Findings and Recommendations for Federal Policy

Building Pathways to Employment in America’s Cities through Integrated Workforce and Community Development

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NATIONAL SKILLS COALITION
Every worker. Every industry. A strong economy.
ABOUT THIS PROJECT

Over the last few years, National Skills Coalition (NSC) has responded to a growing number of requests from national and local community development organizations seeking information about workforce development policies. Despite growing interest, it is still generally uncommon for community development and workforce development practitioners and advocates to collaborate—even as both have an interest in improving the skills and employability of low-income individuals, and in making investments in people the central tenet of local economic development strategies.

NSC undertook a twelve-month project working with local leaders in five cities—Baltimore, Chicago, New Orleans, Twin Cities, and Seattle—who are attempting to bridge the worlds of community and workforce development. Through interviews and group discussions, we worked with these local leaders to identify ways in which federal policy is hindering or could better support the integration of workforce and community development locally, particularly in the areas of public housing and transit oriented development.

In July 2012, NSC brought these local leaders to Washington, DC, to discuss the initial findings and recommendations from this project with federal policymakers including representatives from the White House Domestic Policy Council; The White House Council on Strong Cities, Strong Communities; Department of Education; Department of Housing and Urban Development; Department of Labor; and Department of Transportation.

This paper draws heavily on the thoughts and insights expressed by project advisors during the interview phase of this project and in these roundtable discussions with federal policymakers.

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Introduction

America’s cities have the potential to be the engines of full national economic recovery and growth. Realizing this potential requires investments not only in places, but also in people. The federal government makes a number of investments in the physical capital of urban communities, including public housing and transportation development. These initiatives have the potential to pay off not just in terms of improved community resources, but also in terms of job opportunities for local residents. But these opportunities are lost for a large portion of urban residents—low-literacy, low-skilled adults in particular—unless there are high-quality employment and training services that prepare them for the jobs created by federal investments. The federal government makes investments in the skills of America’s people, primarily through the federally funded public workforce development system. But federal investments that create jobs and federal investments that prepare people for jobs are not always aligned.

Likewise, at the local level, community development and workforce development efforts are often not coordinated. Despite growing interest in making this connection, it has been challenging for local community development and workforce development practitioners to collaborate, even as both know that coordination is essential for improving the skills and employability of low-income individuals and for more efficiently using limited public resources.

Based on interviews with local leaders in five cities (Baltimore, Chicago, New Orleans, Seattle, and Twin Cities) who are working at the intersection of workforce and community development, we offer the following findings and recommendations for ways that federal policy is supporting and could better support efforts to integrate workforce development with community development, particularly in the areas of public housing and transportation development.

Despite growing interest, it has been challenging for local community development and workforce development practitioners to collaborate, even as both know that coordination is essential for improving the skills and employability of low-income individuals.

America’s cities have the potential to be the engines of full national economic recovery and growth.
Findings

1. Federal policy has a role in promoting local integration of physical and human capital resources.

Local silos in planning and service delivery reflect federal silos.

Interviewees never pointed to federal policy as the root cause for local silos and knowledge barriers in workforce development and community development. Yet there is a perception that federal policy contributes to the formation and persistence of system silos and has the capacity to help break them down. Interviewees voiced the need for a coordinated local economic vision and concern about limited awareness and lack of integration between local workforce and economic development policies broadly, noting that human capital and labor force preparation are rarely considered part of a city’s or region’s economic development strategy. At the program development and service delivery level, interviewees frequently referenced how knowledge barriers impede workforce and community development integration.

There is cautious optimism about federal integration efforts.

Many local experts praise the current Administration for attention to and support for cross-system collaboration. Federal grants designed to promote better coordination between workforce and community development entities on the ground are starting to do that. For example, at the level of planning, workforce development stakeholders were able to infuse a strong human capital component into the Chicago Metropolitan Agency for Planning’s long-term economic development plan for the region, which was supported in part by federal Sustainable Communities grant dollars.

Chicago is also making headway at the service delivery level. An initial foundation for service coordination between local housing authorities and Workforce Investment Boards (WIBs) in Chicago has been built to deliver the U.S. Department of Health and Human Services (HHS) Health Professions Opportunity Grant, which requires cross-system collaboration. Similarly, the Workforce Development Council of Seattle-King County reports a strong partnership with the Seattle Housing Authority to implement its Choice Neighborhood Initiative. Cross-system referrals and staff trainings; resource pooling to support intensive case management; and the location of workforce development service “connection sites” within the public housing neighborhood have contributed to the initiative’s success.

But breaking down silos is time consuming and takes dedicated capacity.

In general, there is caution from the field that the expectations associated with integration efforts—at the local, state, and federal levels—are unrealistic; too often, there is too little funding or time to support ambitious training and employment goals for hard-to-serve populations. Even if there is inspiration to collaborate, building staff capacity to integrate with other systems requires resources that may not be available. Interviewees voiced the need for dedicated resources to support local intermediaries who can help bridge silos and knowledge barriers.
2. Federal physical capital programs

Achieving meaningful rates of employment is a challenge, even when community development initiatives have a stated or implied employment component.

The U.S. Department of Housing and Urban Development (HUD) Section 3 program requires recipients of certain construction and public works funds, including Public Housing Capital and Community Development Block Grant (CDBG) funds, to provide job training and employment opportunities to public housing and low-income residents in the area where the HUD-assisted project is located. Interviewees voiced concerns that since its employment requirements are tied only to new hires and not the composition of existing construction crews, Section 3 tends to deliver very few jobs to residents. Adding to local frustration with the program, workforce development professionals tasked with verifying HUD Section 3 hiring requirements expend valuable time and resources doing so for very small employment deals. Because there is no funding for compliance enforcement, it’s widely perceived that contractors engage only in “superficial efforts” to identify and hire in accordance with Section 3.

For transit-oriented development projects, local perceptions are that the hiring of affected community residents also tends to be negligible. The U.S. Department of Transportation (DOT) Federal Transit Administration’s (FTA’s) Transit Oriented Development (TOD) program does not have any explicit hiring requirements or workforce development goals; however, the expectation is that jobs will be created in communities along the transit line and that jobs in other communities will become more accessible. Yet these jobs are difficult to obtain for residents who don’t have the requisite basic or technical skills. Local leaders perceive that efforts to support local entrepreneurship along TOD corridors have had limited net impact on employment for community residents because there are few resources to scale these initiatives.
Even when short-term employment *does* result from development initiatives, work experience gained is disconnected from a career pathway.

Hiring that does happen under Section 3 is typically short-term and without a purposeful link to other job preparation services or training opportunities, including those available under the federal Workforce Investment Act (WIA). TOD projects may result in some local hiring, but mostly for short-term construction jobs without genuine connection to the workforce development system and further training opportunities that could lead to more permanent or skilled work. Overall, there is a sense locally that federal policy could play a role in making it easier to connect short-term employment opportunities provided by specific capital projects to longer-term training or employment opportunities with other firms after a project is completed.

Employment initiatives are “islands unto themselves.”

In general there is a perception among interviewees that HUD’s primary focus has become “bricks and mortar”—safe and affordable housing—and that the agency’s attention to urban development has dwindled (work that the federal government instead sees as the purview of cities) such that the agency’s few programs with an employment component have become “islands unto themselves.” Interviewees perceive that HUD and DOT initiatives with an explicit or implied employment component are not always administered in ways that lead to integration with the local public workforce development system.
3. Federal human capital programs

A major human capital challenge facing cities is adults with low basic skills.

In many cities, adults with very low basic skills are a significant majority of the population in need of workforce development services. For example, the Choice Neighborhood Initiative in New Orleans serves the Iberville public housing project where 65 percent of adult residents do not have a high school degree or GED and literacy levels are very low. The Baltimore Living Cities Integration Initiative encompasses an area with a 17.6 percent unemployment rate in which 75 percent of unemployed adults have only a high school degree/GED or less.

There are federally driven barriers to serving adults with low basic skills.

Performance requirements: Many of the interviewees perceive that the federal WIA system is structured to serve only work-ready adults, a perception that may be explained in part by the impact of performance requirements, which can create a disincentive to serve very low-skilled adults. While Temporary Assistance for Needy Families (TANF) is specifically meant to serve low-income populations, participation requirements make it difficult to leverage the program for skill development because of its focus on rapid attachment to the labor market over longer-term education and training. Although nearly half of adult TANF recipients are unemployed and actively seeking work, only two percent of federal TANF dollars in Fiscal Year 2009 were used for education and training services, in part because of these restrictions.

Barriers to integrating the human capital resources needed to serve low-skilled adults: Across the range of federal funding available to support hard-to-serve individuals in their efforts to attach to the labor market, interviewees voiced concern that the reporting requirements associated with each funding stream are so different that the work of integrating them can become too onerous. In particular, the challenges of integrating WIA Title I (training) with WIA Title II (adult basic education) can make it difficult to deliver bridge programs, an education and training model that is particularly successful in serving low-skilled adults. By law, Title II funds cannot be used for occupational training, which makes braiding the funding streams an administrative challenge.

Overall scarcity of resources for serving low-skilled adults: Cities like Baltimore and New Orleans have seen a sharp decline in population and in federal training dollars as a result, yet the residents who do remain often have the greatest need for education and employment services. Overall, there is a general sense among local leaders that federal resources for WIA training and adult education services have paled in comparison to need. Federal funding data supports this perception; with the exception of one-time bumps under the Recovery Act, federal funding for WIA Title I and II has seen a steep decline over the last decade.

4. Safety Net

Service integration across workforce and community development can fall prey to a competing set of issues that arise around earnings. Recipients of public assistance may be reluctant to engage in the education and training needed to obtain better paying jobs out of fear that their earnings will disqualify them for the federal assistance they need to cover basic costs until they reach self-sufficiency.
Recommendations

1. Better Planning: Support improved local planning that breaks down silos and allows integrated service delivery.

Provide support for local intermediaries who can build awareness across systems and assist in the coordination of resources.

Policy Recommendation 1: Make new investments to scale up Strong Cities, Strong Communities with dedicated support for local cross-silo intermediaries.

On July 11, 2011, President Obama announced the Strong Cities, Strong Communities (SC2) pilot initiative. The goal of SC2 is to build the capacity of local governments to develop and execute coordinated economic visions that cut across traditional government silos and ensure that all available resources are being leveraged toward those visions. Community Solutions Teams were deployed to six cities to assist mayors in coordinating across silos, including workforce and community development. On March 12, 2012, President Obama signed an Executive Order establishing the Council on SC2 with representation from 13 agencies to guide the initiative. While the Community Solutions Teams are an important time-limited capacity building resource, it is important to ensure local intermediaries are in place long-term. These intermediaries can increase awareness of available resources and advise local practitioners on how to braid them toward a comprehensive economic vision that maximizes the impact of individual public funding streams and private dollars in local communities.

DOT and HUD should require cross-agency coordination in state and local planning processes and where already required, encourage meaningful execution.

Encourage integration through the development of comprehensive economic plans as well as plans for major human and physical capital funding streams.


Some cities have made strides in developing comprehensive economic plans, though more often than not, workforce development is not central to those plans. SC2 includes an Economic Planning Challenge (EPC) national grant competition to help cities develop comprehensive economic blueprints. In overseeing the EPC, the Economic Development Administration should ensure that workforce development occupies a central role in the comprehensive plans. It is also important that lessons learned from the EPC grants are leveraged to encourage and support coordinated economic planning beyond the six recipients.

Policy Recommendation 3: Mandate local Workforce Investment Boards and other workforce development stakeholders as consultation partners in crafting major urban development and transportation plans.

DOT and HUD require comprehensive plans to receive their major infrastructure, community development, and public housing funding streams. These agencies should require cross-agency coordination in state and local planning processes and where already required, encourage meaningful execution. For example, jurisdictions must meet a set of consultation requirements in the development of Consolidated Plans for CDBG and other funds, including coordination with the local Housing Authority. The local WIB should be added as a required consultation partner. Likewise, DOT should ensure that WIBs are consulted in the development of local plans for major capital funds. DOT and the Department of Labor (DOL) should consider ways to incentivize collaboration between Metropolitan Planning Organizations and WIBs within a region.

Policy Recommendation 4: Encourage local housing and transportation authorities’ participation on Workforce Investment Boards.

Local housing and transportation authorities should play a central role in the development of state and local WIA plans and should be represented on WIBs.

Long-term, reward effective planning with coordinated waivers where there is a demonstrated commitment to build employment opportunities for low-income populations.

Policy Recommendation 5: Use lessons learned from federal integration initiatives to develop a proposal for coordinated waivers across agencies.

Long-term, the Administration and relevant agencies should consider ways to consistently reward cities that demonstrate meaningful coordination of workforce and community development activities with a focus on low-income populations. The Council on SC2 should use lessons learned from the initiative to develop a recommendation for a set of specific, coordinated waivers across agencies that reward integration efforts by making it easier to braid funding streams and serve the hardest to employ. The Council should also draw on lessons learned from other integration efforts like Choice Neighborhoods and Sustainable Communities. It is important that in this waiver process, the intent of funding streams meant to serve low-income populations is not lost.
2. Physical Capital Policy: Ensure federal housing and infrastructure investments create meaningful skill development and employment opportunities for local residents.

Ensure local residents have access to employment opportunities.


Under the Obama administration, HUD has more aggressively enforced Section 3 reporting requirements. However, there is still a greater need for compliance. The Center on Budget and Policy Priorities has outlined three recommendations for improving Section 3 compliance: Encouraging grantees to use existing local resources to monitor compliance rather than creating a new bureaucracy; reminding grantees of their obligations and establishing incentives for successful Section 3 implementation; and revising regulations to use “hours worked” as the test of Section 3 compliance.2

Policy Recommendation 7: The Department of Transportation should add hiring flexibilities to transit and highway programs.

Some cities have used local hiring agreements to help ensure that local residents have access to jobs created by federal capital projects. Prior to 2010, DOT advised that Federal Highway Administration (FHWA) rules did not allow for these types of agreements. FHWA implemented a one-time waiver that allowed transportation officials to accept HUD’s local hiring preference rules, on a case-by-case basis, for jointly funded

transportation-related projects. In a 2010 paper, DOT proposed “to add permanent local hiring flexibilities for both transit and highway programs as part of a multi-year surface transportation authorization.” DOT should make efforts—through waivers or guidance—to make it easier for cities to develop local hiring agreements for transit and highway projects.

**Make it easier for states to leverage transportation capital funds for workforce development.**

*Policy Recommendation 8: Congress should establish a dedicated funding stream (linked to the existing workforce development system, and particularly, the registered apprenticeship system) under the “Moving Ahead for Progress in the 21st Century Act” (MAP-21) to support workforce development activities, and create similar capacity in the mass transit sector.*

States may use highway formula funds for surface transportation workforce development, including pre-apprenticeship, supportive services, and basic skills programs designed to promote opportunities for traditionally underrepresented populations. However, these programs are underutilized because they compete with states’ capital spending requirements.

The DOT FHWA Civil Rights Division should issue a Guidance Memo to state transportation agencies encouraging them to exercise their authority to allocate up to .5 percent of their FHWA Surface Highway Transportation capital funds for On-the-Job Training (OJT) and Supportive Services (SS). Further, Congress should restore $10 million in grants to states for OJT/SS rather than require DOT to take these funds from their Administrative funds.

**Ensure that employment and training opportunities are steps on a career pathway for low-skilled residents.**

*Policy Recommendation 9: Under Section 3, incentivize/reward workforce development practices that are successful in serving high-barrier populations and are connected to industry.*

The vision of Section 3 will be easier to realize if local residents have access to workforce development opportunities that have proven effective for low-skill, high-barrier individuals. Not only do these programs make local residents more desirable candidates for employment with Section 3 contractors; they also ensure that these short-term opportunities are part of a longer-term career pathway. HUD should encourage these efforts, linked to the public workforce development system. In addition, some local housing authorities have found success with a Section 3 intermediary who helps facilitate connections between contractors, trades, training providers and residents so that Section 3 experience is a step on a career pathway. HUD should incentivize these types of efforts.

*Policy Recommendation 10: Under DOT’s existing training authority, incentivize/reward use of best practices such as career pathways and sector partnerships.*

Likewise, in administering OJT/SS funds as well as Surface Transportation Workforce Development, Training, and Education, DOT should ensure these efforts are linked to

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the existing workforce development system and promote best practices such as sector partnerships and career pathways. In addition, OJT/SS strategies should be linked more closely with the registered apprenticeship system, which tends to be a good avenue for promoting family wage opportunities, especially when individuals receive the support needed to complete their apprenticeship and obtain a credential. These linkages will help ensure the transportation and infrastructure sectors have the skilled workers they need and that low-skilled residents have access to the training they need to obtain family-supporting jobs in these sectors.

Policy Recommendation 11: DOT and HUD guidance for workforce development pilots and demonstrations should mandate coordination with the local workforce development system.

There is growing federal support for pilots, demonstrations, and innovation funding streams related to workforce development within HUD (e.g., Moving to Work, Jobs Plus) and DOT (e.g., Innovative Transit Workforce Development Program). If these efforts do not have explicit connections to public workforce system, they will only perpetuate silos and fragmentation. By coordinating with the local workforce system, the opportunities created by these programs are more likely to be part of a career pathway for local residents.

3. Human Capital Policy: Support skill development for high-barrier residents

Make it easier to serve high-barrier populations under existing human capital policy.

Policy Recommendation 12: Remove disincentives to serve high-barrier individuals under WIA Title I, lift restrictions on training under TANF, and make it easier to braid WIA Title I, Title II, and TANF.

To make it easier to serve low-skilled individuals under WIA, common measures should be improved by returning to a weighted regression model earnings measure to account for low-skilled individuals, and adopting interim outcome measures that signal progress toward long-term employment or educational outcomes. Congress should lift the twelve-month restriction on postsecondary education and the 30 percent cap on the number of TANF participants engaged in vocational education who may count toward a state’s work participation rate. Congress should permit agencies to report a single set of outcomes for individuals co-enrolled in both WIA Title I training, Title II adult basic education, or TANF and require states and local areas to establish and meet annual co-enrollment goals to ensure eligible participants have access to needed services.

The federal government should make a significant new commitment to addressing the basic skills challenges facing America’s cities.

Policy Recommendation 13: Significantly increase federal funding for Adult Education and Family Literacy Act (AEFLA) state grants. Create supplemental AEFLA grants for cities where a disproportionate percentage of adult residents’ reading or math skills are below an 8th grade level.

Adult education programs are severely underfunded and are simply unable to provide the services and support that low-skilled individuals need. AEFLA state grants declined by more than 17 percent in inflation adjusted terms between 2002 and 2009. A recent survey
The federal government should make new investments in supplemental literacy grants. Funds should be used only to support service delivery strategies that are focused on employment and should explicitly allow integration with occupational training.

by the Adult Education State Directors found that 49 states and the District of Columbia have 160,000 students on waiting lists for Adult Education programs. Congress should significantly increase funding for state adult basic education formula grants and retain current state maintenance of effort requirements.

A number of cities have had rapid population loss, yet the residents who remain are often those with the lowest basic skills. The federal government should make new investments in supplemental literacy grants to cities or localities where a disproportionate percent of residents are below an 8th grade literacy or numeracy level. Funds should be used only to support innovative service delivery strategies that are focused on employment and should explicitly allow integration with occupational training.


Policy Recommendation 14: Institute waivers that allow safety net recipients engaged in occupationally focused education and training to continue to receive supports as they move toward economic self-sufficiency.

Service integration can be stifled by earnings cliffs associated with safety net programs. Recipients of public assistance including housing, child care, transportation, nutrition, and other assistance may be reluctant to earn higher wages—and therefore, to engage in the education and training needed to obtain better paying jobs—out of fear that they will lose eligibility for federal assistance that is crucial to supporting them along a career pathway. Safety net recipients engaged in occupationally focused education and training should be able to continue to receive supports until their income allows them to cover their basic needs. An earned income disregard applied consistently across federal safety net programs could help eliminate the barriers to ongoing education and training caused by earning cliffs.
ABOUT NATIONAL SKILLS COALITION

National Skills Coalition (NSC) is a broad-based coalition working toward a vision of an America that grows its economy by investing in its people so that every worker and every industry has the skills to compete and prosper. We engage in organizing, advocacy, and communications to advance state and federal policies that support these goals—policies that are based on the on-the-ground expertise of our members.

NSC was founded in 1998 as The Workforce Alliance in response to a series of federal policies that signaled the end of national investments in the skills of America’s workers at a time when skill gaps were growing in key U.S. industries. Since then, we’ve demonstrated that investments in skills work. We’ve shown that diverse stakeholders can find agreement around specific reforms that will improve a variety of workforce education and training policies. And we have documented that the American public is strongly supportive of a deeper investment in the skills of America’s workers. We continue to mobilize support for a new national skills agenda that cuts across public policies, and simultaneously serves a wide range of U.S. workers and industries.

NSC is governed by a Board of Directors and advised by a national Leadership Council drawn from the ranks of business, labor, community colleges, community-based organizations, and the public workforce system.

Learn more at www.nationalskillscoalition.org.

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