

# Aligning Targeted Industry Strategies to Increase Economic Competitiveness and Worker Success – A *Concept Paper* by the National Governors Association Center for Best Practices and the Corporation for a Skilled Workforce

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## Concept Introduction

The United States finds itself in unprecedented and uncertain times, as secular changes in the economy at all levels – global, national, state, local – continue to emerge. In January 2011, 37 governors will begin terms of office, at least 23 of whom will be new. They will be faced with enormous challenges and sparse resources as they seek to “move the needle” on key issues and increase prosperity in their states.<sup>1</sup> In this challenging environment, what high leverage strategies can they deploy?

Entering 2011, Governors trying to define their strategies will find their peers and predecessors have been using a series of similar sounding, loosely related economic development, workforce and education strategies. Many states are identifying and supporting the growth of *industry clusters* that are crucial to their regional economies. Two dozen states promote industry-focused workforce development across their regions via *sector strategies*. An increasing number of states are adopting industry-focused *career pathway* approaches to supply industry with trained workers. A new, revitalized dialogue about *industry-recognized credentials* and their labor market value is happening nationwide. Secondary institutions continue to implement and experiment with *career cluster* coursework and *career academies*. Increasingly, federal investment is beginning to encourage adoption of these approaches, often on a multi-agency basis. A number of regional and national foundations have provided seed capital that has helped to develop these strategies.

Each of these ideas has been developed with at best limited interconnectivity with the others. We believe another level of depth is possible – states can achieve

scalable impact helping people, firms and communities far better by aligning and integrating these strategies. The National Governors Association’s Center for Best Practices (NGA Center) and the Corporation for a Skilled Workforce (CSW) are partnering to determine what is being learned about integrating these strategies and to test the potential of this approach in realizing major impact.

*Almost every state or region has some version of Industry Cluster approaches, Sector Strategies, Business Networks, Industry Associations, Centers of Excellence, Career Pathways, Career Clusters, and/or Career Academies. But are any of these efforts sufficient on their own? If not, where are they effectively aligned, coordinated or complimenting each other to achieve the level of impact needed for sustainable economic security?*

**The NGA Center and CSW believe that the time is right for focused analysis, technical assistance and peer learning about where these efforts are aligned and integrated, what impacts are possible when that occurs, and how state and federal policy can better promote their alignment.** Given the large turnover of Governors coming in 2011, the NGA Center and CSW see 2010-2011 as essential timing for

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<sup>1</sup> *The Big Shift*, NGA Center for Best Practices, February 2010.

doing the research, thinking and engagement that will allow a large cohort of new governors to quickly and clearly understand the opportunities presented by integrating and aligning multiple related industry-based economic development, education and workforce strategies into a unified, cohesive strategy that maximizes competitiveness for firms and workers. States could play a key role in strengthening connectivity across regional strategies that helps rebuild America’s middle class.

### Aligning Targeted Industry Strategies around Common Characteristics

Regional competitiveness theory is based on widely held assumptions about the factors that contribute to economic growth including, among others, a skilled workforce, R&D and innovation, suitable business regulations, and modern infrastructure. It is not enough though to promote these factors generically. It is our observation that efforts to promote these factors are most successful when promoted in the specific context of the industries that drive the economy of a region. Focusing on the “critical” industries of a region provides a framework for how public and private resources are effectively invested.

We also observe that a number of distinct competitiveness strategies use an industry-specific approach, including industry clusters, sector partnerships, business networks, career pathways, centers of excellence, career clusters, among others. In many cases, these strategies share other characteristics, including: **1) being regionally-based; 2) involving multiple firms in one or more inter-related industries; 3) using a public-private partnership model; (4) aiming to be employer-led and/or owned; (5) aligning and leveraging strategies and resources; 6) including a workforce education and training component; and (7) seeking outcomes of competitive workers and competitive firms.** Here are some of these strategies:

<i>The Strategy</i>	<i>A Working Definition<sup>2</sup></i>
<b>Industry Clusters</b>	Regional clusters or networks of firms (highly organized or loosely connected) related by common suppliers, shared markets, labor pools or infrastructure.
<b>Business Networks</b>	Firms brought together by a common challenge or issue, usually within a discrete region, and often convened by a lead firm who gives a <i>call to action</i> to others.
<b>Industry Associations</b>	A member-based network of firms within the same industry funded by members, that focuses on a variety of common needs of member firms.
<b>Sector Partnerships</b>	Employer-driven, public-private collaboratives that define common skills challenges and solutions across multiple firms in a specific industry.
<b>Centers of Excellence</b>	Generally considered an entity that acts as a broker of information and resources related to the innovation and competitiveness needs of a specific industry.
<b>Career Pathways</b>	A defined set of occupations within an industry, the skills needed for each, and the steps (coursework, certificates, etc) needed to advance from one to the next.
<b>Career Clusters</b>	Typically refers to the 16 Career Cluster framework used by the Department of Education to guide states and local areas in preparing students for careers.
<b>Career Academies</b>	Typically refers to K-12 “schools-within-schools” where students receive contextualized academic and vocational coursework related to a specific industry.

<sup>2</sup> These definitions not “standardized” in practice or policy, but for the purposes of this proposal are used to illustrate similarities and variations on industry-focused models for workforce and economic development.

While the degree to which the above characteristics are expressed within each strategy varies (largely depending on what public system or private entity is driving the activity), overlaps among them exist. If that overlap is moved from accidental and incidental to intentional, scalable and sustained, we believe substantial collective synergies will emerge. The theory, therefore, of a regional competitiveness plan is that by mapping and aligning these strategies (that independently may result in incremental improvements), regions will achieve greater and sustained change for people, firms, and communities.

## **Finding the Intersections between Targeted Industry Strategies**

### ***Linking Industry Clusters with Sector Strategies***

Industry clusters, by their nature, are typically driven and owned by employers. Industry clusters often include multiple, associated sub-sectors. When a cluster is more specialized to one sub-sector, and when it emphasizes a workforce component to addressing the industry sector's skill needs,<sup>3</sup> it may be categorized as what is nationally becoming known as a “*sector initiative*” or partnership.<sup>4</sup> Today two dozen states are designing sector strategies (policies that promote the development of regional sector partnerships) as a central element of their workforce and economic development agendas.

Theoretically, where sector partnerships are closely connected and intersecting with their umbrella clusters, synergies of association may launch larger scale change. This requires policy leaders and practitioners to understand the potential of both strategies in their regions, and find ways to promote their coinciding development. A region with strong industry clusters *and* the means to support sector partnership models within the sub-sectors of its clusters may have a powerful framework for meeting industry and workers' needs, including finding innovative ways to make postsecondary education institutions and programs more responsive to industry and easy to navigate for students.

### ***Integrating Cluster and Sector Strategies with Career Pathways and Career Technical Education***

An estimated eighty percent of available jobs by 2014 will require some post-secondary credential, but nearly half of the current adult workforce has only a high school degree or less. Of those adults with less than a high school degree, only six percent participate in adult basic education, and most do not persist long enough to advance even one grade level, let alone earn any kind of credential. Most of these jobs will need to be filled by adults already in the workforce, as two-thirds of the workforce of 2020 is already beyond K-12 engagement.<sup>5</sup> In this context, supporting development of high-wage, high-growth industry clusters will require integrating within that strategy an intentional focus on advancing and broadening the skills both of workers who face the need to make job and career changes and of working-age adults who lack the basic skills to compete for good jobs. Career pathway initiatives, a

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<sup>3</sup> According to research by Stuart Rosenfeld: “Of all the factors that motivate and grow (industry) clusters, none is more universally important than human resources.” (Rosenfeld, S. *Governors Guide: Cluster-Based Strategies for Growing State Economies*, Innovation Series, NGA Center for Best Practices and Council on Competitiveness, 2006.)

<sup>4</sup> *State Sector Strategies: Regional Solutions to Worker and Employer Needs*, NGA Center for Best Practices, November 2006

<sup>5</sup> Strawn, J. *Policies to Promote Adult Education and Post-Secondary Alignment*, Center for Law and Social Policy, August 2007.

major career & technical education strategy at both the secondary and post-secondary levels, often bridge well with the work of sector partnerships, offering clear steps and coursework for an individual to advance from entry to advanced skill positions within an industry. At the same time, sector partnerships can bring benefit to education and training institutions seeking to ensure their curriculum and credentials are relevant and credible within key industries. They provide “real time” input with substantial nuance that emerges from partnership tables at which industry members and educators collaborate. It is critical that industry be engaged as partners in re-designing or developing new credentials that are relevant to the job market and provide a higher wage and skill benefit to the worker. Because sector partnerships, in the best cases, are driven by employers in critical industries, these collaborative efforts result in industry-approved credentials that employers value, and can result in program alignment and systems change that improves the chances of completion by individual students.

### *State (and cross-State) Examples*

Some states recognize the advantages of connecting career pathway, sector partnership and industry clusters. In **Kentucky** the Community and Technical College System (KCTCS) awards grants to colleges to create career pathways in local high-growth industry sectors. Colleges apply in partnership with local employers, workforce investment boards, economic development agencies, and other stakeholders. Partnerships must clearly connect academic credentials with jobs; design bridge programs between remedial and credit-bearing courses; and provide strong student support services. The grants align with the statewide Ready to Work (RtW) program, which authorizes TANF clients to fulfill up to 24 months of work participation requirements by studying at community or technical colleges. Clients are considered post-secondary education students, even if enrolled in adult basic education, and therefore eligible for financial aid. TANF funds also pay for an on-site case manager to coordinate student support services.<sup>6</sup>

**Washington State** has been incrementally developing a framework that connects regional workforce efforts, adult education reform, and economic development for at least ten years. This takes various forms today, including competitively funding over 50 “Skill Panels” (regional sector partnerships) in various industries; establishing 11 Centers of Excellence housed at Community and Technical Colleges that focus on the training needs of specific, key economic clusters; and implementing the Integrated Basic Education and Skills Training (I-BEST) program which integrates remedial and ESL coursework with skills training in credit-bearing certificate programs in regional high-demand fields. But Washington State recognized that even in the best cases, these efforts were not always coordinated at local levels. In 2008 the State conducted a Regional Cluster Analysis to map industry clusters and specialties critical to local economies, and then funded five new projects to focus on industry cluster needs, align regional industry targeted efforts, and ensure that low-skilled workers advance into and within that industry.

The **Automotive Manufacturing Technical Education Collaborative (AMTEC)** started out as a customized training program between Toyota and the Kentucky Community and Technical College System (KCTCS). Today it spans from Michigan to South Carolina along the industry’s natural cluster, the

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<sup>6</sup> Conway, M., Blair, A., Dawson, S, Dworak-Munoz, L., *Sectoral Strategies for Low Income Workers: Lessons from the Field*, Chapter on Making it Work for Workers, 2007.

I-75 corridor. It includes multiple community colleges, foreign and domestic firms, union and non-union shops. Its goal: to make sure that a new generation of skilled, globally competitive auto workers exists. AMTEC uses a sector partnership approach to precisely identify the skills needs of workers across two critical job classifications (production and maintenance), and a career pathway approach to making sure coursework is modularized, flexible, contextualized, and with stackable credentials.

These and other anecdotes about interconnecting these industry-centered efforts argue that holistic, systemic alignment and integration of these strategies can pay huge dividends. Despite better connections between career pathways, sector partnerships, career technical programs and industry clusters, the question remains: **Is this enough?** Is it enough for individual systems to align programs with critical industries? Is it enough to assume connections across strategies will be made? Or is there a role for state policy to align strategies toward the big change needed to re-build the middle class?

**Without aligned state system engagement, states and regions may run the following persistent risks:**

1. Continuing to drive critical resources toward valuable but isolated industry-focused efforts;
2. Failing to leverage the specific expertise and resources of individual systems into a unified approach;
3. Leaving regions to struggle to piece together funding and support across disconnected systems, often resulting in duplication of efforts or small-scale solutions for large scale challenges.

## Proposed Project Activities

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### Phase I: Research and Data Gathering

NGA/CSW plans to undertake research to better understand how related industry-focused strategies align, or how they do not. The focus of the research will be on the points of intersection across related strategies at the regional level, and across state policies supporting these strategies at the state level.

NGA Center/CSW proposes the following activities during phase I:

- 1) **Producing a series of short case-studies and policy papers** (approx. 6-8 pages each) based on primary and secondary research. Case studies could take three different angles, and will be informed along the way with an Experts Roundtable:
  - a) Case studies specific to a state and its regions, identifying how industry cluster, sector, career pathway, and related efforts do and do not interact at the regional level, and how state policies drive the direction of each effort at the regional level, including cross-effort alignment;
  - b) Case studies highlighting the regional interaction of these related strategies in a rural economy verses a metropolitan economy; and
  - c) Issue-focused papers, including for example examining the connection between adult education reform and sector strategies; or identification of the “tools” available to state leadership to align industry-targeted strategies within a region (such as labor market information, performance measurement, or financial incentives). Topics to be determined.
  - d) Assemble an Experts Roundtable (timing to be determined) to assist with focused research questions that will inform the research and to discuss preliminary research findings.

- 2) **Convening a national forum (target: March-April 2011) for state policy leaders** from economic development, workforce development, secondary and post-secondary education, and others to discuss our research findings. The forum will:
  - a) Be open to all states, and will convene a set of experts in relevant topics;
  - b) Be specifically aimed at the at least 23 new Governors elected during the 38 total November 2010 state gubernatorial elections; and
  - c) Serve as an announcement opportunity for next phase of the project: a partnership with up to six states to plan and implement alignment policies.
- 3) **Designing an implementation phase** that will allow NGA Center/CSW to work in-depth with up to six states to plan and put in place a set of policies that strongly align their regional, industry-focused strategies for the benefit of people, firms and communities. Design phase will include writing a competitive RFP for state participants during phase II of project.

## **Phase II: Implementation (estimated April 2011 – September 2012)**

It is NGA Center/CSW's experience that state policy leaders benefit tremendously from peer-to-peer sharing opportunities supplemented with expert research and technical assistance. We also know that to develop new policy arenas, states need some incentive to pull diverse systems together to jointly design points of intersection and overlap. This will take the focused time of state staff persons, as well as leadership from the Governor. To be successful, states will need gubernatorial sponsorship, a planning grant, and trust that NGA Center/CSW are partners in researching, understanding and designing policy integration. In Phase II, we therefore propose to:

- 1) **Release RFP, conduct selection process, and release state grants;**
- 2) **Provide hands-on technical assistance and facilitated cross-state learning**, including up to two on-site visits per state; up to 3 cross-state learning meetings; and technical assistance via research requests, connections to experts, other opportunities on an as-needed basis;
- 3) **Document lessons learned, changes in state policy, and regional implementation.** This may take the form of additional case studies/profiles or short issue papers;
- 4) **Conduct a webinar-based "community of practice"** or similar learning opportunity open to all states;
- 5) **Write a Governors Guide** based on lessons learned, potential impact of alignment strategies, and recommendations to state policy leaders.

For all above activities, the details will be worked out during Phase I of the project. We offer the above activities as highly likely placeholders, but hope that the research phase, critical input from states, and guidance from funders will be a key part to final design elements.

## **Qualifications of NGA Center and CSW**

The NGA Center worked with seven states in a 2008 year long Policy Academy to increase regional economic competitiveness through the promotion of industry clusters. The Center engaged five states in a new Policy Academy for Career Technical Education in October 2008, and along with CSW, is in its

fourth year of working with 25 states to design and implement sector strategies. To this project, NGA Center brings Mary Jo Waits, Director of the Social, Economic and Workforce Programs Division, who brings an extensive background in economic development, including work on cluster initiatives; Martin Simon, Director of Workforce Programs, who brings extensive experience in both workforce and economic development at the state and national levels, including work on state sector, cluster and career pathway initiatives; and Erin Andrew, Senior Workforce Policy Analyst with experience leading a state cluster initiative and as the program manager for a sector strategies .

The Corporation for a Skilled Workforce (CSW) is a national non-profit trusted by states to help them create good jobs so that families and firms can thrive in the changing economy. CSW has worked in 48 states to help them connect their education, workforce and economic development strategies. CSW helped Michigan develop an ambitious strategy to cut the number of under-skilled workers in half. The *No Worker Left Behind* program is an unprecedented adult education reform. CSW brings a staff highly qualified in research, cross-state sharing networks, synthesis and analysis, and policy recommendations. Lead staff in this project will be Larry Good, Chairman of CSW, who brings extensive experience in workforce and economic development at that the state, national and local levels, including work on sector and cluster initiatives; Lindsey Woolsey, Co-Director of the Business and Industry Strategies team of CSW, who brings in-depth knowledge of industry-focused strategies and relevant state policies; and Keith Bird, Senior Fellow at CSW, former Chancellor of the Kentucky Community and Technical College System, and national expert in post-secondary education reform.

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This document is a concept paper for your consideration. It does not constitute a formal proposal by NGA Center and the Corporation for a Skilled Workforce. A full proposal with budget will be submitted upon request.