

Seeking a responsive Workforce Development System

A graphical guide to employment and training resources in Wisconsin

The publication in hand is a resource map of Wisconsin's workforce development system (see reverse side). The map graphical bridges together state and federal funding specifically devoted to employment and training programs in Wisconsin. The purpose is to give policymakers and service providers a clear picture of the state's current offerings and serve as a guide in ongoing reform efforts. Neighboring states have used similar maps in their efforts to better coordinate and track workforce development services. It is hoped that this tool will prove just as useful in Wisconsin.

What can we learn from the map?

The resource map detailed on the back of this report uncovers \$339 million in state and federal dollars that will be spent in fiscal year 2008 to address the employment and training needs of Wisconsin's workforce. The map charts these dollars as they flow through six federal agencies, eight state administrative departments and 36 different programs. Collectively, these programs deliver the entire universe of workforce development services from on-the-job-training to job search and placement to help with overcoming transportation and language barriers. Customers range from newly displaced workers to incumbent workers to individuals with disabilities.

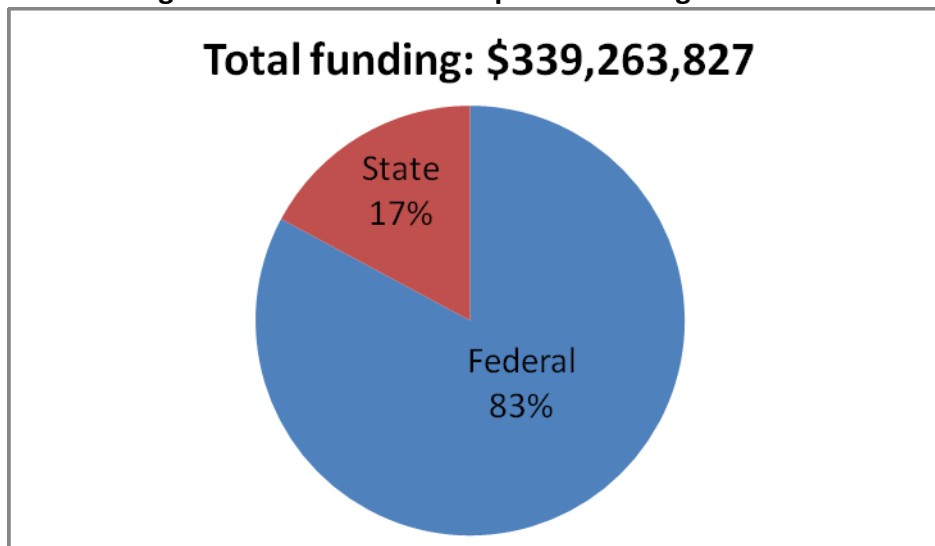
At first glance, the map appears to depict a workforce development system that is both broad and fragmented. However, despite the involvement of eight separate state administrative departments, the vast majority of funding is concentrated in just two departments – the Department of Workforce Development and the newly created Department of Children and Families (Table 1). A question that could benefit from further study is the degree to which current programs could be consolidated under fewer administrative departments to achieve potentially improved service delivery.

Table 1: Workforce development funding by state administrative department

	Number of programs	Total funding for Fiscal Year 2008	% of total funding
Department of Workforce Development	12	\$143,273,663	42%
Department of Children and Families	2	\$96,716,100	29%
Wisconsin Technical College System	5	\$34,475,693	10%
Department of Health and Family Services	6	\$29,057,786	9%
Department of Corrections	2	\$20,845,200	6%
Department of Public Instruction	1	\$9,803,101	3%
Department of Commerce	5	\$3,974,784	1%
Department of Veterans Affairs	3	\$1,117,500	0.3%
Total	36	\$339,263,827	

The map in hand tracks funding from both state and federal sources. Chart 1 depicts this federal/state breakdown and reveals a workforce development system in Wisconsin that relies on the federal government for 87% of its funding. Wisconsin's reliance on federal funding is a concern because federal dollars are typically earmarked to serve narrowly defined populations and tend to have more stringent regulations and restrictions attached to their use. With four out of every five dollars in Wisconsin's workforce development system originating from federal agencies, the dominance of federal support may prove to be an obstacle to reform.

Chart 1: Origins of Workforce Development funding in Wisconsin



Funding from the State of Wisconsin amounts to 17% of all employment and training dollars tracked in the attached resource map. By comparison, Wisconsin's neighboring state of Illinois recorded a 31% state share of support for workforce development services using a similar methodology while Minnesota registered a 33% state share of support (Table 2). Though not a perfect measure due to the lack of data for all 50 states, such comparisons do reveal a Wisconsin system that seems to draw less from state coffers. This analysis, though limited in scope, does suggest room for the state to grow its investment in workforce development.

Table 2: Origins of Workforce Development funding, ranked by share of state support

	Federal	State
New York, FY03	55%	45%
Massachusetts, FY06	62%	38%
Minnesota, FY02	67%	33%
Tennessee, FY03	68%	32%
Illinois, FY02	69%	31%
Texas, FY02	71%	29%
Ohio, FY07	76%	24%
Wisconsin, FY08	83%	17%

*FY stands for "Fiscal Year" and in this table indicates the year of the source data

The importance of a strong workforce development system

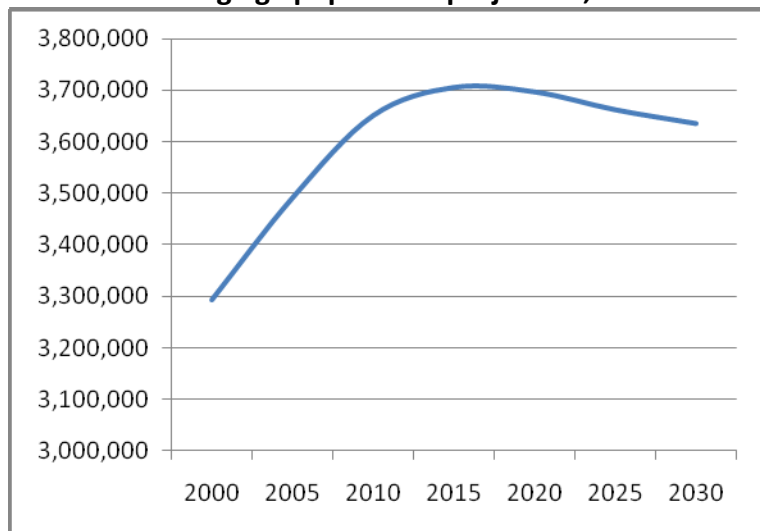
Wisconsin faces a dual imperative over the next two decades to simultaneously increase the supply and skills of its workforce. What follows is a brief outline of how these critical labor issues are impacting the state's economic competitiveness and the resulting need for a robust workforce development system to address these challenges.

Labor shortages

Though not particular to Wisconsin, the state's labor force is expected to experience a decline in the number of participants due to the impending wave of retirements from the aging of the baby boom generation. According to the Wisconsin Department of Administration, the projected working age population in the state (ages 18-64) will peak in 2015 at 3.70 million and then decline to 3.63 million by

2030 (Chart 2).¹ Combined with limited overall population growth and decelerating immigration levels, all signs point toward a constricting supply of workers in Wisconsin. A constricting labor supply is a concern because economies can't grow without a steady supply of workers. To combat Wisconsin's projected labor shortage, only three options are available: Import talent (immigration), export jobs ("off-shoring"), or grow talent locally (training). No doubt, a combination of all three strategies will be utilized to address shortages. However, with both foreign immigration and off-shoring becoming politically hot issues, policymakers may increasingly support workforce training strategies.

Chart 2: Working age population projection, 2000-2030



Skill shortages

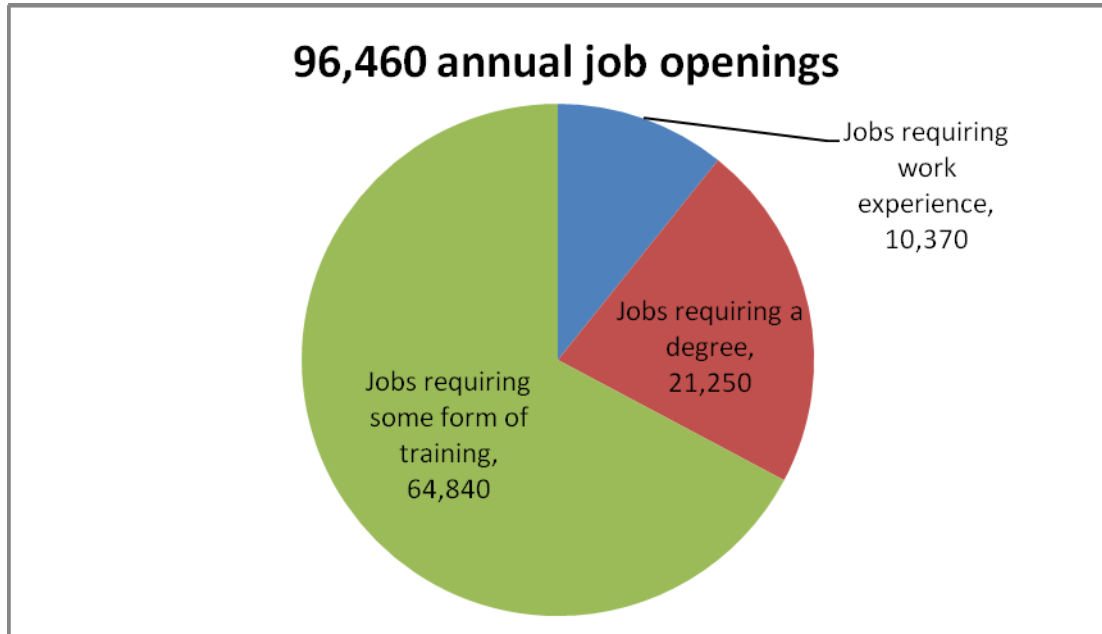
Over the next decade, Wisconsin will rely heavily on workers that need specific job skills, not formal degrees. Of the 96,460 projected annual job openings depicted in Chart 3, those jobs that will require some form of "training" make up 67% of all openings. Just as in the rest of the world, Wisconsin will need to bridge the gap between underskilled jobseekers and employers in need of more qualified workers. Evidence of a skills mismatch comes from a statewide survey which found that a "lack of qualified applicants" was the number one reason cited by Wisconsin CEOs to explain why they were having trouble hiring new employees.² These findings are not surprising when you consider that 35% of Wisconsin workers possess only a high school degree.³ Unfortunately, a high school degree alone is not enough to ensure a good paying job in today's job market. Ensuring adequate training opportunity may help close the skills gap and move a significant portion of the state's workforce into higher paying work.

¹ "Wisconsin Population 2030," Wisconsin Department of Administration, March 2004.

² "WMC Economic Outlook Survey," Wisconsin Manufacturers and Commerce, June 2008.

³ "Skilled Workers, Quality Jobs," Center on Wisconsin Strategies, April 2008.

Chart 3: Projected annual number of job openings in Wisconsin between 2006 and 2016, by typical education or training path



Is Wisconsin's current investment in job training enough to meet demand?

Despite evidence of continued job-training demand, a recent study of workforce development spending in southeastern Wisconsin found only 10% of state and federal dollars flowing into the region were flexible enough to be used to support job-specific training needs.⁴ Applying this ratio to the entire state reveals an estimated \$34 million available annually for job-specific training – a figure that falls well short of the \$120 million that would be needed to train enough workers to fill each one of the state's 64,840 projected job openings that require some form of training.⁵ In short, securing additional flexible funding will likely be necessary to meet labor demand in industries that require some form of training.

Declining federal support for workforce development in Wisconsin

The majority of funding identified in the resource map are federal formula grants – dollars which are allocated to states based on criteria set by law. Chart 4 shows an inflation-adjusted view of the decline in these dollars for the state's eight largest federal funded workforce development programs.⁶ In total, federal funding for these programs decreased 39% from 1985 to 2008. Most of that decline can be attributed to a 73% drop in funding for the Workforce Investment Act (WIA) and its predecessor, the Job Training Partnership Act (JTPA).⁷ The 23-year slide in federal support of workforce development also is attributable to a 51% reduction in Wagner-Peyser Job Service funding and a 22% drop in Carl Perkins Vocational and Technical Education funding levels.

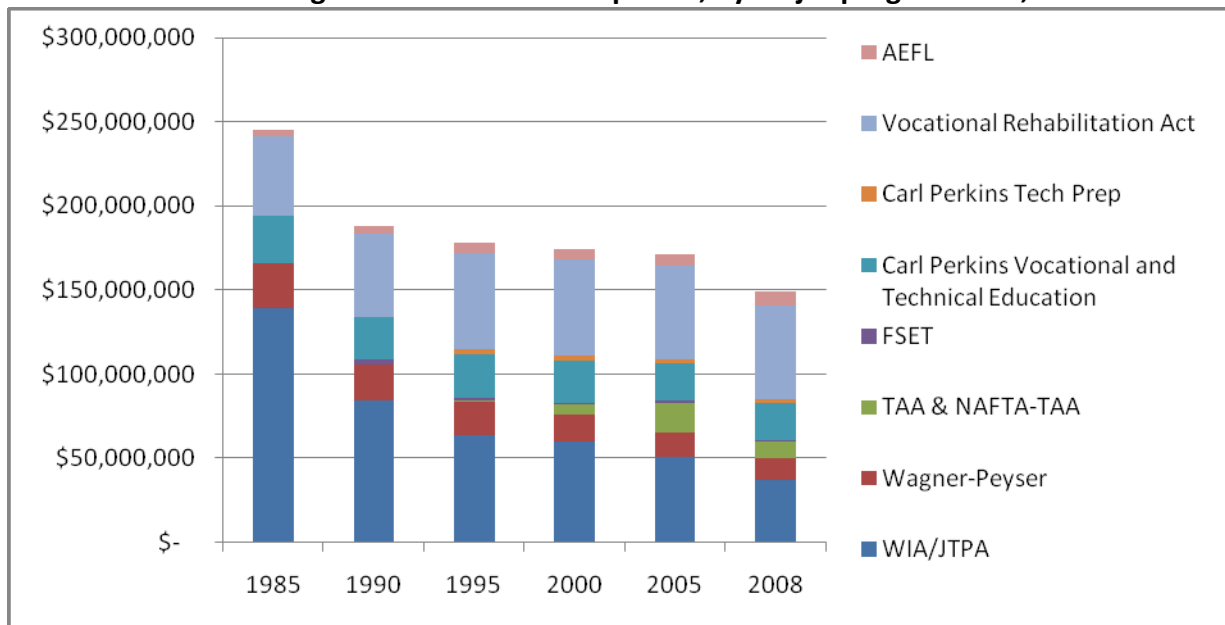
⁴ "GROW Report on Milwaukee 7 Regional Workforce Funding," Urban Strategies, November 2007.

⁵ The \$120 million figure is an estimate. It assumes a 50/50 cost-sharing partnership with employers and is based on a per-worker training cost of \$3,700 which is the average cost to graduate an adult from the WIA program in 2006. For comparison, this estimate is only slightly higher than the average per-worker training cost of \$3,200 budgeted for a new Milwaukee Area Technical College program targeted at training workers for advanced manufacturing jobs.

⁶ This chart is an updated version of a chart which first appeared in a report entitled "Declining Federal Support for Wisconsin Workforce Development," released in July 2004 by the Center on Wisconsin Strategy. Due to a lack of historical data dating back to 1985, Chart 4 does not include AFDC and TANF federal dollars used to support Wisconsin's W-2 program.

⁷ Wisconsin's WIA allocation will increase in 2009 to \$47.7 million, which will bring WIA funding back within reach of 2005 levels.

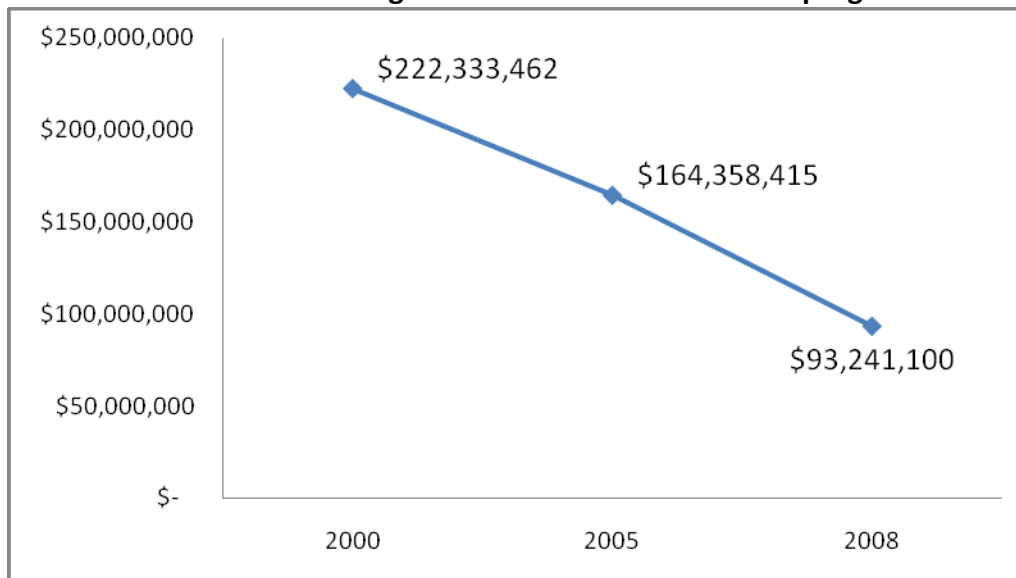
Chart 4: Federal funding for workforce development, by major program area, 1985-2008*



*Adjusted for inflation using the 2007 Consumer Price Index – Research Series

Not included in Chart 4, due to lack of historical data, is Wisconsin’s W-2 program. W-2 is the state’s largest workforce development program, accounting for 27% of all workforce development spending in Wisconsin in 2008. W-2 has retained its status as the largest program despite a sharp 58% drop in funding between 2000 and 2008 (Chart 5). This drop in funding has resulted in a net loss of \$129 million to the W-2 program which provides cash benefits and employment and training services to income-qualified working parents in the state – the vast majority of which live in Milwaukee County. In part, these funding decreases have been offset by increases in childcare subsidies for working families during this time period.⁸

Chart 5: Federal TANF funding allocated to Wisconsin’s W-2 program 2000-2008*



*Adjusted for inflation using the 2007 Consumer Price Index – Research Series

⁸ “The Allocation of TANF and Childcare funding in Wisconsin,” Brookings Institution, August 2006

The need for alternative local and regional funding sources

In light of decreases in federal formula dollars and coupled with tight state finances, regions throughout the state are expected to increasingly turn to alternative funding sources to finance their region's training needs. These "alternative" sources, which are not included on the map, are typically awarded directly to local and regional entities on a competitive basis and include grant dollars from local governments and foundations, contributions from employers, and competitive federal and state grants. Table 3 lists a few such sources being tapped in southeastern Wisconsin.

Table 3: Major discretionary awards for workforce development in southeastern Wisconsin*

Program	Funding	Funding source	Date	Grantee
WIRED Initiative	\$ 5,160,000	Federal	2008-09	Regional Workforce Alliance
Futures First	\$ 4,800,000	Federal	2007-09	Milwaukee Public Schools
Community-Based Job Training - Healthcare	\$ 2,307,306	Federal	2005-08	Waukesha County Technical College
Community-Based Job Training - Advanced Mfg.	\$ 1,999,999	Federal	2007-09	Milwaukee Area Technical College
Prison re-entry program	\$ 1,866,765	Federal	2005-09	Word of Hope Ministries
Prison-to-work program	\$ 1,588,520	Foundation, State	2006-09	The New Hope Project
Initiative to fast track nurse educators	\$ 1,365,101	Federal	2005-08	Board of Regents - UW System
National Farmworker Jobs Program	\$ 1,187,503	Federal	2008	United Migrant Opportunities
Earn & Learn Summer Youth Internship Program	\$ 900,000	City, Federal, State, Foundation	2008	Milwaukee Area Workforce Investment Board
Transition funding	\$ 600,000	Foundation	2008	Milwaukee Area Workforce Investment Board
Tax Increment Financing for North End	\$ 500,000	City of Milwaukee	2008	To be determined
Skills testing & training for production workers	\$ 446,400	Federal	2005-08	Milwaukee Area Technical College
YouthBuild	\$ 404,131	Federal	2007-10	City of Milwaukee Housing Authority
Ex-offender pilot program	\$ 400,000	City of Milwaukee, State	2008	Selected job-training agencies
Summer Youth Jobs Program	\$ 400,000	Milwaukee Public Schools	2008	Milwaukee County
Community Development Block Grant	\$ 325,000	City of Milwaukee, Federal	2008	Selected job-training agencies

*This is not a comprehensive list of awards and most of the listed programs receive additional funds from other partners.

In an environment of declining federal revenue and increased competition for training resources, regions will need to fully engage employers and the philanthropic community to forge a new workforce development funding model. Currently, foundation and employer support of workforce development in Wisconsin is a multi-million dollar enterprise. Despite this fact, a recent survey found that only 13% of foundations granted money for specific job training programs.⁹ In terms of employer activity, another survey found that 44% of Wisconsin CEOs reported spending less than 3% of their payroll on employee training.¹⁰ In light of looming labor and skill shortages, additional employer and foundation engagement and investment in training programs will be critical going forward.

Key findings

The following are key findings from Wisconsin's first-ever resource mapping effort:

- **More research needed on organizational reform** - A total of \$339 million state and federal dollars are devoted to workforce development programming in the State of Wisconsin. These dollars flow through six federal agencies, eight state administrative departments and 36 separate programs. A question that deserves further study is to what degree similar programs could be consolidated under fewer administrative departments to achieve potentially improved service delivery and resource efficiency.
- **Increasing need for flexible workforce training dollars** - Over the next decade, Wisconsin will continue to rely heavily on workers that need specific job skills, not formal degrees. In fact, jobs that will require some form of "training" are projected to account for two out of every three jobs openings over the next decade. These numbers speak to the importance of having a workforce development system that has the capacity and flexibility to train enough skilled

⁹ "GROW Report: Regional Workforce Funding," Urban Strategies, November 2007.

¹⁰ "WMC Economic Outlook Survey," Wisconsin Manufacturers and Commerce, June 2008.

workers to meet future demand. Unfortunately, only a fraction of the state's revenue is flexible enough to train workers with occupation-specific skills and does not appear to be enough to meet demand.

- **Wisconsin's funding mix is heavily weighted toward restrictive federal dollars** - Federal dollars comprise 83% of all funding used to support Wisconsin's workforce development system. Because federal dollars typically have more restrictions attached to their use, this raises the concern that the system may not be able to be responsive to employer training needs based on the state's reliance on such funding.
- **Room to grow state investment?** - The State of Wisconsin's financial contribution to workforce development is \$58.2 million for 2008 – representing 17% of the system's total funding for 2008. By comparison, seven other states contributed between 24% and 45% of their system's total funding. This analysis, though limited in scope, does suggest that there may be room for the state to grow its investment in workforce development to meet training demand. More research should be conducted on effective state-led workforce development initiatives.
- **Drop in federal funding signals a shift toward discretionary resources** - Federal funding for the eight largest workforce development programs in Wisconsin has declined 39% since 1985. This decrease is coupled with a 58% drop in funding for the state's largest workforce development program (W-2) since 2000. The shift away from federal formula dollars will place more pressure on regions to secure their own funding in the form of competitive federal, state and local grants along with employer and philanthropic community support.

Credits

The template for the resource map was adapted from similar projects in Illinois by the Chicago Jobs Council, in New York by the Center for an Urban Future, and in Texas by the Center for Public Policy Priorities. This report was supported by the Joyce Foundation and the Wisconsin Department of Workforce Development. The report was written by Ryan Horton, Senior Researcher at the Public Policy Forum - a Milwaukee, WI based non-partisan think tank. The author wishes to extend a special "thank you" to Linda Preysz at DWD for her able assistance.