at multiple points in time. Each of the NLS groups consists of 5,000 or more members.

Social Explorer—http://www.socialexplorer.com/pub/home/home.aspx. This is a very useful Web site that allows you to present demographic data in data maps. The site is interactive and allows you to customize maps as well.

U.S. Bureau of Economic Analysis (BEA)—http://www.bea.gov/. BEA is a major producer and compiler of economic, business cycle, and labor market data. BEA has built a large online source for this data compiled from more than 50 federal agencies, called STA-TUSA. This is a fee-based site.

U.S. Bureau of Labor Statistics (BLS)—www.bls.gov. The BLS site is a major source for national labor market information, and they have data sets for state and metropolitan areas. This is a large and complex Web site containing hundreds of data sets, including local area unemployment statistics, industry employment estimates, and projections.

U.S. Census Bureau—www.census.gov. The Bureau of the Census Web site contains data from all of the bureau’s data collection efforts: the Decennial Census, the Current Population Survey, the economic censuses, and the monthly economic surveys. It is a large and complex site of data, including population estimates and projections and data related to migration, journey to work, income and poverty, educational attainment, and much more.