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MSU EDA University Center for Regional Economic Innovation
Center for Community & Economic Development
1615 E. Michigan Avenue
Lansing, MI 48912 USA
<http://www.reicenter.org>



U.S. ECONOMIC DEVELOPMENT ADMINISTRATION

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The Impact of Employer Commitment vs. Workforce Development Training Programs in Michigan

Analysis of Workforce Development in SouthEast Michigan

Marcus Jones
Yvette Ruffin
Detroit Training Center

2015 Co-Learning Plan Series
MSU EDA University Center for Regional Economic Innovation

MICHIGAN STATE
UNIVERSITY

University Outreach
and Engagement

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CONTENTS

INTRODUCTION	3
WHY WORKFORCE DEVELOPMENT IS IMPORTANT FOR ECONOMIC DEVELOPMENT	4
SIMILAR PRACTICES, TOOLS, MODELS, OR EVENTS, ACROSS THE NATION AND GLOBE SUPPORTING THIS TYPE OF ACTIVITY	4
CURRENT PROGRAMS THAT EXIST AND DISCUSS THE SUCCESSES AND FAILURE OF VARIOUS PROGRAMS.....	7
WHAT MODELS HAVE BEEN USED SUCCESSFULLY IN OTHER STATES?.....	9
WHAT TYPE OF POLICIES AND PROCEDURES CAN WE CREATE TO MAKE WORKFORCE TRAINING PROGRAMS BETTER?	10
PARTNER FEEDBACK / RESEARCH	11
CONCLUSION.....	13
REFERENCES	15

INTRODUCTION

An economy is built off of the strength of its workforce, driven by businesses that effectively use trained individuals for specific tasks and production. Having a properly equipped workforce requires the professional development of those who are the hardest to employ, and often lack no more than a high school education. Workforce training programs often target this population using the support of government and foundational funding. If done successfully, a workforce program can have a direct impact on the local economy by leading to job placement, reduction of government assistance, and increased local economic spending.

Providing training for an individual who can be effectively useful for an employer is critical for economic growth. Effectively understanding how workforce job training programs should be structured (whether it should be employer driven or non-employer driven) is imperative for a growing economy. This can lead to effective use of government and foundational spending.

The goal of this research is to determine whether employer led training versus non-employer led training is more beneficial to the government, employers, and trainees. Often job training programs have limited success and leave trainees with skills that are not in demand or not needed by employers who are actively hiring. Workforce development programs have been scrutinized by its success and failures, often by the number of students who gain employment post-training.

Funding for these programs is often tied to the number of jobs and employers available to potentially hire graduates from workforce development programs. With trainees often receiving training in areas with limited job demand and growth, funders are rethinking workforce development support and the funding for these programs. Employers are also fed up with workforce programs, and those who desperately need skilled workers are left to hire off the street. This cycle creates high recruiting and employment cost for employers who are hiring and spending their resources on training new workers, while creating fiscal waste on supporting training that does not lead to job placement.

We must close the gap between employers looking to hire workers and workforce training programs. Funding for these programs can be put to better use if collaboration between the public and private sector work together to increase workforce development effectiveness. The cost to employers and the overall cost to the local economy is huge, however this can be resolved if resources and data are leveraged and used effectively.

WHY WORKFORCE DEVELOPMENT IS IMPORTANT FOR ECONOMIC DEVELOPMENT

Workforce training programs can be funded via the government or by employers. This project will investigate the cost to the government, employer contributions, and the support from the not-for-profit community, against the ultimate success of the students post-training. One indicator of success will be measured simply by looking at job placement and average wages. A series of surveys will be sent to training recipients to determine the effectiveness of the training program. We will also seek input from program providers and funders to determine the various variables for training such as entrance requirements, overall program success, and obstacles they face when providing workforce job training programs.

In this study we will investigate the variables we gather from surveys to determine the best approach to maximize training cost per individual, for both those unemployed and those who are underemployed. We will study both an employer led training program and analyze the outcome, versus a curriculum driven training program. We will also investigate hybrid training programs that involve some employer input along with a broad curriculum based approach.

Understanding the method to construct effective workforce programs is critical for proper government spending, which will maximize budgets and total impact the jobs created will have on the economy. Workforce development is integral to economic development. Job training and job creation have been key political topics for the last decade, and with an increasing number of aging skilled-workers, the creation of more job training programs and initiatives will be necessary for the state of Michigan and America's future. For companies to continue to grow, thrive, and be competitive, a skilled workforce and a pipeline for talent must be developed if we want to have strong economic development. The more companies grow and hire workers, the more all businesses will flourish, such as through consumer spending, by increasing the number of tax paying citizens, and hopefully through purchasing a home in their local community.

SIMILAR PRACTICES, TOOLS, MODELS, OR EVENTS, ACROSS THE NATION AND GLOBE SUPPORTING THIS TYPE OF ACTIVITY

Apprenticeships

Apprenticeships, which have existed for thousands of years, are the most common workforce training program and help to create a culture of training the next generation.

Apprenticeships offer opportunities for students to learn a basic set of skills in a specific area of interest.

Benefits of apprenticeships include:

- entry level experience in a particular industry where the student will gain practical experience, and the opportunity to demonstrate to potential future employers that the necessary skills and training have been obtained
- apprenticeships provide the opportunity to earn while learning from the start
- apprenticeships are heavily funded by the government
- career advancement

Apprenticeships are different from traditional workforce development programs in the fact that they require higher admission standards and aptitude tests to be considered for certain training programs. The requirements for acceptance are often more difficult than your typical workforce development program,

where students must have a certain aptitude to be considered for admission into these programs. Often apprenticeships will deduct dues from the wages of the workers.

GERMAN JOB TRAINING AND SUCCESSES

More and more businesses are struggling to find workers with the skills to man new machines and manage new business processes. One solution that has intrigued employers, educators, and policymakers is the European-style apprenticeship.

In Germany, there are a half dozen apprenticeship programs at brand name companies like Daimler, Siemens, and Bosch. Today in America, fewer than 5 percent of young people train as apprentices, with the majority of them in the construction trades. In Germany, the number is closer to 60 percent, in fields such as advanced manufacturing, IT, banking, and hospitality. In Europe, what's referred to as "dual training" is a highly respected career path.

"Dual training" is the idea that trainees split their days between classroom instruction at a vocational school and on-the-job training at a company. What is learned in the classroom is reinforced by the practicing at work. They also learn work habits, responsibility, and the culture of the company. Trainees are paid for their time, including in class time. The program lasts for two to four years, depending on the industry or field. Both the employer and employee generally hope the program will lead to a permanent job. For employers, apprentices are a well-trained talent pool.

With German apprenticeships, employers and the employees respect the work process. German firms do not view dual training as a program for struggling students or at-risk youth. In Germany, apprenticeships have nothing to do with corporate, social responsibility. Apprenticeships exist because organizations need talent.

German companies are looking for quality. As for trainees, they learn quickly. Apprenticeships are extremely popular. At the John Deere plant in Mannheim, 3,100 young people apply each year for 60 slots; at Deutsche Bank in Frankfurt, it has 22,000 applicants for 425 places. They grow up fast, learning not just work skills, but also responsibility.

Employers and employees want more from an apprenticeship than short-term training. What's needed are people who can solve problems. Employers want skilled, thoughtful, self-reliant employees who understand the organization's goals, processes, and provide solutions when things go wrong or when they see an opportunity to make a process work better.

Each German company has a different way of calculating the bill, but the figures range from \$25,000 per apprentice to more than \$80,000. In Germany, the state pays. In many instances, the state pours money into local high schools and community colleges to transform them into effective training partners.

EPA: ENVIRONMENTAL WORKFORCE DEVELOPMENT AND JOB TRAINING SUCCESS STORY

The Civic Works Service Corps is a non-profit and an AmeriCorps program located in the city of Baltimore. Through the help of grants from the Environmental Protection Agency (EPA), Civic Works is able to provide occupational training such as environmental job training to create new opportunities for residents who have typically had limited employment options.

Civic Works was awarded their first Brownfields Job Training Grant from the EPA in 2001. The success of the grant led Civic Works to expand, including an initiative to provide additional occupational skills training for local residents looking to develop environmental careers. The Baltimore Center for Green Careers (BCGC), opened in 2010 using \$200,000 from the EPA Brownfields Job Training Grant. The

BCGC was developed mainly in response to the high unemployment rates and other economic and social barriers affecting residents who may have been incarcerated or did not graduate high school. The BCGC's mission is to "create business and employment development initiatives that contribute to environmental sustainability and are open to all Baltimore job seekers." (EPA, 2012)

Within the program, they created a six week training curriculum, where the students received a minimum of six certifications. The certifications included: OSHA Hazardous Waste Site Worker (HAZWOPER); Asbestos Abatement Supervisor; Lead Abatement Worker; and Confined Space Operations. Through this program, over 80 people were trained, yielding a 90 percent graduation rate and 90 percent employment rate upon graduating. Graduates of made an average of \$12.00 to \$16.00 per hour after the completion of the program. BCGC graduates have gone on to work on regional environmental cleanup projects ranging from asbestos abatement to hazardous waste removal and weatherization of buildings and homes.(EPA, 2012)

CURRENT PROGRAMS THAT EXIST AND DISCUSS THE SUCCESSES AND FAILURE OF VARIOUS PROGRAMS.

There are a number of workforce training programs that exist nationwide, statewide, and locally. A few statewide programs that are offered through the State of Michigan Workforce Development Agency are Michigan Works!, PATH, Workforce Investment Act (WIA) Adult and Dislocated Worker programs. These programs have been developed to address the specific needs of both job-seekers and employers alike.

The Department of Labor created a Displaced Worker Training (DWT) program, administered to provide sizeable grants for longer-term job re-skilling and training (Weigensberg, et al., 2012). This program was created to assist workers, who had been laid off or were about to be laid off, with new skills that would allow them to become more marketable and employable. The Department of Labor also created the Trade Adjustment Assistance (TAA) program to assist those who have lost their jobs due to international trade, (www.dol.gov). This program was developed in 1975 and provides support to a group of workers from the same firm, filing a petition regarding their jobs being lost due to foreign trade.

Michigan Works! was established in 1987 and was the first unified workforce development system in the country. 25 regional agencies are located across the state, with the goal to meet the employment needs of job-seekers. Each agency is responsive to its local market and is driven by demand and feedback from employers. Businesses can also work with Michigan Works! to create skilled-trade training programs, driven by job demand. These agencies vary with the programs and services they can offer, however all customers of Michigan Works! will receive resume assistance and leads to potential job opportunities.

PATH program formally known as JETS (Jobs, Education, and Training) is a work participation program for families receiving cash assistance. The programs can provide job training assistance to those who are unemployed, looking to gain a skill that would allow that individual to be more employable at the end of the training. This program usually provides an individual with the opportunity to join a curriculum based training program. After the participant earns a job, the participant no longer receives cash assistance.

A few examples of state funded employer-led training programs include the creation of the Skilled Trades Training Fund (STTF) and the Michigan Community Ventures Program, which were enacted in the state legislature in 2013. Employers receive awards for conducting training that will increase productivity and employment retention, which would allow for Michigan based business to grow and be more competitive.

The Skilled Trade Training Fund was created by Michigan Governor to assist businesses in filling critical talent needs and provide workers with skills needed for in-demand jobs. This program is competitive, with awards given for short-term training that boosts quality and competition, which leads to new jobs and/or wage growth for existing workers.

Community Ventures is a statewide initiative that was created to help those who are structurally unemployed find job opportunities with Michigan companies based in distressed urban areas. The program provides “wrap-around” service to assist with job retention and remove barriers to employment. Employers benefit from the program, usually through a wage reimbursement. These are particularly

critical for employers who require specialized training or licensing. Employers in turn, help create career pathways for the new employees who are hired through the community ventures program.

A few non-profit agencies have raised money to provide their own workforce training to individuals from the Detroit, Hamtramck, and Highland Park communities. Earn + Learn is a program offered by two local non-profit organizations, Focus Hope and Southwest Solutions, established to target minority males between the ages of 18 - 24 years of age, and those who are chronically unemployed or formerly incarcerated. Participants receive 4-weeks of workplace readiness training before entering an occupational training program. Training programs are screened and must show successful job placement before an Earn + Learn participant is allowed to enroll in the program.

WHAT MODELS HAVE BEEN USED SUCCESSFULLY IN OTHER STATES?

The Workforce Employer Resource Collaborative (WERC), is a unique collaborative that consists of over 20 workforce organizations and employers across the local Chicago area. While there are some success stories with the collaborative, some member organizations indicate that some programs are very protective of their employer relationships, noting some skepticism to sharing their relationship to other programs. Employer relationships for workforce programs are critical to the success of a particular workforce program. (Greenstone & Looney, 2011)

Other studies have indicated that relationships with community organizations can help provide and meet the needs of the local population. These relationships lead to referrals and the sharing of resources, such as GED, ESL, and literacy based training programs, along with additional supportive services such as day-care services, housing, and food assistance. These organizations consist of local churches, schools, chambers of commerce, Department of Human Services, and other local community agencies.

In Boston, a program called YearUp, low-income displaced residents were provided in a 6-month intense technical training program, along with a 6-month internship. The program included close cooperation with employers, along with practical skills training. The adults who went through the program earned 30% more than the previous year. These programs were more costly and lasted longer, relative to programs that were shorter and helped people get into the workforce quicker. (Weigensberg, et al., 2012)

WHAT TYPE OF POLICIES AND PROCEDURES CAN WE CREATE TO MAKE WORKFORCE TRAINING PROGRAMS BETTER?

According to a study conducted by the Brookings Institute, most successful training programs work directly with employers and industry partners to ensure workforce participants receive training in areas that are in demand (Weigensberg, et al., 2012). Engaging employers and industry partners who know what skills future employees need, while helping direct training programs.

Training programs must also follow labor trends in their local areas and must quickly adapt to the ever changing labor market to adjust to the demand and input from potential employers. One strategy suggested was to provide performance incentives to both participants and providers, along with evaluation and the dissemination of best practices amongst training providers (Weigensberg, et al., 2012). These programs would demonstrate their flexibility and consistent adaptation to the changing job market trends.

While training programs are adjusting their programs to market trends, a continued effort should be in place to help those who have been displaced or out of work. Often, this group has had doors closed on them for a while and lack confidence in really obtaining a job, let alone a career. In a 2010 paper *“Grading Higher Education: Giving Consumers the Information They Need,”* Author Bridget Terry Long suggests that displaced workers and disadvantaged workers need easy-to-access information on how graduates from various training programs fare in the labor market (Weigensberg, et al., 2012). These individuals should also understand the economic implications of gaining a skill, including cost and economic benefits on various training programs offered in order to make the best decision and direction. This could lead to an increased moral and drive for program participants to complete the job training program.

Non-employer led training would allow individuals to seek opportunities that are more entrepreneurial. For example, Detroit Training Center (DTC) asbestos abatement contractor supervisor license, and lead abatement supervisor license, can allow a student to form their own company conducting environmental remediation. Providing students with various qualifications and certifications would allow them to seek more opportunities and market themselves in a manner that is unique to a customized job-training program, as well as specific for an employer. This could open up various doors of opportunity for program graduates. Several students have taken the training classes and decided to work for themselves and in rare occasions have hired fellow classmates.

We need to create policies that make it easier for those who are looking for a job or an opportunity to move up from a minimum to medium wage job. One problem with workforce development is most programs are underfunded and lack the ability to provide a long-term training for displaced workers. Creating long-term strategies for dislocated and displaced workers that address vocational/technical and basic skills will allow those who aren't participating in the workforce the opportunity to participate in America's economic recovery.

PARTNER FEEDBACK / RESEARCH

We sought feedback from training providers and organizations that provide funding to students. We asked these organizations the following four questions:

Four organizations responded and provided the following responses in regards to Question 1:

What is the biggest challenge facing workforce development training programs?

Two of the organizations responded alike: *“Funding for training programs was the biggest challenge faced by workforce development training programs.”*

“The biggest challenge is that a great deal of clients that attend these programs have vast educational disparities. These clients may lack a high school diploma or GED and in some cases they may have attained a diploma or GED but score very low on competency exams.”

“Knowing the validity of the programs, weather programs have been designed for the customer to gain a new skillset or improve upon existing skills versus providers seeking monetary gain, ensuring that training is in a demand industry, with an identifiable career ladder”.

Four organizations responded and provided the following responses in regards to Question 2:

What are some of the gaps that have been identified in workforce training programs?

“Some gaps that have been identified in workforce training programs include clients lacking certain skills, education, and/or training required by hire wage paying employers”.

“Mentors, computer literacy, addressing cultural change for participants - not just mechanics. For example: dynamics of working in a group setting”.

“Program outcomes vs. participant expectations, ensuring that students have a thorough understanding of what to expect when training completed.”

“Funding to maintain programs and see those programs grow.”

Four organizations responded and provided the following responses in regards to Question 3: Do you think Workforce Development programs need to focus on long term training for displaced workers? Explain?

“Yes, when a customer becomes a dislocated worker and has experienced long-term unemployment, a long term training plan is optimal to place the customer on a pathway to long term sustainable employment”.

“No, there has to be a combination because not everyone is ready/able to take on a long term training. Training in segments where credentials can be stacked is ideal, as well as apprenticeship training programs where individuals receive employment and training”.

“I believe that workforce development programs do need to focus on long term training for displaced workers. With the tech and medical boom occurring in the state of Michigan, many people are going to lose their jobs. They need to be adequately trained to re-enter and be productive in the future workforce. In order for these individuals to meet the education requirements for these specialized fields, the clients may need to attend trainings that exceed the current 12 month in a lifetime vocational standard for training.”

“Co-op opportunities and a higher focus on long-term job demands and the extended training programs required to ensure that stackable credentials are attained, in addition more support for these students is required to assist them with successfully completing longer training programs.”

Four organizations responded and provided the following responses in regards to Question 4: How often are employers engaged with the development of training programs for workforce development programs?

“Not often, the ideal situation would be to have all trainings be employer led to ensure a high number of placements. This would also reduce frustration from participants expecting to have employment upon completion of the training program.”

“Employers are not engaged enough. Many times when employers are engaged, it is the wrong people. Most times it is the recruiters not the managers and decision makers. Recruiters focus on the now, while the decision makers focus on what the company needs long term”

“Employers are engaged with the development of training programs when it is mandated by the program fiduciary. This is typically done at program inception, during program implementation and if the program has an end date or completion date then another follow up is expected”

CONCLUSION

The majority of our students were enrolled in a non-employer led training programs in which students were trained for jobs that were in demand by specific industries. No employers were committed to hiring the students. However, employers were asked what type of jobs they expected to be hiring for in the near future. Understanding the market demand was critical to achieving successful workforce development for program participants.

CURRENT ANALYSIS

We have surveyed 60 participants who were currently enrolled in the last week of our workforce training program. Students were asked to respond to surveys regarding their current financial status, barriers to employment, whether they are recipients of government benefits, and current employment status.

Of those students surveyed in the training programs, 83% of the students were male and 17% were female. Based on our findings, we discovered that 82% of students had previous work experience and 30% of students are currently employed with an average wage of \$11 per hour. Of those who are working, 78% percent found jobs that were full-time. On average 50% of students who entered the training program had at least one child. 55% of students who entered the training program received some form of government assistance (food assistance, cash assistance, or housing stipends) with an average amount of \$470 received per month. 58% of students surveyed have a felony or misdemeanor on their criminal record. Of those students surveyed, only 10% have attended an additional training program in the past.

COMPLETION RATE

Out of the 60 students that started the training programs in 2015, six students did not complete the training program. This represents a 90% completion rate for student enrollees in 2015. Of these six students, three students re-entered the correctional facility due to the terms of their probation and violating their release. Two students had medical issues mid-way through training, and one student was removed due to disciplinary issues in class.

ATTENDANCE RATE

Most workforce students took an average of 6 - 8 classes, over 6 - 8 weeks. 29 students were at least late once or missed a class during their workforce training program. This represents 48% percent of the students missed at least one class. Since classes are hour based, these students had to attend a make-up session for the missed hours or in certain cases had to retake the entire course due to regulation and course requirements.

Of the 22 students entering workforce training via the State of Michigan Department of Corrections Re-Entry Program, who were on parole, only three students were late at any time during their training program. This represents 14% of the students who had an absences during their training program.

PLACEMENT RATE

Upon the completion of the job training programs, 84% of the students we placed into full-time employment. The average wages ranged from \$14.00/hr - \$18.00/hr. Students without a felony background had an 84.62% placement rate, while those with a felony background had a 65.85% placement rate.

RETENTION RATE

Due to the time constraint of the project, we did not have a long enough period to track retention post-graduation. We hope that we can gather this data at a later date.

Overall, we have had limited employer led training programs in 2015. However, with the non-employer led training programs, we learned that if you prepare students for jobs that are needed by the market, students can be successful in obtaining employment after the completion of the programs.

It has been noted from the Brookings research that the best strategy is to “work with employers to determine what jobs are in demand, and to determine what skills are in need by these employers and also their particular industry. Having employers in engaged in the development of the training programs is critical in ensuring that students learn skills that will be useful to the workforce. “Training providers also have to pay attention to market trends and labor trends” (Weigensberg, et al., 2012).

Students must also be motivated and committed to attend the training and to follow-through in the program or the training will be a complete waste of time and money. It is helpful to explain to those interested in workforce training, current job opportunities in the related field, and career opportunities for individuals who have those credentials earned post-training. “Transparency is critical to success of workforce programs. It is also important that trainees gain skills that are marketable, in-demand, and practical.” (Weigensberg, et al., 2012)

After months of research on this program, it is safe to conclude that workforce development does not have one solution. It can be said that multiple things must happen to ensure success at the end of the programs. Students must commit themselves to the training program, with an understanding of the job opportunities that await post-training, and training providers must train for market demands. Community partners have to be engaged and collaboration is essential in providing the “wrap-around” service that an organization may lack. Ultimately the biggest hurdle is financing these programs and providing long-term support for program participants.

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