

# Sectoral Workforce Development: Research Review and Future Directions

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## EXECUTIVE SUMMARY

### ***Purpose of Research Meetings and Summary***

For low-wage workers these are challenging times. Changing technology, global competition, and a host of other factors have led to stagnant wages on the lower rungs of the economic ladder and limited opportunities for skill building and advancement. The sectoral approach to workforce development offers strategies to improve outcomes for low-income workers that are based on understanding the labor market system within a particular industry and region and developing tactics that both benefit workers and make economic sense in today's business environment. This dual nature of the approach, together with some indications of positive outcomes for workers and businesses, has engendered enthusiasm for the work and the adoption of a sector framework among a variety of actors. Given this enthusiasm, and the general growth and change in the field of sectoral workforce development over the past several years, the Charles Stewart Mott and Ford Foundations funded two small convenings to discuss what has been learned to date, outstanding questions that urgently need to be addressed, and strategies for supporting and enhancing the success of sector work. This paper is a result of those meetings and is offered publicly in order to highlight key points about the current state of practice and outcomes in the sector field, identify areas for further research and experimentation, and promote continued dialogue on the application of the sector approach.

### ***Meeting Topics and Next Steps to Advance Sector Work***

#### *Sectoral Workforce Development Is Systems Change*

Sector initiatives aim to make fundamental changes in the labor market of the target industry and region such that economic outcomes are improved for both sector program participants and workers in the industry who are not program participants. This “systems change” objective is one of the most promising but least understood aspects of sector work. It is integrally related to all components of sector work – employer impacts, engagement and investment, worker outcomes, and sector financing.

Therefore, creating better information that enables the field to understand and implement systems change is of utmost importance if sector programs are to expand their impacts for workers. Sector researchers and funders might consider several ideas proposed at the Meetings. (Ideas proposed at the Meetings appear as bulleted points within each section of the Executive Summary.)

- Gather and distribute more (practical) demonstrations of the contexts in which sectoral systems change occurs, what types of changes are effected, what elements promote change and how this change can be measured
- Create and disseminate products and services that build the capacity in the field for developing and implementing sectoral systems change strategies
- Convene systems change training and learning groups (in strategically-selected regions and sectors)

*The Importance of Business Interests to Advance Sectoral Workforce Development*

Understanding and designing sectoral initiatives that comprehend and respond to key business/industry needs is not just a savvy strategy to make sector programs palatable to profit-focused employers. A deep understanding of sectoral business interests and *systems* makes it possible to achieve systemic improvements for both low-income workers and their for-profit employers. And, of course, this deep understanding and attention to business interests does nurture the relationships that are fundamental to sectoral systems change.

Sector program leaders need a wide range of information and tools to analyze industry sectors, build relationships, and shape and affect systems change. There are vast opportunities to develop practical supports that enhance the strategic ability of sector programs to utilize business strategies and relationships.

- Research and develop industry-specific models of business investment in sector programs
- Develop “products” specifically tailored to the business audience in specific industries for use by sector program leaders throughout that sector
- Develop and implement mechanisms or models that collaborative groupings of sector practitioners could use to attract and enhance employer engagement towards sector-wide initiatives
- Research and distribute financing models for employer investment in and financing of sector programs

*Sectoral Workforce Development Is About Improvements for Workers, Defined Broadly*

Improving the economic fortunes of workers throughout an industry is one of the primary goals of sector work, yet, typically, gains are measured solely through data on earnings increases for low-wage program participants. In their systems change efforts, however, sector programs may strategically elect to work with people who are not low income, and they seek to create changes that benefit people who are not program participants as well as participants. Moreover, in addition to increases in earnings, systemic changes may relate to job quality outcomes that are less often measured, including benefits, work safety, opportunities for advancement, etc. It will be an important advancement for the sector field to identify the many types of “improvements” that provide evidence of systemic sectoral change, for whom, over what time period, and the strategies that have demonstrated success in achieving these improvements.

- Identify the total intended beneficiaries of sectoral systems change - low-wage workers only, new or incumbent workers, individuals who need training, or a more comprehensive group – and then determine how outcomes for the beneficiary group(s) can reasonably be defined and assessed relative to specific services provided
- Conduct a demonstration project for sectoral career advancement projects and distribute findings with the goal of adapting and applying this approach to other contexts
- Develop and distribute studies, datasets and tools that describe how sector programs improve worker outcomes for specific industries, occupations, populations served, or other factors that support sector systems change

- Design and implement experimental design studies about participant outcomes, after the foregoing issues have been thoroughly explored.

*Is “Sector” a Field of Practice Yet If There Are Few Standards of Practice?*

The field of sectoral workforce development has grown and changed over the past decade. There is an expanded range of institutional players and a greater scope of activity, and there have been changes in sector program strategy in response to changed political and economic climates. However, this expansion and range of useful activity do not appear to have coalesced into a recognizable field of practice with best standards, known measurements and collaboration. Better documentation of the scope of sector practice, and exploration of how various sector initiatives might support and complement one another, are fruitful opportunities to significantly build sectoral workforce development into a field of practice.

- Document and distribute practical lessons about successful institutional settings for sector initiatives, including an inventory and case studies of these settings
- Convene learning groups to encourage joint work sector-by-sector through discussions of systems analysis and opportunities for achieving impact in the sector

*Financing Sector Work: Is Anyone “Sold” on It Yet?*

Unsurprisingly, sectoral systems change and the sector programs that lead change require a large investment. The intent of sector work is to effect change in an entire industry or occupational labor market system, yet, there is little documentation of the overall costs of a sector approach. Research that will lead to a deeper understanding of the investments that are necessary for sectoral work is needed along with innovations that encourage public and private investments to increase the sustainability of sector work:

- Research and define the costs to conduct successful sector systems change programs
- Learn more about appropriate and effective mechanisms for financing elements of a sector approach and the entities who should be part of sector financing
- Diversify and expand upon existing public-private models for funding sectoral work
- Research and design financing models for private investments, tailored for expected return on investment and similar business interests
- Use recoverable grants to conduct sector organizing
- Design and advocate for innovative uses of Governors’ discretionary workforce investment funds

## INTRODUCTION

Over a decade ago, a small group of philanthropic funders and program leaders began to recognize sectoral employment development as a fresh approach to improving the labor market opportunities available to low-income individuals. The approach is characterized by a focus on a specific industry sector or occupational group and the desire to work within that industry/occupation for a sustained period of time to achieve a systemic change in the hiring process or nature of employment for the industry or occupation. Recognizing that the fates of the employee populations and the businesses in which they work are intertwined, sector programs generally seek to provide valuable services to their employer customers, in order to enhance their economic competitiveness. The National Network of Sector Partners defines sector programs as follows:

*Sector initiatives are industry-specific workforce development approaches. They share four common elements that distinguish them from conventional programs.*

- *They are targeted to a specific industry, crafting solutions tailored to that industry in that region.*
- *They offer the presence of a strategic partner with deep knowledge of the targeted industry and its companies, linking them with organizations that may include community-based nonprofits, employer organizations, organized labor, community colleges and others.*
- *They provide training strategies that benefit low-income individuals, including the unemployed, non-traditional labor pools and low-wage incumbent workers*
- *They promote systemic change that cultivates a win-win environment by restructuring internal and external employment practices to achieve changes beneficial to employers, low-wage workers, and low-income job seekers.*<sup>1</sup>

Given the broad purposes of sector projects and the need to balance multiple goals and objectives, sector projects tend to use a wide range of strategies and approaches. Almost all sector projects engage in some form of direct employment training, but this is often combined with other types of activities focused on the sector. Examples of such activities include: facilitating industry-based coalitions; advocating for public policy reform; conducting and disseminating industry research; operating a business related to the sector; organizing workers; and offering business consulting services on applications of technology, marketing and other areas.

In the past several years, the level of interest in sector strategies and their potential to improve the employment opportunities of low wage workers has increased significantly. Early findings about sector programs stimulated planning and implementation of new initiatives by a variety of organizations such as community colleges, Workforce Investment Boards, industry consortia and community based organizations. These new institutional players in the sector field have helped the field grow far beyond

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<sup>1</sup> National Network of Sector Partners, <http://www.nedlc.org/nnspp/whatis.htm>.

its initial handful of “boutique” programs and have brought new thinking about the approach and the different types of resources that can be used to expand the field. This growth and change in the sector field present an appropriate moment to pause and reflect on what we have learned to date and to develop the support initiatives that will be needed to expand the impact of the field.

In order to address this timely opportunity, in Spring 2004 The Aspen Institute’s Workforce Strategies Initiative convened two small Sectoral Workforce Development Research Meetings (“Meetings” throughout). Sector researchers, practitioners, funders and other potential supporters gathered to review the current knowledge about the field and to identify avenues for expanding the reach and impact of the sector approach. [A full list of the meeting participants can be found in Appendix C.] The first Meeting was designed to rekindle the productive interaction between research and practice, and to refine the questions the field should address next. It was organized around reviewing the research on sector programs, synthesizing the lessons of the past decade, and exploring unresolved questions for the field.

The second Meeting built on the first, and offered an opportunity for participants to think about the future of the field in light of the current state of economic and workforce development, about what “scale” means for the sector field, and about how to leverage the lessons of sector work to improve the economic fortunes of low-income Americans. A number of researchers and program leaders from the first Meeting attended this second one, and were joined by representatives from several additional constituencies: community college, anti-poverty policy advocacy, business association and public workforce.

This document reviews the exchange of ideas that took place during the two Meetings, and is supplemented by the Meetings’ background materials. As authors, we have endeavored to fairly represent the range of views presented during the two Meetings in this document, and to put aside our other roles as both convenors and participants in the Meetings. It was challenging to untangle and re-weave the threads of an exceedingly rich Meeting dialogue to form a clear and concise document representing the range of ideas and opinions expressed at the Meetings. This document primarily presents the discussions focused on potential action, including ideas for research, new program designs and related work. These proceedings are not meant to serve as a definitive statement about the state of the sector field, but rather to increase the accessibility of existing research on the sector approach, highlight where there appears to be consensus about the current state of practice and outcomes in the sector field, identify areas for further research and experimentation, and promote continued dialogue on extending the benefits and deepening the impact of the sector approach.

The first section of the summary is organized along the main thematic lines of the Meetings: systems change, employer benefits and participant outcomes. Two additional sections address issues raised about the current state of the field and concerns related to the cost and financing of sector work. Appendix A includes a review of the existing body of research on the sector. This background research formed the basis for beginning the Meeting discussions about the sector strategy.

The first Sectoral Workforce Development Research Meeting and this summary of the two Meetings were supported by the Charles Stewart Mott Foundation. Funding to support the second Meeting was

provided by the Ford Foundation. We thank leaders from both these foundations for the critical support they have provided to the development and growth of the sector field.



## KEY RESEARCH AND ACTION THEMES

The Sectoral Workforce Development Research Meetings were thematically organized around systems change outcomes, employer outcomes and participant outcomes. The Meetings also considered how the state of practice relates to these outcome areas. The resources needed to engage in sector work (i.e. the cost of a sector strategy) and methods of financing this work were an important element of the discussion. This summary describes some of the key discussions and recommendations for moving forward.

Recommendations that arose frequently were the need for experimentation and research to inform the sector field, and information and tools for sectoral workforce development practitioners. Some of the actions proposed at the Meetings are more detailed in their descriptions than others relative to the amount of discussion they engendered. Projects proposed in one area often clearly relate to projects in another area. Thus, the suggestions for action illustrate possible paths for moving forward, but are not in themselves an outline of a research project or program innovation.

### **Systems Change**

Systems change was the topic with the greatest interest and most lively discussions at both Meetings. “Systems change” for sector initiatives refers to efforts to affect the labor market system in the target industry and region, such that economic outcomes are improved for both sector program participants and workers in the industry who are not program participants.<sup>2</sup> While systems change is the hallmark of the sectoral approach, outcomes are often difficult to achieve, identify and rigorously measure. In addition, there are many influences that affect the operation of a “system”, creating both the need to change strategy as other factors change and the challenge, once a desired change has been achieved, of discerning the role of sector work in achieving that change. There was broad Meeting consensus that a systems change approach is one of the most promising aspects of sector work for creating positive change, but it is also one of the least understood features of sector work. The subject of systems change is integrally related to all components of sector work – employer impacts, engagement and investment, worker outcomes, and the state of the sector field.

Not surprisingly, systems change was the Meeting topic for which most participants expressed a desire for research and experimentation on a number of fronts. Numerous questions were raised, and ideas for research and experimentation were put forth to address these questions. How sector program participants should be viewed in relation to systems change was discussed. Practical aspects of equipping sector constituents to strategically think about and implement systems change were discussed, and systems change training and learning groups arose as ideas. There appeared from the Meeting discussion to be a great need for more descriptive work on the contexts in which sectoral systems change occurs, what elements promote change and how this change can be measured. Several approaches were proposed to guide the next stage of investigation and documentation.

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<sup>2</sup> This issue is discussed in a bit more depth in the second section of this document.

### *Systems Change and Participant Outcomes*

There were questions at the Meetings about how participant outcomes relate to the systems change goals of sector work.

- Who are the “participants” of a program when the program is trying to influence the broad activities of a whole sector?
- Is there a predictable or generic level of improvement in participant outcomes that can be expected from sector programs, given the variety of goals for sector work?
- How can we identify and measure benefits to individuals within a sector who are not program participants?
- What key elements of systems change strategies have led to the greatest improvements for low-wage workers? How can these key elements be strengthened and expanded?

Questions about participant outcomes within sectoral systems change may be addressed by the ideas for research and experimentation presented throughout.

### *Systems Change Constituents*

The Meeting discussion also gravitated toward the relationship of sector program leaders, employers and other sector constituents to systems change. There were diverse opinions about the goals and scope of activity in systems change, resulting in questions such as:

- With whom do sectoral programs partner to obtain the leverage required for systems change? What roles do these partners play in exerting pressures and awarding incentives? Is the shape of the systems change strategy determined by the type of institution where the sector initiative is located, and how?
- What is unique about the infrastructure of sectoral programs that enables systems change strategies? What research and staffing capacities are needed, for example, to analyze sectors, conduct policy advocacy, broker new relationships, develop and maintain stakeholder support, and persuasively lead strategic alliances?
- How can sector programs and upcoming leaders learn to conduct systems analysis; think strategically about change; and mobilize staff, partners and constituents to join in change efforts?

There were several relevant ideas proposed that might guide further investigation and action relating to systems change implementation and constituents.



#### Curriculum and Training Development

Systems change work requires systems change thinking. Developing methods to encourage systems change thinking would help spread sectoral systems change more widely. Training in this area would support programs’ efforts to reshape and leverage their work to achieve systems change. Case studies and other practice-oriented materials were suggested as useful in this context.



### Systems Change Learning Group

Select a group of sector leaders to participate in an applied learning process and to create models for formulating, planning for, benchmarking and evaluating systems change strategies. It would be important for this learning group to consider how to extend the groups' learning to a greater number of sector practitioners.

### *Systems Change Contexts*

Meeting discussion about the nature of systems change strategies highlighted striking differences in perception. “System” was described as the object of the intervention, the nature of the intervention, the type of result that might be characterized as a systems change, and in other varieties of these themes. Only a very few initiatives were named as exemplary of a systems change approach. Thus there appeared to be a great need for more descriptive work on the current state of systems change work to answer these questions.

- What is the range of systems change strategies undertaken by programs? What are the levers for change in the labor market for low-income workers? How do these strategies differ by industry or region? Are there “standard” systems change strategies appropriate for sectors or regions with similar characteristics?
- How do systems change strategies change over time? What has been the impact of macro- and microeconomic pressures? Are there distinct maturation stages of systems change strategies?
- What level of market penetration and power is required for a sectoral program to create meaningful systems change? How might this vary by industry? By region?
- Can systems change at a local level be effective in national or global contexts? Can disparate local efforts coalesce around issues of national significance? How do you move from local to broader systems change?
- What is the appropriate approach to evaluating a systems change strategy? What milestones can programs set to assess the progress of systems change?

This energetic Meeting discussion led to ideas that might serve as guidelines for investigating and defining some of these issues.



### Typology of systems change

A document that outlines and describes the range of systems change strategies would be the expected result of this initiative. The typology might be based on survey research regarding the prevalence of different approaches. Survey research could be supplemented with in-depth interviews among programs engaged in systems analysis and change strategies. These more in-depth interviews would provide detailed examples of the approaches and related critical issues. Depending on the research approach, the typology of systems change methods might also illuminate how diversity among regions, industries, constituents, institutions, historical contexts and so on relate to the choice of systems change strategy.

The challenges of assessing systems change strategies were a recurring Meeting topic. Regardless of methodology, documentation of systems change strategies and outcomes is undoubtedly needed to clarify the concept and provide a framework to continue the dialogue about the role of systems change work. A mixed methods approach was generally discussed, but it is clear that this is an area that needs much more work. Various approaches were proposed.



#### Measuring systems change

One suggestion for progress towards measuring systems change is to have an independent research organization interview a selected set of third party individuals with deep knowledge of an industry and region, as part of a planned sector systems change. Key informant observers would be selected in the early stages of the systems change implementation, to represent diverse vantage points on the system and the factors influencing its development. These observers would be interviewed at key points for their views on the systems change process as it takes place. Rather than pursuing research on “measures” to gauge system change, these observers would make informed judgments as to the effectiveness of change strategies pursued by programs. It was noted that program participants and entry-level workers in the sector might be included as “experts” who are well-positioned to note changes in the way the industry operates, and to comment on the effect of these changes in the workplace.

A written history of a targeted system (e.g. the targeted industry’s labor market) was also mentioned as a practical way to address the issue of systems change assessment. This written history could be compiled from document reviews, interviews with key informants and other retrospective research techniques. A location would be chosen where system change is thought to have occurred. The investigation would attempt to assess with as little bias as possible whether a change occurred, and the degree to which the change was effected or influenced by the sector initiative.

### ***Employer impacts, engagement and investment***

The fool saith “Put not all thy eggs in one basket.” But the wise man saith “Put all thy eggs in one basket, and *watch that basket!*”

–Mark Twain, *Pudd’n Head Wilson*<sup>3</sup>

Sector programs adopt the “eggs in one basket” strategy by focusing on a specific industry or occupational segment within the local labor market. Effectively “watching the basket” requires programs to understand the industry and its culture. In particular, programs need to access appropriate industry information and to engage specific local employers in a meaningful way, activities which can be challenging. Ultimately, sector program leaders want to go beyond the “watch that basket” strategy; they aim to re-shape the basket. That is, sector program leaders would like to use their understanding of employers and of industry trends towards a strategy that

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<sup>3</sup> A similar phrase is often attributed to Andrew Carnegie.

will re-shape the nature of employment outcomes for workers in the targeted industry. Meeting discussion about better understanding and strategizing the employer side of sector work centered around three key themes: the role of business data and information to promote sector programs with businesses, strategies to engage businesses in sectoral workforce development, and size and scale of workforce development programs within sectors.

Several recommendations were formulated at the Meetings to demonstrate what might move the field further on these key issues. Research is needed to identify models of business investment in sector workforce development programs, on an industry-by-industry basis. New products developed specifically for the business audience would be used by program leaders to engage employers in partnerships that lead to greater program impact. Sector practitioners should collaborate to identify opportunities and strategies for employer engagement. And, research is needed about the appropriateness and use of existing financing models as the basis for models of employer investment in sector programs.

### *Tracking and Using Business and Employee Data*

Meeting participants discussed a number of issues with respect to the kinds of information that employers would find useful. In particular, participants discussed the type of information that could be persuasive to employers in terms of how they invest their resources, how data might be used by programs in order to assess the quality of their services, and the weight of data as opposed to other factors in shaping employer opinions about the merits of training services.

In order to assess whether their services are of value to employer clients, some programs have used simple measures, such as “repeat business” (i.e. the employer continues to work with the program). Such indicators can help programs know whether or not they are on the right track, but are of limited use in determining how to improve upon their work, how to correct a situation when the data indicates there is something wrong, or how to leverage the value of their service to garner employer investment or increased public support. Keeping track of more specific measures, such as employee retention, turnover and vacancy rates might be useful for understanding the business value of sector workforce development programs. This information can also be interesting to policy makers, who wish to support businesses as well as to help workers.

While business and employee information has many important uses for sector workforce development, the Meetings uncovered many points of doubt about how to find a balance between being useful and not being too much of a burden to collect and use. For example, relevant information may not be easily accessible at all businesses, because not all businesses collect the same amount and type of employee data and cost information. Further, businesses may be reluctant to share some types of information outside of the firm, or may simply find it too burdensome to gather information from various data sources and compile it in a form that facilitates analysis of a training service. In particular, in industries or firms where there is high turnover at supervisory and managerial levels, such turnover may limit the interest among those parties in assessing value over time. A fundamental constraint is that typically sector service providers and businesses alike do not have ideal capacity to track and use information that will help them to analyze results from workforce development initiatives

### *Creating Solid Working Relationships with Employer Clients*

Many participants had ideas about how best to engage employers, but there was consensus that this was an area in which the field could use more tools and information. For example, several participants noted that offering training services may not be the first step in engaging employers, i.e. that what an employer needs first and foremost might not be training. As noted above, there were questions about the practicality of relying on data to engage employers. However, in some cases, particularly among smaller employers, there can be opportunities to demonstrate the value of something that employers may sense is important, but do not currently measure.

To the extent information on engaging employers is available, it does not appear to have penetrated the field of practice. Indeed, several of the program leaders present had interesting information to share about strategies that had worked for them. Examples of such suggestions included, using employer testimonials, using industry trend data and demonstrating how it relates to a specific employer's business, and articulating the value of the service being offered and how it stacks up against "the competition" where the competition may include temporary service firms or other for-profit vendors of human resource services. Participants felt it would be useful to the field if this kind of "best practice" experience was disseminated more broadly.

Participants also had questions about how to organize groups of employers within an industry in order to aggregate needs and potentially leverage investment from employers as a group. Several program leaders noted that it is more difficult to work with employers on a collective basis than it is to meet the needs of individual employers. Yet, working on a collective basis can be more efficient in terms of service design and delivery and offers greater opportunities to shape industry practice. Tips and tools about how to organize employers and get them to agree upon common needs would be useful. Some participants posited that there may be lessons that could be learned from labor-management partnerships and applied in other contexts.



#### Industry workforce development investment models

Research is needed to identify models of business investment in sector workforce development programs, on an industry-by-industry basis. A specific recommendation was the development of several demonstration programs. Seed money would fund efforts to organize employers and coordinate investments in entry-level workers in ways that would be useful to all participating employers and would work to the benefit of economically disadvantaged individuals. These demonstrations would experiment with new ways of using funds that businesses generally set aside for workforce and employee development, such as employer training and tuition reimbursement money. Specifically within the healthcare industry, funds are commonly set aside for human resource development. Research would review the current level of employer investment in workforce training, how it is typically allocated among individuals and occupations, and the effectiveness of its current use in meeting business needs.



#### Products directed towards employers

Much of the existing literature on the sector approach is written for researchers, funders, policy-makers and sector program leaders. However, businesses typically understand and

respond to language and arguments that address other business issues. New products, developed for the employer audience, would be used by program leaders to engage industry representatives in partnerships that lead to greater program impact.



### Learning groups

Sector practitioners would come together to identify opportunities and strategies for employer engagement. Learning groups might be organized by industry, and may seek support in researching industry-specific information related to employers' costs associated with labor market inefficiencies, such as vacancy rates, turnover, recruitment and training and how employers currently structure training/advancement. Learning groups could explore best practice approaches and discuss elements of program design that facilitate employer engagement.

### *Size and Scale of Workforce Development Programs*

Another issue raised at the Meetings was how to organize groups of employers within an industry in order to collectively consider business needs and potentially leverage investment from employers as a group. There were some concerns that it can be more difficult to work with groups of employers than it is to meet the needs of an individual employer. Yet working on a collective basis can be more efficient for service design and delivery and offers greater opportunities to shape industry practice. Labor-management and similar partnership methods were suggested as examples from which lessons might be learned. In sum, tips and tools about how to organize employers around common needs would be useful.



### Catalogue potential models for securing employer investment

Research the appropriateness and use of existing financing models as the basis for models for employer investment in sector programs. For example, what is there to learn from business improvement district models, development surtaxes, or research and development funds? In these, or similar financing models, multiple employers contribute voluntarily, or through a binding legal agreement, to financial pools that serve collective business needs. How can businesses be engaged and sector workforce programs be supported in similar ways?

### ***Outcomes for Workers***

Improving the economic fortunes of workers is one of the primary goals of sector work, and participant outcomes are often presented as measurements of this goal. Meeting discussion touched upon many aspects of the function of participant outcomes in this assessment. Fundamentally, the goal of sector initiatives is to reshape industry practices in order to improve or preserve economic competitiveness and benefit low-income constituencies, who may or may not be actual participants of the program. The Meetings provided opportunity to discuss whether participant outcomes are a good measure of sector progress at all. In general, there was agreement that participant outcomes are not the sole measure of sector programs' worth. Nonetheless, understanding the effect an intervention has on the individuals who participate is

acknowledged as an important part of understanding the whole. And, as a practical matter, programs will need to account in some manner for participant outcomes to funding sources.

The complexities of the topic were probed, and several ideas were offered for how to move the field further. The Meetings considered who are and should be the target of sector programs and outcomes research – low-wage workers only, new or incumbent workers, or a more comprehensive group in order to assess the effect of sector initiatives in the broader regional/industry labor market. There were requests for more context-specific research to guide sector initiatives depending on the industry, occupation, population served or other factors. How these fundamental research questions and definitions affect the choice of participant outcomes research design was also discussed.

### *Defining the Target Recipients of Sector Workforce Programs*

The Meetings generated discussion about who are the target populations of sector initiatives to improve worker outcomes. There was fundamental tension about whether low-wage workers are the primary or exclusive target of a sectoral approach. For philanthropic grantors, the goal of sectoral approaches is to provide economic opportunities for low-income individuals. However, it can be tactically problematic to serve only this population through sector activities. In some cases, as workers advance along career ladders or as programs engage in activities to preserve the quantity, quality and accessibility of good jobs in beleaguered sectors, programs end up specifically working with more moderate income populations who may be at risk of becoming low income. In other cases, where an initiative targets a whole sector, programs may need to offer an array of services that support skills development and advancement for workers at many different skill levels in order to achieve their goals. A narrowly defined strategy for low-income individuals may not provide programs with the leverage they seek to influence their targeted industry sector. While there was agreement at the Meetings that subsidies should be targeted toward advancing lower-income individuals most of the time, there was not universal agreement on whether or where to draw a clear line.

Conventional outcomes research focused primarily on sector program trainees may inappropriately present sector as primarily a training intervention. Rather, outcomes research should promote consideration of a broad set of creative activities to intervene and improve worker outcomes in the broader labor market for that sector. To reiterate, sector programs attempt to influence the shape of the sector's labor market as well as connect individuals to job opportunities in the sector. Looking at the outcome of (training) program participants alone may not give a full picture of the sector program's effect in the broader labor market in the sector. In addition, comparing the experience of sector program participants to the experience of non-participants may not provide accurate assessment because the non-participant group might also be affected by the program's activities, offsetting the comparability of outcomes.

A related and recurring Meeting concern was that most research investigates effects for job seekers who participated in pre-employment sector program training. There has been less research with respect to the outcomes of incumbent workers who participate in sector training.



An estimated 70 percent of sector programs provide incumbent worker training.<sup>4</sup> As such, Meeting participants felt it was crucial to get a better picture of the outcomes from incumbent worker training. Questions to guide this inquiry included:

- Has incumbent worker training opened career pathways for low-wage workers?
- How is incumbent worker training financed and are there untapped financing resources?
- What type of incumbent workers are most likely to successfully advance on the job and improve their incomes?
- At what point along a career path are workers no longer “low-income” workers and therefore should no longer qualify for subsidized skills development assistance?
- What work supports, such as public housing, child care subsidies or counseling, are provided to incumbent workers? What role does incumbent worker training play in facilitating the transition away from such supports? How can the transition off of work supports better complement the goal of individual advancement?

### *The Need for More Specific & Sector-by-Sector Research*

Program leaders expressed a need for more specific outcomes research and other sector research on their own industry, occupation sector and region. Current research showing positive participant outcomes from selected sector programs was mentioned as not particularly helpful when applied to other programs. On the other hand, information about participant outcomes was considered to be useful in the sector program start-up phase for encouraging the “replication” or adaptation of the approach in the local context. The Meeting discussion also contrasted the tension between using scarce evaluation and research resources efficiently, and having very specific research findings and information for different programs’ operations. Furthermore, programs’ limited internal capacity to undertake self-assessment was contrasted with a desire to improve the capacity. A number of approaches were suggested that might support the development of self-assessment capacity.

The Meeting theme of more diverse and specific research on participant outcomes continued along other lines. Most work to date has investigated outcomes of relatively small programs. This raised the question of whether similarly positive participant outcomes are achievable in larger scale programs. There was also some concern that participant outcomes research presents a false conception of homogeneity within the field. There were questions about how participant outcomes relate to an overall sector strategy. Should there be different benchmarks for participant outcomes depending on the industry, occupation, population being served, or other factors?

There was general interest in learning more about which elements of a program were responsible for selected participant outcomes. This would be in contrast to research on participant outcomes, particularly experimental designs, that often treats the intervention as a whole unit. For example, are longer term programs needed for hard skill but not “soft skill” development? Also of

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<sup>4</sup> Cindy Marano, Director of the National Network of Sector Programs, provided this figure based on NNSP surveys of the field.

interest was the role of counseling and work supports, versus training, to improve participant outcomes. The answers to these questions could provide a basis for program performance standards, although there are many questions about how broadly applicable standards might be developed given the diversity of contexts in which sector programs operate.



#### Sector-specific studies of participant outcomes

Given the differing outcomes sector programs expect to achieve, one potential way to exemplify that diversity would be to investigate participant outcomes on a sector-by-sector basis. These studies could examine the range of training strategies, explore the mix of services offered (e.g., hard skill, soft skill and work readiness training, work supports and counseling, etc.), relate those services to the goals of the program, and finally measure whether the goals for participant outcomes are met. In particular, these studies investigate incumbent worker outcomes resulting from training in a range of industries and would address the questions about incumbent worker training enumerated above.



#### Sector-specific shared learning and evaluation

Sector-specific researcher-evaluators would serve several programs within a sector and meet needs for coordinated collaborative sector-specific learning and external review and validation. They would provide industry-specific research about the range of strategies deployed, would share it across programs and with a public audience, and would conduct confidential evaluation of individual program operations.

### *Evaluating Participant Outcomes More Rigorously*

A concern was raised at the Meetings that participant outcomes research to date has not been done in an experimental fashion. There are a number of limiting factors in choosing research methods, such as the necessarily exploratory nature of the research and the small size of sector programs in the research. Nonetheless, the lack of experimental research is recognized as a gap in knowledge regarding participant outcomes.<sup>5</sup> It was noted that research has proven that connecting individuals to particular industries or businesses can positively affect wages and earnings for those individuals, but the research has not proven whether a sector program can play an important role in this process. As described in other Meeting discussions about participant outcomes, there is great diversity among organizations participating in sector work and a range of potential strategies employed. As such, the Meeting discussion highlighted a need for greater clarity about the appropriate unit of analysis for participant outcome research. This clarity would drive the selection of research methods and the level of rigor with which the research can and should be conducted.

### ***The State of the Sector Field***

The Meetings included discussion of how the field of sectoral workforce development has grown and changed over the past decade. There is an expanded range of institutional players and a

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<sup>5</sup> It should be noted, however, that the Charles Stewart Mott Foundation has funded Public/Private Ventures to do a random assignment study of training outcomes.

greater scope of activity, and there have been changes in sector program strategy in response to changed political and economic climates. While some of this growth and change has been documented by the National Network of Sector Partners, it was acknowledged that there are still gaps in our knowledge about the current state of the field. There is an emerging need for better documentation of the scope of sector practice given these changes, and exploration of how various sector initiatives might support and complement one another.

### *Learning From Institutional Settings & Experiences*

There are sector initiatives in a wide array of institutional settings, such as nonprofit organizations, community colleges, workforce investment boards, business associations, economic development agencies and labor-management partnerships. But it is not clear the degree to which sector work has been adopted and adapted by these different institutional structures, or what comparative advantages and limitations these different institutions bring to sector strategies.

Questions to guide additional inquiry and documentation included:

- What is the scope of sector work within different institutional settings?
- Do certain institutional settings currently concentrate in particular industries, occupations, or strategies?
- To what degree is the range of strategies, that might be considered, dependent on the institutional setting of the sector programs' lead agency?
- Are particular types of institutions generally more effective in implementing certain strategies?
- What are the implications for partnership development and strategic planning?

The Meeting discussion resulted in ideas to be considered for further documentation of the institutional settings and lessons for sector initiatives.



#### Inventory of programs by institutional base

Several ideas related to more expansively connecting with and documenting what is actually on the ground now, especially the sector work of “new” institutional players, such as Workforce Investment Boards, Labor Unions, Community Colleges and others. A helpful start would be a tabulation of existing projects by institutional base.



#### Case studies

Case study research could include a series of in-depth sector program studies from a variety of institutional settings. These in-depth studies would provide an analysis of the roles different institutions take on as well as an assessment of the advantages and disadvantages different institutions bring to the work.



#### Community colleges

The potential for community colleges to adopt or expand upon sector approaches was considered especially interesting. A demonstration project for sectoral career advancement projects based in community colleges would document model program

elements and examine the potential for those program elements to be adopted more broadly among community colleges.

### *Collective Learning and Action Among Programs in a Sector*

It is also worth exploring the potential for individual sector programs to work in a more concerted fashion, leveraging cooperation among programs within the same industry and/or region. Program leaders at the Meetings believed that the knowledge of the industry sector gained by some sector programs could be more effectively leveraged through a mechanism of cooperation and knowledge sharing across sector programs in the same industry. Such knowledge sharing could lead to improved programming, and potentially enhance progress toward systems change.

Questions to guide investigation of collective learning included:

- Is it possible to have collective learning and action within a sector? How should such activity be organized? What are the expected outcomes of such activity and how should these outcomes be assessed?
- What is the scope of activity for collective action within a region? Are there particular regions in which it makes sense to encourage collaboration across sectors? Are there regions where this is already taking place, and if so, to what effect? Could regional collaboration enhance the systems change work of sector programs?

The Meeting discussion resulted in an idea that learning groups might explore the possibility for joint work within a sector.



#### Sector Specific Learning Groups

Program leaders from a specific sector would convene for a discussion of systems analysis and opportunities for achieving impact in the sector. This convening would pool the learning of various programs. Learning groups could consider possibilities for complementing and supporting each others' work towards systems change. A collective action plan could be developed.

### ***Financing Sectoral Approaches***

A number of very large questions emerged at the Meetings about financing for sector initiatives. There is little documentation of the overall costs of a sector approach. Research was proposed to understand and define the costs to successfully conduct sector systems change programs. There were questions about appropriate mechanisms for financing elements of a sector approach and the entities who should be part of sector financing. A number of innovations were suggested for diversifying and expanding public and private funding. Ideas were proposed regarding the structure of sector, including use of recoverable grants to conduct sector organizing and uses for Governors' discretionary workforce investment funds.

### *Defining and Describing the Costs of Sector Strategies*

At present, there is deficient information about what an overall sector strategy costs, and what comprises the costs. There is some data about training costs, but these data usually include only program costs and not the full costs, such as those to employers or for non-training components of the sector program. Costs and available funding can vary considerably between programs due, for example, to the length and intensiveness of the intervention, the trainees' needs, and geographic differences. Arising from the factors that contribute to differences in costs, there is also great variation in standard cost reporting measures, such as cost per trainee. These cost variations, usually attributed to sector training, are likely to be multiplied in the context of the broader set of sector program activities undertaken to influence the sector.

At present, there is a dearth of information about costs for an overall sector strategy. In the public sphere, there is an emphasis on measuring costs on a per-participant basis and judging program efficiency accordingly. However, this model may not be appropriate for sector strategies. It remains a challenge to describe and talk about the costs of a sector strategy and to relate these costs to outcomes, particularly as these costs relate to outcomes beyond individual participant outcomes. Additional questions that arose during the Meetings included:

- How can the full cost of a sector approach be measured and related to the full range of outcomes?
- How do the costs of sector approaches vary by industry sector and goals?
- What does it take to sustain the infrastructure that can lead to systems change, and how can this infrastructure be continually supported?
- How should the costs of sector strategies be described in relation to the costs of other workforce development or economic development approaches?

Solid research on the cost of sector work is clearly needed. Meeting participants provided a framework and thoughts for research that might advance understanding of sector costs.



Research on the cost of sector work: This research would contribute to an estimation of total costs, and would describe the types of resources that are needed to engage in different strategies and support critical programmatic functions. In particular, there is keen interest in understanding the cost elements associated with the various systems change strategies. It is, of course, difficult to make cost information meaningful without also demonstrating the results or outcomes of costs expended for sector programs. Hopefully, the costs of systems change strategies can be matched to the expected outcomes of sectoral systems change strategies. This would add to an understanding of the factors that influence the likelihood of a given strategy to succeed.

### *Alternative Sources of Financing for Sector Work*

What entities should pay for sector work, how they might be enticed to do so and how this financing should be structured were also major themes of Meeting conversation. Programs generally assemble the resources to engage in their strategy from a number of different public and private entities. Philanthropy continues to play a large role in supporting many aspects of sector work. Foundation resources are limited, so other funding sources are needed to extend

and deepen the reach of sector work. Both public and private sector sources of funding were mentioned as potential support for sector work.

### *Public Funding for Sector Work*

It was noted that there are a number of limitations to public funding to fully support the range of activities needed to implement a sector strategy. There have been, however, promising developments to ameliorate limitations in some states, where public funding has been organized around sector needs or in other ways that better support sector work. Understanding the results of these recent state initiatives would help to better integrate and organize public funding streams in support of sector work. A specific concern expressed about public funding is the emphasis on measuring costs on a per participant basis and judging program efficiency on this limited measure. This may not be appropriate for sector strategies with goals that are broader than participant impacts.

Several ideas were proposed about how the level and structure of public funding could be influenced to better support sector work.



New forms of public investment: New tax structures or other structures were suggested as possibilities to provide ongoing funding to support sector work. For example, there were some suggestions that it might be possible to syndicate employment tax credits, perhaps along the lines of the Low Income Housing Tax Credits model. Some thought that employers who are already “doing the right thing” in terms of investing in and compensating current workers should be eligible for further tax credits, providing an incentive for positive business and labor market practices. The example was offered that developers in some areas have paid a small surcharge on development projects, and this has been dedicated to investments in workforce development. A related idea was that public works bond issues include one-tenth of one percent for workforce development. It was also suggested that sector-specific tax structures or incentives might be developed in some sectors, particularly healthcare. For example, a sector-specific fund was developed in Massachusetts through a bed tax the hospitals pay which is matched federally.

### *Private Funding for Sector Work*

The Meeting discussion also highlighted efforts to leverage resources from private business. The potential for organizing within an industry sector to leverage employer money was mentioned. Whether significant money can be leveraged from the private sector in support of sector work was discussed. What activities are needed to achieve private investment in sector was also considered. These discussions resulted in several ideas that might be considered for encouraging business investment in sector strategies. These approaches are similar to some of the ideas discussed under “Employer impacts, engagement and investment” above.



Engaging employer investment: A number of Meeting ideas pointed to the goal of increasing business investment in sector work. It would be helpful to have industry-specific scans of how much employers currently invest in training, in which employees they direct their investment, and what return they are seeing on these investments. Understanding how

businesses use workforce development resources, such as tuition reimbursement, might help to leverage current workforce development investments more effectively. Better models for describing businesses' return on workforce investments (ROI) would provide persuasive encouragement for businesses to invest in sector strategies. Non-profits might also be able to negotiate higher charges for services by understanding how their workforce development and placement services compare to those offered by for-profit firms, such as temporary employment agencies.



Organizing employer investment: Labor management funds have been one method for generating employer investment in workforce development. There were suggestions that elements of this approach might translate beyond union-based organizations. Businesses operating in the same sector often do not want to invest in entry-level training, if they feel they will bear the costs but the employee will move to a competitor. Organizing employers so their resources are pooled into a single fund to address a common need for skills could help leverage investment from the private sector. Isolated examples of investment pooling were mentioned, and it was believed this would be an area worth experimenting in.

### *Structure of Financing for Sector Work*

The structure of funding for sector activities was also a Meeting topic. There was discussion about whether all activities need to be funded by outright grants. It was suggested that some activities could be supported with “refundable grants” or other soft forms of debt. Whether participants who benefit from programs might also contribute in some measure was considered, but this avenue was not expected to produce a large source of funding. Whether organizing and advocacy activities designed to create stable funding streams could be funded through debt-like structures was another topic of discussion. There were questions about how this would apply for individual sector programs, and the implications for expanding the field of sector work.

Several Meeting ideas might be considered to advance the possibility of alternative sector funding structures.



Funding for sector programs to conduct organizing campaigns. It would be necessary for an entity to advocate and organize, in order to create the new public or private funding streams mentioned in the previous section. One way this activity might be financed would be for foundations to provide recoverable grants. The foundation would make a grant to the organization or organizations involved in the campaign to establish an ongoing public or private funding stream. Should the grantees be successful in establishing an ongoing fund, then the grant would be repaid over time with a small proportion of the proceeds of the newly established fund. This mechanism would allow the foundation to leverage its investment in organizing campaigns over a broader array of regions and industry, with the intent of maximizing the societal return.



Funding for planning sector work: In general it was recognized that while piecemeal funding may be difficult for programs, it is likely to continue to be the nature of sector work. It is unlikely that one source will fund training, advocacy, coalition building and all other activities that make up a sector strategy. It would be helpful to construct some support for

developing a sector strategy, however. Governors' discretionary workforce investment funds were one suggestion for funding improvement in WIBs' capacity to engage in sector work. They might also be used to build the capacity of WIBs to conduct sector based systems analysis and pursue sector strategies.

### **Conclusion**

The energetic and insightful Meeting discussion rested on participants' enthusiasm and optimism about the opportunity inherent in sector work tempered by recognition of great challenges facing the field. The concept of applying limited resources to create change that can have a broad impact is both daunting and exhilarating. Understanding how to identify these change opportunities, how to take advantage of them, and how to learn from them is of vital interest to the field. The favored learning approach, often described as a learning group, and involving a blend of experimentation and practice-based research, reflective of the many questions that remain in the systems change arena was advocated. Across the range of discussion topics, the need for research, tools and financing strategies tailored by both region and industry continued to come to the fore. Investments in addressing these needs have the potential to further encourage the growth of the sector field and enhance programmatic quality, and ultimately, the outcomes achieved for low-income workers.



## APPENDICES

## **A. REVIEW OF RESEARCH ON SECTOR**

To date, the body of published research that relates specifically to sectoral employment development is relatively small, and it is this body of work that is the main focus of this review. However, we realize that there is a much larger body of research relating to approaches to workforce development and to the labor market trends that shape the realm of possibility for workforce development and training efforts. In order to put some parameters around the set of research under consideration, this paper emphasizes research that, from our perspective, represents “the core” of the sector field. Public/Private Ventures and The Aspen Institute have conducted in-depth evaluations of sets of recognized sector programs. In addition, The National Economic Development and Law Center (NEDLC), and in particular, the National Network of Sector Partners (NNSP) have done quite a bit of work documenting the practice of sector programs.

As developments within the sector field and the general workforce development field have taken place over the last decade, the boundary between sector work and general workforce development has blurred. There are workforce development efforts that exhibit characteristics similar to sectoral initiatives, or indeed are sector initiatives although the label may not have been applied. Some of the research on these programs has been considered here, but this set of “near-sector” research is quite large, and hence only a limited amount was reviewed. For example, we have drawn on some of the research on labor-management partnerships’ approaches to workforce development, on the research regarding the Annie E. Casey Foundation’s Jobs Initiative, and on other studies that have looked at federally funded efforts of workforce development that were industry-specific, such as the evaluation of the H1-B demonstration grants. In addition, there is a set of work that looks at trends in the labor market and how they shape opportunities in general for workers. *Working in America* by Paul Osterman and others is an example of this type of analysis. While this work is not sector specific, it is a helpful frame in which to consider the accomplishments of sector programs to date and what might be in the realm of possibility as the field moves forward.

Research on the practice of sectoral employment focuses on such questions as: What are the key characteristics of sector practice? In what ways does the sectoral approach depart from “traditional” employment training? How do sectoral programs create connections with their targeted sector? What strategies have programs identified for achieving systems change? Answers to such questions are important in order to better understand how program outcomes have been achieved, and hence how similar outcomes might be achieved in another time or setting. The typical approach to addressing such questions has been through case studies or series of case studies. As such, a wealth of descriptive program information has been generated. From this information, a number of thematic areas emerge as hallmarks of sector practice. However, isolating specific practices and rigorously testing how they influence specific outcomes generally has not occurred. Thus the practices are generally described as promising or innovative, rather than proven.

While some good work has been done in describing different sector strategies, the field is still missing an overall typology of strategies that addresses how different models meet different industry needs, population needs and system change needs, across a range of contexts. Given the growth of the field in recent years, there is probably more opportunity now to address this issue than had been present in the past.

We have presented this research review in four parts. The first discusses some of the themes that emerge in the research relating to sector practice and includes observations of program elements that seem to recur in the sector research, and that appear positively related to program outcomes. This area is addressed first, but elements of it are reflected in the three sections that follow, which try to synthesize what we have or have not learned in the three primary spheres in which sector programs seek to effect outcomes, namely the overall system, participants, and employers. In these latter three, we try to summarize the degree to which outcomes have been measured and note the assessment challenges.

### ***General observations on sector practice***

Several themes cut across these studies of sector practice. First, and most prominent, is that the focus on a specific sector, rather than on all locally available sources of jobs, puts clearer parameters and a greater degree of specificity around the employer set. “Employers” are a very heterogeneous group. By working with employers in the same industry, the program has the opportunity to dig deep in terms of understanding not only the needed skill sets, but also the overall competitive pressures of the industry, the drivers of the dominant business models, the relationships among industry players, etc. In sum, a sector approach seems to engender a **greater depth of understanding of the employer situation**, and a fuller picture of current and projected workplace needs, **facilitating better working relationships with employers**. In the case study series published through The Aspen Institute’s Sectoral Employment Development Learning Project (SEDLP) for example, many of the highlighted programs had various ways in which they had integrated feedback loops from employer constituents into their operations, and employers commented that they felt candidates from these training programs were prepared to succeed in their workplace. Public/Private Ventures in *Labor Market Leverage* notes the development of expertise in the sector, and the ability of programs to develop allies among employers and other labor market actors appears to be key for programs. In addition, there is some indication that programs that had not focused on particular sectors, but then choose to do so, find that this focus improves their ability to engage employers. For example, in the review Workforce Investment Boards involved in the Department of Labor’s Sectoral Demonstration conducted by NNSP and The Aspen Institute, grantees reported that adopting a sector approach helped them develop better relationships with employers.

As this theme of engaging employers has been taken up through the broader workforce world, a number of observations about how programs have developed, structured, and maintained employer relationships, have been offered more generally. Several publications have recently been produced that describe tactics programs might use in building employer relationships, and lessons learned. In this more general workforce development literature, most discussions of practice around employer relations focus on how these relationships have been leveraged to support training and placement activities; that is, their use in achieving participant outcomes

while in the more explicitly sector-oriented literature, the relations with employers are also discussed in terms of how the relationships are leveraged to change industry practice or achieve other “systems change” outcomes.

The **focus on systems change** is a defining feature discussed among descriptions of sector programs. Sector programs seek not only to connect individuals to better job opportunities than they might otherwise have, but also to make the labor market system in a particular industry and region function in a way such that even workers who don’t participate in the program might have better economic opportunities. For many programs, systems change is a primary goal of the sector work; whereas training activities are considered a means for achieving this and other goals. Strategic change strategies can permeate the programmatic components, linking them to one another and leading to impacts that go beyond direct benefits to program participants.

Researchers frequently cite two overall strategies: (1) increasing access to “good” jobs for groups that have typically had difficulty attaining these jobs, and (2) improving the quality of jobs that are a source of employment for large numbers of low-income individuals. The “systems” that are targets of systems change are often different, and may include standard industry practice, public policies that influence the viability of different business models, or the system of preparing, and in some cases certifying, workers for specific occupations. Programs may employ a number of tools in pursuing these strategies in addition to training, such as business consulting services, business development, policy advocacy, coalition building and others.

While a variety of strategies for working toward systems change have been documented, there is little information about which strategies might be the most promising. This finding is unsurprising given the difficulty of evaluating systems change outcomes, and the limited number of programs that have had well articulated systems change approaches (see final section on systems change for more on this topic). However, some posit that the focus on systems change in and of itself can have a positive influence on program outcomes in that the process of understanding the dynamics and levers for change in an industry or occupation is an effective means of developing the deep industry knowledge that facilitates productive employer relations and well designed training strategies.

While not necessarily specific to the sector field, the **adaptability of sector programs to changes in the local and/or industry context** is also an important theme. Sector programs vary based on a number of dimensions. Some dimensions that may influence a program’s shape are relatively static, such as the type of institution in which a program is housed, the region’s population density and demographic profile, the physical infrastructure of the area, etc. Other dimensions are more dynamic – particularly industry dynamics and public policy. As these factors change, the opportunities to leverage change and to acquire resources to support program services often change dramatically. Both Public/Private Ventures and Aspen Institute researchers have observed and written about sector programs that have adapted to these changing contexts while maintaining their focus on their overall mission. For example, in its case study of the Garment Industry Development Corporation, Aspen Institute researchers describe how GIDC responded to changes in the industry by changing its mix of services, adding such services as

assistance in marketing and brokering, and deleting some services, such as real estate assistance, that were very resource intensive and less needed in the industry.

The sector focus of programs has also led to some distinct approaches in terms of how sectoral employment development initiatives approach their “supply side” or skill development activities. In particular, sector programs often focus on **assessing workers for their aptitude and interest** in the sector as part of the screening process. For example, programs may want to serve (or be specifically funded to serve) a target population, such as welfare recipients, limited English speakers, low-income families, or other groups. But beyond screening for eligibility, sector programs often seek to find if there is a match: Is this person really interested in a caring profession? Do they like working with their hands? Do they have any mechanical aptitude? etc. In general, programs are looking for candidates that are likely to build a career in the targeted sector, rather than hold a job for a while until the next thing comes along. While skills and aptitude assessments have been around for quite some time, sector programs have integrated it into a continuum of services for disadvantaged job seekers.

The **integration of training** needs is also mentioned in descriptions of sector programs (by SEDLP, the Conference Board and others). That is, training may be designed to address a combination of hard skills, soft skills and basic skills, all delivered within the context of the particular target industry. For example, basic math will not be taught in the abstract, but will be related to issues of measuring door sizes, reading blueprints, or doses of medicine, as suits the industry target of the training.

Another interesting set of research has been done around the **financing of sector programs**. NNSP has surveyed the sector field and found, for example, that the majority of programs finance their work through government and foundation support. In addition, programs typically patch together funding from a variety of different sources, whose goals in providing funding may range from economic development goals such as industry retention or job creation to more social service oriented goals, such as connecting welfare recipients to work. In their survey of the field, NNSP found that 35 percent of sector programs reported receiving corporate or business funding. These findings on financing are interesting not only in terms of the implications for sector practice, but also in terms of the implications for the type of outcomes sector programs track, because funders often set requirements for programs to track specific outcomes, and the institutions in which this outcomes information is housed.

### ***Research on Systems Change***

A defining element of the sectoral approach is the intent to create systemic change within the pertinent labor market in order to improve employment opportunities for low-wage workers. For many sectoral programs, systems change is an ultimate goal of the work. Thus, sector programs have developed strategies to influence the training, recruitment, hiring, compensation and promotion of low-income individuals in ways that intend to benefit a broad group of workers beyond a program’s own participants. In seeking to create systems change, sector programs generally work towards a set of underlying values as expressed by Osterman and others in their

book, *Working in America*.<sup>6</sup> These are: work as a source of dignity, living wages, diversity and equality of opportunity, solidarity or social cohesion, and voice and participation.<sup>7</sup>

As the Sectoral Employment Development field has emerged, researchers have sought to define “systems change”, identify programs’ strategies, and understand the extent to which programs can truly impact systems to the benefit of disadvantaged workers and job-seekers. The principle sources of research on this subject are SEDLP (the Aspen Institute); the evaluations of the Mott Foundation’s Sectoral Employment Initiative (P/PV); and the AECF Jobs Initiative (ABT Associates and the New School for Social Research); as well as various case studies. Some programs, such as PHI and the six Jobs Initiative sites have also sought to evaluate and document for themselves their impact on systems.

Thus far, research on systems change has provided descriptive accounts of a range of strategies and has sought to document the common characteristics that seemingly lead to successful initiatives. In addition, some work has been conducted through the AECF Jobs Initiative to create a framework for sector analysis, strategic planning and setting milestones. To date, far less has been done to measure the impact of systems change initiatives on industrial sectors and regional labor markets, or to prove their relationship to individual outcomes. A report conducted during the early stages of the AECF Jobs Initiative documented quantitative measures of changes in funding and practices, and qualitative changes in relationships and processes.<sup>8</sup> Some quantitative indicators of impact that were used in the research were: number of people served, funds spent or allocated as a result of the reform, and changes in outcomes for participants. Nevertheless, the need to overcome difficult methodological challenges poses a serious obstacle to quantitative analysis of systems change.

### ***Key Observations***

Qualitative research on systems change provides some insights into the practice, its value and challenges of the approach. The following summarizes the key themes or observations.

With regards to systems change, research points to the **need for programs to map and analyze their targeted sectors**. Sectoral labor markets have been found to be extremely complex, ambiguous and loaded with contradictions. For programs, simply understanding them has proven to be very difficult. Nevertheless, researchers agree that the task of understanding and framing the sectoral labor market and the players that influence its behavior is of key importance. The Annie E. Casey Jobs Initiative went as far as to develop and test a framework for such analysis.

Another common observation is that **systems change is slow, modest and incremental**. It takes a significant amount of time for programs to develop enough knowledge and institutional capacity to effect change. In its study of the C.S. Mott Foundation’s SEI group, P/PV found that,

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<sup>6</sup> Paul Osterman, and others, *Working in America: A Blueprint for the New Labor Market* (Cambridge: MIT Press, 2001).

<sup>7</sup> The Aspen Institute Domestic Strategies Group also articulated a set of values and principals as underpinnings for its analysis of and recommended solutions to problems of workers and work.

<sup>8</sup> Scott Herbert, and others, *AECF Jobs Initiative: Evaluation of the Capacity Building Phase, April 1997 – March 2000* (Abt Associates, Inc. and The New School University, 2002).

after two years, projects were rarely able to do more in the area of systems change than to gain knowledge about the sector, develop allies and refine strategies, thus *positioning* themselves to effect change in the future. However, PPV did document some early successes in influencing workforce policy and legislation.

Research has found that **systemic change strategies fall into three general categories according to the point in the labor market where programs seek to intervene**. Through evaluations and case studies, it has been demonstrated that sectoral programs seek systemic change by influencing one or a combination of the following:

- The way *firms* recruit, pay and promote employees. This is accomplished through a range of demand side interventions, for example, proliferation of model business practices, jobs restructuring, and the establishment of social enterprises.
- Access and availability of quality *training/educational opportunities* including work with community colleges, the public workforce investment system, etc.
- *Public policy related to the sectoral labor market*. Among others, strategies include influencing regulatory environments, creating industry standards, organizing, lobbying for funding, etc.

**Sectoral programs that appear to have had some success in effecting systems change tend to possess a similar set of characteristics**. They have a clear vision of systems change that is translated into concrete operational steps and follow-up. By definition, they possess expertise and experience in the targeted sector. This, in turn, provides them with the credibility that is necessary to garner essential political support and create key allies. This awards them with the potential to stimulate change by building relationships within key stakeholder groups. Their ability to influence the labor market also is contingent upon the strength of the leverage that they hold in being able to control financial resources and “to bring both incentives and pressures to bear on the employers.”<sup>9</sup> In particular, leverage has been shown to exist among programs that have some sort of membership structure whereby workers participate through a democratic process (i.e. trade unions, professional associations, worker-owned enterprises and community-based organizations). In these instances, workers continuously exert pressure that motivates the programs to deal with issues related to the system.<sup>10</sup> Due to the slow and incremental pace of systems change, another common success factor is “staying power”, also described as “the capacity to persevere.”

Much of the existing documentation on systems change points to areas for further research, particularly with regards to outcomes. It seems it will be possible to utilize only qualitative measurements by documenting the theories of change that sectoral programs adopt and setting benchmarks for achieving change. Benchmarking is made difficult by the challenges of establishing indicators of success because of the unpredictable and sometimes serendipitous nature of the process. Sector programs that are *positioned* to impact systems have demonstrated

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<sup>9</sup> Manuel Pastor, *Economic Opportunity In a Volatile Economy: Understanding the Role of Labor Market Intermediaries In Two Regions Final Research Report* (Working Partnerships USA and Center on Wisconsin Strategy, May 2003).

<sup>10</sup> Among the Mott SEI programs, organizations working on upgrading jobs that offer low pay and minimal if any benefits developed clearer visions about systems change and more aggressive sectoral strategies than did those that were working to provide access to good jobs.

that unique opportunities to affect systems often arise unexpectedly and can result in the program's involvement in creating change in ways that it would not have anticipated. Furthermore, outcomes measurement is challenged by the difficulties of showing a causal relationship between the program and changes in systems that are influenced by a myriad of external and internal factors.

### ***Participant Outcomes***

Much of the research on sector initiatives to date has focused on documenting participant outcomes from training. With an in-depth understanding of the skill requirements specific to a targeted occupation and training content and context that is relevant and accessible to participants, sectoral employment development programs are seen as preparing individuals not only with the skills to accomplish a specific job, but also for the work environment in a particular industry. The expectation is that the approach can achieve better participant outcomes than less focused training efforts. Two organizations have done longitudinal surveys of participants in sectoral employment programs to assess participant outcomes: the Aspen Institute within its Sectoral Employment Development Learning Project (SEDLP), and Public/Private Ventures within its Sectoral Employment Initiative (SEI). A selection of specific findings from these two studies is summarized below. In addition, some work has been done to benchmark outcomes from studies of sector programs against outcome information from other evaluations of training efforts. Highlights from this work are also referenced below.

The SEDLP and SEI employed similar methodologies in their investigations of participant outcomes, but differed in that SEDLP examined the experience of participants of six well-established sectoral programs, while SEI studied participants of nine newly formed sectoral initiatives. Both studies conducted "baseline" surveys to estimate the pre-training situations of participants, and then implemented 1-year and 2-year follow up surveys. In addition, the researchers collected information from sites regarding initial outcomes at placement. The participant outcomes data on sector programs currently available are only pre-post information, but Public/Private Ventures is in the process of conducting a random assignment study that may address fill this gap.

### ***Key Findings***

From the results of their baseline surveys, both studies found some similar features among individuals who choose to participate in sectoral programs.<sup>11</sup> While the studies expressed their results in somewhat different terms, both found that participants generally had work experience – frequently a substantial amount, and a high school degree or GED – but that participants' hourly earnings and income were quite low and most participants had experienced several periods of unemployment. In addition, participants tended to be in their prime working years, with average ages in the mid-thirties, and were generally African American or Latino. Each study included a slightly higher proportion of women than men, but each found that the gender distribution across programs varied considerably and appeared to be greatly influenced by the target sector. The studies also examined a range of other characteristics of participants including their asset levels,

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<sup>11</sup> It is important to keep in mind that the sectoral initiatives are voluntary programs, and thus not strictly comparable to training efforts targeted toward welfare recipients, in which participation may be mandatory.



public assistance receipt, household income, household composition, perceived barriers to employment, etc.

Data on outcomes immediately following training offered some similarities and differences. SEDLP found that 72 percent of participants had completed training within 60 to 90 days of the expected completion date. Programs participating in the SEI had an average completion rate of 64 percent over the three years of the initiative.

Graduates of the sectoral programs generally were employed following training; both SEDLP and SEI found that 84 percent of program graduates were employed after training. The studies also reported that participants generally found jobs with higher wages than those they had had prior to training, but that there were substantial differences across individual programs in terms of participant wages at placement and the degree to which placement wages exceeded those of pre-training jobs. For SEDLP programs, many of the differences in wage performance were unsurprising when viewed in the context of the industry and the overall sectoral strategy. For example, average hourly earnings of Project QUEST participants went from \$6.74 to \$9.66 after training, and the program offers an intensive long-term training that generally results in an associates degree or a certificate from the community college. In contrast, GIDC offers training to sewing machine operators to improve their skill as part of a suite of services it provides in seeking to retain garment industry jobs. Its training program is relatively short term, and participants wages went from \$7.67 prior to training to \$8.39 at placement.

The SEDLP has also published its findings from its one-year and two-year post training surveys of participants.<sup>12</sup> In sum, in contrast to past patterns, in which they moved from one job to another without advancing, many participants seem to have found a place in the labor market from which to move up. For example, among those who worked, median personal earnings rose from \$8,580 at baseline to \$14,040 in the year following training to \$17,732 in the second year after training. Further, the percentage of respondents who worked at some point during the year prior to responding to the survey went from 74 percent before training to 94 percent after training. The percentage of individuals who were working year round went from 23 percent prior to training to 55 percent in the first year following training to 66 percent in the second year following training.

In addition, the benefits participants received through their jobs – health insurance, paid sick and vacation leave, pension plans, etc. – were much improved post-training. Specifically, 78 percent of the main jobs that participants held during the first and second years after training provided access to health insurance, as compared to 50 percent prior to training. Interestingly, the proportion of participants who actually get health insurance through their jobs rose from 53 percent in the first year following training to 65 percent in the second year. This increase may have been facilitated by the improved employment stability described above. Substantial percentages of participants also reported receiving other employment benefits such as paid

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12 Zandniapour, Lily, M. Conway, *Closing the Gap: How Sectoral Workforce Development Programs Benefit the Working Poor* (Washington, DC: The Aspen Institute, July 2001).

Zandniapour, Lily, M. Conway, *Gaining Ground: The Labor Market Progress of Participants of Sectoral Employment Development Programs* (Washington, DC: The Aspen Institute, February 2002).

vacation (77 percent), paid sick leave (64 percent) and pension other than Social Security (59 percent).

Responses to open-ended survey questions also show that participants generally feel better about the quality of their jobs and their opportunities for advancement after the training, and that they attribute this improvement to their experience with the training program. For example, 82 percent of all respondents said that they believe their future job prospects are better today due to their participation in the sectoral program. Many individuals also expressed an increased desire to further develop their skills and education credentials, and an increased sense of confidence that they have the ability to achieve their goals.

An analysis of the SEI survey data on the employment outcomes of participants from the six programs that provided skills training as their primary strategy indicates that these participants were able to access higher-quality jobs in the two years after training than they had in the past. Participants' hourly wages at their most recent job two years after training averaged \$11.09 – a 30 percent increase over the most recent average hourly wages they earned prior to entering the programs. More than three-quarters (77 percent) worked full time at their most recent job 24 months after training. The percentage with health insurance available through their employer increased from 49 to 73 percent, while the percentage with paid sick leave increased from 35 to 58 percent.

The SEI participants in training programs worked more consistently after training and had significantly greater annual earnings. The percentage of participants working during all 12 months of the year increased from 22 percent in the year prior to program entry to 49 percent one year after training and 61 percent two years after training. The average number of months during which participants worked in the first and second years after training remained the same (9.4). These findings are significant given the fact that the 24-month interviews were completed between August 2001 and the end of 2003 and, thus, capture participants' labor market experience during the economic downturn. Finally, annual earnings among participants who worked increased on average from \$9,543 to \$20,095 during the second year after training.<sup>13</sup>

There are lingering questions about how more participants can achieve self-sufficiency. While the vast majority of SEDLP and many SEI participants made great strides in the labor market, a substantial segment were not earning family supporting incomes by the end of the studies. It remains to be seen whether this is a matter of time, or if further interventions are needed.

In an attempt to benchmark the outcomes of sectoral program participants with those of other efforts to connect low-income people to jobs, SEDLP examined outcomes from a range of other studies. Studies considered included the National JTPA Study, The Center for Employment Training (CET) evaluation, the National Evaluation of Welfare-to-Work Strategies discussion of the Portland, Oregon JOBS program, the Annie E. Casey Jobs Initiative (JI) evaluation.<sup>14</sup> While

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<sup>13</sup> Public/Private Ventures, 2004.

<sup>14</sup> While JI sites are not sectoral, they share some common features in that they targeted specific industries, aimed to improve employment outcomes for low-income individuals and focused on systems change. The number of industries chosen, however, varied across sites, with JI programs typically focusing on three to four industries. In addition, JI sites included direct placement strategies, in which participants were placed as quickly as possible into a

the findings from these studies are not directly comparable, the overall impression gleaned from viewing the outcomes in the context of the other studies is essentially that (a) all of the evaluations considered showed positive employment and earnings results for participants, and (b) the sectoral evaluations and the JI evaluation showed much more substantial changes in earnings among participants than the other evaluations. However, as mentioned, a number of factors limit the utility of these data for benchmark purposes. For example, while JTPA was a voluntary program, some of the welfare evaluations, such as NEWWS, discuss mandatory programs, and almost all were operated at a much larger scale than the sectoral initiatives evaluated to date. Indeed, whether sector initiatives can be operated on such a large scale is an open question.

Another rich source of outcomes information comes from the data that programs track themselves. As mentioned in the practice section, funding sources will often drive the outcomes that programs track, and, obviously, determine to whom that data is reported.

### ***Employer Outcomes***

Sector programs' ability to work strategically on the demand side of the labor market is a key feature that distinguishes them in the workforce development field. Based on a rigorous application of the sectoral defining framework, the hallmark of a sectoral approach is a deep connection to industry and the ability to address issues and concerns of employers and industry as well as workers. Documentation describing an explicit focus on employers as a critical client set or customer base for workforce development services as an integral component of the sectoral employment development strategy goes back to the earliest studies of the field. With the advent of workforce policy stressing this familiar dual focus – both employers and workers as customers – practice in the more traditional employment and training field has shifted to encompass, at least in theory of design, this focus on providing services that are of value to employers.

Despite this very strong recent trend in the workforce development field, there has not been a strong concomitant movement to assess whether, what, and to what extent outcomes accrue to employers. There is a very practical reason for this gap. Unlike measuring worker outcomes, for which there exists a commonly accepted set of indicators and benchmarks, measuring training-related outcomes that accrue to business and employers is notoriously elusive and difficult. Because there is little in the way of a commonly accepted organizing research framework that defines indicators or provides practical tools for measuring or analyzing outcomes to employers, and such a framework would also require commitment on the part of employers to provide relevant data, much of the literature describing what we know about how employers derive value from even industry-based workforce development services is anecdotal and based on case studies of individual programs working with individual employers. Having said this, there recently has been a very explicit focus in sector and other relevant workforce development research and literature to highlight how employers view and define the benefits they receive from these services. Thus we do find that there is a growing, if nascent, body of work that is beginning to try to describe and document outcomes to employers.

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qualifying job, without any prior training or preparation for work and without any consideration of sector. Jobs were deemed qualified based on meeting a wage threshold.

### ***Key Findings Relevant to Issue***

Published research directly describing outcomes that accrue to employers who participate in sectoral employment development programs is characterized by a few program studies. Case studies published by the Aspen Institute as part of the Sectoral Employment Development Learning Project provide anecdotal documentation based on interviews with a few employers at each of six sites. The Annie E. Casey Jobs Initiative evaluation attempted to document outcomes that accrued to employers across its ten demonstration sites (not all of which are characterized as sectoral programs). The Conference Board of Canada evaluated outcomes of joint labor-management educational programs based on interviews with multiple employers who participated with three sectoral employment development programs – 1199 Training and Upgrading Fund in New York, the Alliance for Employee Growth and Development in New Jersey and the Culinary Training Academy in Nevada. Two U.S. Department of Labor studies – the *Evaluation of the Sectoral Employment Demonstration Executive Summary* and the *Skills Shortages Demonstration Program Evaluation* – lay out a number of areas in which programs reported that employers expected to see outcomes.<sup>15</sup>

Work by Public Policy Associates and San Francisco Works documents outcomes to employers who participate in industry, employer, or occupation-specific training, and these outcomes are certainly relevant as we search for a defining framework within which to assess our understanding of the scope of employer outcomes. Evaluations of joint labor-management educational programs and worker education programs published by the Conference Board, the American Society for Training Development (ASTD) and the Association of Joint Labor-Management Educational Programs (AJLMEP) – while also not specifically evaluating programs characterized as sectoral employment development, are helpful for the progress they make in defining a wide range of workplace indicators that employers note were affected by education/training programs.

Explicitly recognizing that workforce development intermediaries encompass a broad range of institutions and functions, the Partnership for Employer-Employee Responsive Systems (PEERS) conducted a national survey of manufacturers. The survey, completed by 264 respondents, was designed to determine what workforce intermediary functions are reported by employers to directly affect employee turnover – indirectly affecting labor productivity and wages.

Finally, the Aspen Institute published a review of literature and study methodologies for measuring outcomes of training that accrue to employers selected to inform a current project, Documenting Demand Side Outcomes, a learning laboratory of ten sectoral programs and employer partners who are designing an evaluation framework of indicators and measurement tools for testing in summer/fall 2004.<sup>16</sup> This literature review publication summarizes a number of multi-firm studies of return to business from training and case studies that were mostly designed to measure Return on Investment to employers from training. Both of these sets of

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<sup>15</sup> Nancy Pindus, and others, *Evaluation of the Sectoral Employment Demonstration Executive Summary, Revised Draft* (Washington, DC: The Urban Institute and The Aspen Institute, March 2004).

Jeffery Padden and N. Hewat, *Skills Shortages Demonstration Program, Final Report* (Lansing, MI: Public Policy Associates, Inc., June 2003).

<sup>16</sup> Maureen Conway, and others, *Investigating Demand Side Outcomes: Literature Review and Implications* (Washington D.C.: The Aspen Institute, March 2003).

literature yield helpful insights for considering measurement, documentation and evaluation issues.

Thus, in order to provide context for a discussion of what appears to be an emerging and important area requiring further documentation and knowledge, in this research overview we draw upon research that is based on programming that may or may not fit the most rigorous application of the definition of a sectoral employment development program. As noted previously, this field of inquiry is only very recently receiving a larger share of focus in evaluations of sectoral programs. And methodologies for rigorous investigation into outcomes of training by intermediaries for the workplace are not well defined.

With a few exceptions, most of the research described above has been qualitative and case study or interview-based. This qualitative work lays important groundwork for understanding the ways in which employers define the outcomes that they either accrue or expect to accrue from their participation with sectoral employment development programs. The indicators that recur most frequently include retention, turnover, access to a larger pool of job candidates, productivity, incidence of labor-management grievances, diversity and access to free or reasonably priced skills training. Other indicators that have been cited include access to work-ready job candidates, improved business competitiveness, assistance addressing demographic transitions in the labor force, skill gains, assistance with diagnosing workforce development needs, relations with organized labor and access to training infrastructure.

With a few exceptions, most reports of outcomes accruing to employers are very anecdotal in nature. And in the case of a number of the evaluations, employer outcomes were described more as goals of the strategy than as measurable outcomes. Evaluations largely did not employ a standardized methodology designed for measuring whether or to what extent desired or predicted outcomes had occurred.<sup>17</sup>

The evaluation conducted by San Francisco Works of pre-employment training programs designed for five large employers is somewhat of an exception. The methodology they used was case study-based and relied, ex-post facto, on structured interviews with human resources staff. In some cases employers provided quantitative estimates of outcomes they accrued. However, their research methodology and tools were not designed to derive standardized quantitative estimates. The types of outcomes that employers reported included access to new sources of job applicants, cost savings related to recruitment, retention compared to traditional hires, turnover, tax credits, community reputation, training costs, productivity, employee loyalty and diversity. It is important to note that SF Works researchers reported that employers collect and maintain far less data on their employees than they had anticipated.

Another exception is the evaluation of joint labor-management educational programs conducted by the American Society for Training Development (ASTD) and the Association of Joint Labor-Management Educational Programs (AJLMEP). Their work, based on interviews with employers who participated in joint labor-management training programs, is helpful for defining

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<sup>17</sup> For many of the evaluations, programs reviewed were young or small in scale, meaning that few employers were involved or that employers had hired only a few trainees. This is a common and serious challenge to designing a more rigorous methodology for measuring employer outcomes.

a number of workplace indicators that employers note were affected by education/training programs. These include work quality, labor management relations, promotion of employees within the organization, employee retention, wage growth and absenteeism.<sup>18</sup>

The Conference Board conducted a study to assess the economic benefits of workplace education programs (WEPs). Again, this evaluation did not explicitly identify sectoral employment development programs as its research subject. Rather the Conference Board defined WEPs very broadly as programs designed to develop basic skills or technical and job-specific training. Their report outlines a broad range of outcomes identified by employers as accruing as the result of training.<sup>19</sup> They note the percent of employers who report accruing specific benefits. And they provide a number of very brief case study examples of employer experiences, some of which are quite specific about changes in workplace performance or profitability, that employers attribute to training. The list of indicators reported by employers is arguably the most comprehensive set of indicators of employer outcomes documented to date. However, the methodology used to derive the quantitative and qualitative estimates made by employers is not detailed.

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<sup>18</sup> Employers were asked to assess the impact of training on a lickert scale running from 0=None to 3 A Great Deal).

<sup>19</sup> The Conference Board, *Turning Skills into Profit: Economic Benefits of Workplace Education Programs* (The Conference Board).

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