

White Paper

CALIFORNIA'S WORKFORCE DEVELOPMENT SYSTEM: How to Prepare the System for Sustainable Development to Meet the Needs of California's Evolving Economy



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Introduction

This White-Paper is designed to support Governor Gray Davis who is required by state law to prepare a comprehensive State Environmental Goals and Policy Report (EGPR). The EGPR is projected to be released in early 2004 and must contain:

- A long-range (20-30 year) overview of state growth and development.
- A statement of approved state goals and objectives, including those directed to land use, population growth and distribution, development, conservation of natural resources, transportation, and air and water quality.
- A description of new and revised state policies, programs, and other actions of the executive and legislative branches that are required to implement the approved goals.

The goals included in the EGPR must be consistent with the three state planning priorities established under AB 857 (Wiggins, 2002), which are intended to promote equity, strengthen the economy, protect the environment, and promote public health and safety in the state, including urban, suburban, and rural communities. These priorities are to:

- Promote infill development and equity by rehabilitating, maintaining, and improving existing infrastructure that supports infill development and reuse of previously developed, underutilized land that is served by essential services, particularly in underserved areas.
- Protect environmental and agricultural resources by protecting, preserving, and enhancing the state's most valuable natural resources, including working landscapes such as farm, range, and forest lands, natural lands such as wetlands, watersheds, wildlife habitats, and other wildlands, recreation lands such as parks, trails, greenbelts, and other open space.
- Encourage efficient development patterns by ensuring that any infrastructure associated with development other than infill supports new development that uses land efficiently; is built adjacent to existing developed areas to the extent consistent with the other two priorities; is located in an area appropriately planned for growth; is served by adequate transportation and other essential utilities and services; and minimizes ongoing costs to taxpayers.

These three planning priorities shape the EGPR's theme, which can be generalized as the "3-E's" of economy, environment, and equity. California's workforce development system profoundly impacts the 3-E's and, accordingly, should be reflected in the EGPR. This White Paper is intended to provide the necessary research and background information to facilitate the development of a workforce development element in the EGPR.

Accordingly, the EGPR influenced the issues discussed and their presentation in this paper. The next section of this paper explains California's definition of workforce development. The third section explain how workforce development figures into the 3-E's. Before concluding, this paper

provides a brief reflection on the evolution, challenges and future direction of California's workforce development system.

California's Workforce Development System Defined

In California, "workforce development" is commonly defined as efforts by private and public sector entities that educate, employ, and train the state's workforce and that are linked to economic development. "Workforce development" is a term often used interchangeably with "workforce investment" and "workforce preparation".¹ California's first workforce development efforts began with the onset of employment security efforts in the early 20th Century. Today, the \$4.6 billion workforce development system is comprised of 34 job-training programs administered by 14 different State entities.² These components help prepare individuals to enter the workforce, as well as provide incumbent workers with the necessary skills for ongoing career development.

Table 1 on the next lists the 34 programs that collectively comprise California's workforce development system:

California's Workforce Development System Defined³
(Table 1)

Department	Program	General Fund (In Thousands)	Other Funds (In Thousands)
Core Employment Services and Economic Development			
Employment Development	Mainstream Job Service	\$1,182	\$104,180
Employment Training Panel	Training and Economic Development Program	\$0	\$76,033
Industrial Relations	Apprenticeship Training	\$0	\$3,136
Community Colleges	Apprenticeship Training	\$12,729	\$0
Education	Apprenticeship Program	\$15,852	\$0
Employment Services for Special Populations			
Aging	Senior Community Service Employment	\$2,024	\$7,605
Community Services and Development	Community Services	\$1,000	\$53,382
Employment Development	Special Veterans Services	\$0	\$19,541
Employment Development	Trade Adjustment Act and North American Free Trade Agreement Training Programs	\$0	\$12,030
Employment Development	Workforce Investment Act	\$0	\$611,314
Employment Development	Wagner Peyser Grant Special Projects	\$0	\$8,922
Employment Development	Federal Welfare-to-Work Grant	\$0	\$58,392
Employment Development	Faith-Based Initiative	\$4,000	\$0
Social Services	Food Stamp Employment and Training	\$0	\$41,052
Social Services	CalWORKs Employment Services	\$200,385	\$1,083,826
Social Services	Refugee Assistance Services	\$0	\$19,733
Conservation Corps	Training and Work Program	\$53,504	\$30,322
Youth Authority	Job Placement Services	\$674	\$0
Corrections	Preventing Parolee Crime (Job Training Component)	\$0	\$7,613
Rehabilitation	One-Stop Center Vocational Rehabilitation Services	\$167,355	\$297,534
Transportation	Maintenance Program Youth Job Skills Program	\$0	\$2,532
Transportation	On-the-Job Supportive Services	\$0	\$1,331
Vocational and Adult Education			
Community Colleges	Post-Secondary Vocational Education	\$374,874	\$0
Community Colleges	Economic Development Program	\$40,187	\$0
Community Colleges	Partnership for Excellence (Vocational Component)	\$43,871	\$0
Education	Secondary Vocational Education	\$660,755	\$0
Education	Adult Education (Vocational Component)	\$59,296	\$7,411
Education	Agriculture Vocational Education	\$4,232	\$0
Education	Partnership Academies	\$23,050	\$0
Education	Regional Occupational Programs and Centers	\$375,679	\$0
Education	Workforce Investment Act Match - Vocational Education	\$7,022	\$0
Education	Perkins Vocational Training and Education Act	\$0	\$130,445
Secretary of Education	School to Career	\$2,000	\$0
	Total	\$2,049,671	\$2,576,334
	Grand Total = \$4,626,005		

The 14 entities listed in the table can be generally classified into one of the following categories: public educational entities, employment and training agencies, and worker protection and social service programs. However, the state's workforce development entities often work with others outside of the system to enhance their service delivery. These outside entities provide invaluable assistance to the state's workforce development system. They typically include organized labor groups, in-house business and industry training, private post-secondary institutions, and community-based and nonprofit organizations.

How does Workforce Development Figure into Economy, Environment, and Equity

A population's standard of living is measured by its ability to efficiently utilize human, capital, and natural resources. The following section focuses on the human resources aspect of this equation. Specifically, this section describes the importance of workforce development to California's "3-Es" of economy, environment, and equity.

Economy

California's workforce development system provides the resources needed to develop and maintain a well-trained workforce. Business leaders cite that a skilled workforce is critical for strengthening business development and expanding economic growth in a highly competitive and changing global market. The state's workforce development system helps ensure that California employers have employees with the knowledge, skills, and abilities to support changes in existing industries and the growth of emerging industries. The system also helps maximize the workforce's ability to reinvest wages in California's economy.

The state's diverse and cutting-edge industry base results from a synergistic relationship between a high concentration of innovators and a well-developed workforce that collectively work to advance technologies in traditional and emerging industries. California is a "Mecca" for entrepreneurs with fresh and new ideas.⁴ The state's ability to capitalize on its concentrated and diverse population of innovative people and to sustain a cutting-edge reputation in all of its industries is largely attributed to a well-developed workforce with the knowledge, skills, and abilities needed for implementing the innovative and cutting edge ideas born in our "Mecca". This is why California's industry base includes a spectrum of both traditional sectors⁵ and emerging sectors⁶. This successful synergistic relationship between innovators and workforce in California drives the fifth largest economy in the world.⁷ Together, the state's 2.55 million businesses⁸ and 17.6 million-strong workforce⁹ generate an output of goods and services that exceeds \$1.3 trillion.¹⁰

A properly developed workforce is important to California's economy not only for sustaining numerous innovative and cutting-edge industries, but also for invigorating economic activity through the reinvestment of wages. The workforce reinvests its payroll into California's economy by purchasing goods and services within the state. For California, the effects are significant. In 2001, private businesses in California with one or more employees, or 1.0 million businesses, paid 12.7 million workers a total of \$518.9 billion in payroll.¹¹ Higher-skilled workers are usually paid more and, as a result, are of greater benefit to the State's economy. Therefore, the state promotes its economy by providing workforce development that helps the unemployed obtain paying jobs and helps the employed gain higher paid skill sets.

Environment

The EGPR and, as a result, this paper define "the environment" as not only the natural environment, such as water and air quality, but the commercial and social environment as well. California continues to lead the nation in environmental protection efforts. For example, the

state recently established a statewide Renewables Portfolio Standard of 20% by 2017.¹² The standard is by far the strongest in America. Another example is the Pavley Bill.¹³ Signed by the Governor on July 22, 2002, this bill requires the California Air Resources Board (ARB) to develop and adopt regulations for achieving the maximum feasible and cost-effective reduction of greenhouse gas emissions emitted by passenger vehicles in the state.¹⁴ These and other environmental policies, standards, requirements, and legislative mandates necessitate additional workforce development. Similarly, the California environment supports the state's workforce development efforts. In short, this sub-section illustrates that California's environment and its workforce development are interrelated.

One reason why California's environment is dependent on workforce development is that the latter is needed to successfully implement almost all of California's environmental protection efforts. Most environmental legislation sets forth standards and requirements that must be achieved, such as lower greenhouse gas emissions or higher fuel efficiencies in motor vehicles. Individual businesses are typically responsible for implementing the work practices that will comply with the environmental standards. The businesses do this through their workforce, which involves modifying existing and/or teaching new skill sets.

For example, achieving air emission standards can require the training of commercial and private automobile mechanics to properly install and maintain the latest air quality technologies. This is denoted by Smog Check II, which is an enhanced version of the state's vehicle-emissions inspection program and applies to the areas of California with the dirtiest air.¹⁵ Implementing the program requires a new dynamometer test that more accurately measures emissions by duplicating some driving conditions and an additional test to make sure the evaporative system is operating properly.¹⁶ Therefore, having a properly trained workforce can often be a deciding factor in the successful implementation of the state's cutting-edge environmental standards.

Another way that workforce development is important to California's environment is through the development of industries which serve to protect the state's environment. As discussed in the previous paragraph, most environmental legislation sets forth standards and requirements that must be achieved within the state. Achieving these standards and requirements creates a demand for new technologies which stimulates new industries. In fact, the United States Department of Energy estimates that federal and state mandates for energy standards and regulations account for 80 percent of advanced technology sales.¹⁷ The world market for environmental technology is estimated to be more than \$400 billion a year.¹⁸ Before these sales can materialize, however, workers must acquire new knowledge, skills, and abilities in order to transform the inventor's idea into a profitable reality. California does this. Overall, more than 200,000 Californians are employed in environmental technology industries.¹⁹ The state leads the nation in wind energy capacity, utility scale solar energy plants, geothermal power, and other alternative energy sources.²⁰ Thus, environmental regulations and mandates designed to maintain and enhance California's quality of life depend on a continuously developing workforce to sustain the developing industries.

As the protection and enhancement of California's environment is dependent on workforce development, workforce development is also dependent on the state's environment. For example, California's environment stimulates job creation outside of the environmental

technology industries. As discussed more in the next paragraph, the state's natural environment is vast and beautiful. This natural environment supports and stimulates the state's commercial environment, which includes four major metropolitan cities,²¹ five major league baseball teams,²² three professional football teams,²³ four pro basketball teams,²⁴ three national Hockey League teams,²⁵ and world-renowned theme parks.²⁶ As a result of both its natural and commercial environment, California is the primary tourist destination in the United States.²⁷ This significantly impacts workforce development. California's tourism industry must have enough sufficiently developed workers to stay viable and maintain its status as the state's third largest employer by supporting more than 1.0 million jobs.²⁸

Another example of how the state's environment is important to workforce development includes creating a desirable place for its workforce to live. California is known as the Golden State. This nickname denotes more than the Gold Rush that helped give birth to the state, for it also symbolizes the state's environment. Some of California's world-renowned natural attractions include Yosemite National Park, Mojave Desert, Big Sur, the Sierra foothills, the beautiful and unique coastlines of both Northern and Southern California, and the famous 17-mile drive. The spectrum of natural environments all in one state, augmented by great weather, attracts people. In fact, California is the state where Americans would most like to live.²⁹ Therefore, protecting California's environment and quality of life will help to retain the state's current residents and to attract new residents, many of whom will join the state's workforce. Similarly, the state's environment helps attract and retain entrepreneurs and business owners. Attracting and retaining a broader employment base helps ensure an adequate supply of employees and employers.

In short, a sufficiently developed workforce is important to California's ability to implement leading environmental efforts and to sustain strong environmental and tourism industries. The state's natural environment also helps attract and retain workers.

Equity

Ensuring equity for both workers and employers is of great importance to, and strongly supported by, the state's workforce development system. For workers, this means equality in access to employment opportunities, promotional opportunities, job training and placement services, job retention-related efforts, wages, and benefits. It also includes worker protection programs that ensure safe, and healthy work environments. For employers, this means equality in access to a skilled workforce, employee training programs, and other business services. It also means being treated equally by the state's legal and regulatory enforcement efforts. Several examples help illustrate this.

First, workforce development helps improve equity by attracting high-paying jobs. States have two basic choices in deciding what type of economic development strategy to pursue, and both profoundly impact their workforce development efforts. Choice one is to promote industries that pursue profitability by driving down wages, exploiting the environment, and operating in an inefficient and unsafe manner.³⁰ Choice two is to promote industries that invest in workers and value their contribution to business success, emphasize environmentally sustainable practices, and strive to operate in the most efficient, least wasteful fashion.³¹ "Choice two" type employers tend to need and to locate in areas with highly skilled workforces. A concentration of "choice

two" employers creates competition for employees. The competition encourages these employers, who already tend to offer higher wages than "choice one" employers, to provide even more competitive compensation in terms of salary and benefits. Therefore, supporting workforce development as a part of an economic development strategy will encourage employers that traditionally provide higher wages to locate in the state, instead of attracting their counterparts who rely on employees with low skill sets.

Workforce development also helps move residents into the workforce and moves existing workers into higher paying jobs. In California, an estimated 846,000 families, or 10.6% of the state's families, live in poverty status.³² Workforce development can minimize this number by helping the unemployed obtain jobs and by preparing the workforce to earn higher wages. For example, California created the Employment Training Panel (ETP) in 1982 primarily to help people achieve higher paid skill sets.³³ Another population targeted for ETP funding is workers who are receiving Unemployment Insurance Benefits at the time of hire or have exhausted their benefits within the previous 24-month period.³⁴ Since its inception, ETP has paid over \$762 million in training funds, trained over 417,000 California workers, and served 41,400 California businesses.³⁵

The state's workforce development system can also help people with limited educational achievement to obtain sustainable and rewarding employment. At a minimum, most of the state's higher paying jobs require an Associates Degree.³⁶ However, 63 percent of Californians age 25 years and older have not obtained an Associate Degree or higher.³⁷ California's workforce development system helps bridge the education and earning correlation for those with lower educational attainment by teaching in-demand skill sets needed required by higher paying jobs.

Finally, a properly developed workforce is important to equity by helping move Californians into jobs that offer employment benefits. Examples of employer-provided benefits include health care, retirement packages, and other benefits.³⁸ Such benefits are offered by a considerable number of California employers. Fifty-three percent, or 18,169,130, Californians receive their health insurance via programs offered by their employers.³⁹ Based on national trends, a significant number of California workers are provided some type of retirement benefit. Forty-eight percent of the nation's private industry employers offer full and part-time employees some form of retirement benefit.⁴⁰ Ninety-eight percent of the nation's state and local governments offer full-time employees some form of retirement benefit.⁴¹ Many employer-provided benefits help workers to stay healthy, to maintain income during periods of employment absences, and to reduce out-of-pocket expenses by leveraging purchase power and utilizing economies of scale. All of these elements directly impact equity by helping employees earn enough purchasing power to stay above poverty status. However, these benefits are typically associated with jobs demanding higher than basic skill sets. Therefore, the state's workforce development system helps address equity by assisting workers in obtaining the needed skill sets to qualify for jobs that typically provide benefits.

Convergence of Workforce Development and the 3-E's

Up to now, this White Paper's format may appear to suggest that the benefits of workforce development to each of the 3-E's are distinct and separate. However, workforce development's influences on the 3-E's are fluid, inter-connected, and often evident in almost every state sponsored workforce development effort. Governor Gray Davis is implementing two current workforce development initiatives that illustrate this. They are:

- The TechForce Initiative⁴² - targets approximately \$10 million in ETP funds to help satisfy California's need for Information Technology (IT) workers. There will be more than 125,000 openings for mid-level IT positions in California during the next eight years. This program will train incumbent workers for a variety of entry-level and advanced IT occupations or skills, such as personal computer technicians, language programming, and UNIX system management. On average, such positions pay \$25.75 per hour.⁴³
- The Nurse Workforce Initiative⁴⁴ - this California Initiative places workers in well-paying jobs and simultaneously eases the state's nursing shortage by establishing the nation's first nurse-to-patient ratios and by allocating almost \$60 million into training, recruitment, and retention efforts for approximately 5,000 licensed nursing jobs.⁴⁵ Recent nurse graduates in California typically earn between \$24 and \$30 per hour and are being offered signing bonuses of up to \$10,000.⁴⁶ Nurse practitioners usually earn over \$70,000 per year.⁴⁷

Each initiative impacts all 3-E's:

- Economy: These initiatives support industry needs, which currently include select Information Technology workers and nursing professionals. They also support the economy by helping people obtain higher-wage jobs, which will enable them to increase their reinvestment potential in the California economy via the purchasing of goods and services.
- Environment: For example, the two initiatives target workers that are required by state and federal mandates to use energy-saving technologies and waste disposal procedures. Complying with the mandates requires workforce training. The initiatives also increase the number of workers in each industry, which will also increase the supply of technologies needed for them to fulfil their environmental related obligations. This demand helps stimulate the supplying industries.
- Equity: These initiatives attract higher-paying jobs and facilitate access to these jobs. In addition, these higher paying jobs are typically associated with employer-provided benefits, such as health insurance and retirement packages.

A Brief Reflection on the Evolution, Challenges, and Future Direction of California's Workforce Development System

As already noted, California's current \$4.6 billion workforce development system is a patchwork of 34 job-training programs administered by 14 different State entities.⁴⁸ The programs that these partners provide are highly fragmented.

Fragmentation is only a problem if it creates undesirable outcomes. Meeting the workforce needs of employers requires, at a minimum, a system that is easy for both individuals and businesses to navigate and that provide in-demand training and move-up opportunities to workers. Governor Davis, however, correctly notes that the state's workforce development system is fragmented to a degree that creates duplication, resource inefficiency, and difficulty for the public and employers to understand and access.⁴⁹

In order to understand how the state's workforce development system should be modified to address this fragmentation, a basic foundation of the system's evolution and current challenges is helpful. This section of the White Paper first discusses the evolution and challenges of the system, and then it presents the future direction of California's workforce development system.

Evolution

The fragmentation in the state's workforce development system resulted from the way in which this patchwork-system evolved. This section discusses this and summarizes recent state and federal efforts to resolve the issues caused by fragmentation.

The basic source of the fragmentation is two-fold. First, workforce development was not designed or developed as a system, but rather as a loose network of individual programs that provide either specialized services not available through other programs or mainstream services to special populations not otherwise served. Second, most of the state's workforce development programs are created and controlled by federal mandates. Both of these sources of fragmentation are exemplified by the federal acts that established the key programs in the state's workforce development system.

After the stock market crash of 1929, President Roosevelt signed the Wagner-Peyser Act of 1933. This Act's focus was the more than 12 million people who found themselves out of work, and it allocated significant resources to the unemployed.⁵⁰ The Act also required California to establish and administer a state employment office to provide labor exchange services. These offices were a joint federal-state partnership in that federal monies were given to the state that is responsible for implementing the law within its jurisdiction. Accordingly, the state created the California Department of Employment, now the California Employment Development Department (EDD), in 1936 to administer the program and to satisfy the federal requirements emanating from the act.

Similarly, the Social Security Act is another major component of today's state's workforce development system. Also known as the Economic Stabilization Act, it established the

Unemployment Insurance (UI) program. The program offered, for the first time, an economic line of defense against the effects of unemployment – assisting not only the individual but also the local community by keeping some purchasing power in the hands of the unemployed so that further layoffs would not occur by virtue of absent consumption.⁵¹ This program is also a joint federal-state partnership in which federal funds are provided to EDD for administering the program.

In the 1960's, California's workforce development system began to provide training and supportive services for another select group: the socially, educationally, and economically disadvantaged. New employment and training programs were created to help Californians enter and stay in the workforce.⁵² These programs resulted from the Manpower Development and Training Act (MDTA) of 1962 and the Work Incentive Program (WIN). The legislative intent of the MDTA was to train and retrain thousands of workers unemployed because of automation and technological change.⁵³ The MDTA instigated training and supportive services in the state's workforce development system. The WIN was an Aid to Families with Dependent Children (AFDC) program designed to give certain welfare recipients training and to have them enter the workforce. It was launched in 1967.

Several subsequent acts by Congress replaced previous acts and expanded the provision of employment training and supportive services. In order, they are the Comprehensive Employment Training Act (CETA) of 1973, the Job Training Partnership Act (JTPA) of 1982, and the Workforce Investment Act (WIA) of 1998. WIA is the current federal law, and it offers a comprehensive range of workforce development activities through statewide and local organizations.⁵⁴

Today's workforce development system began as efforts to establish employment security programs. The state's system was expanded over time to also include employment training and support services. Today, there are 14 partners in California's workforce development system working to provide these services.

Challenges for the State's Workforce Development System

California's workforce continues to be a source of pride for the state. California employees are a third more productive than their national counterparts, and this is a primary reason why Californian businesses are more productive than businesses elsewhere in the nation.⁵⁵ This is one of many positive testaments regarding the state's workforce development system. However, even with its success, several challenges face the State's workforce development system. These challenges result from the system's fragmentation. The current undesirable outcomes of fragmentation are duplication, resource inefficiency, and difficulty for the public and employers to understand and to access.⁵⁶ The challenges in addressing the fragmentation producing the undesirable outcomes are discussed in this sub-section.

One challenge is duplication and competition among California's workforce development partners. The state and federal governments fund their workforce priorities through individual partners and programs. Partners and programs sometimes provide the same or similar populations with the same or similar services. However, these partners and programs have individual and distinct missions, expenditure requirements, administrative structures,

accountability systems, and often serve special populations and perform special or unique functions. As a result, the partners have very little communication with one another. This encourages fragmentation that results in duplication.

Another challenge is WIA requirements that mandate partners to contribute services and funding to the workforce development system. Meaningful partnership and resource sharing are essential to minimizing fragmentation, and adequate funding must be provided to partner programs in order for that to occur. Unfortunately, federal funding, which is the primary source of funding in the state's workforce development system, has been consistently reduced in recent years. As a result, partner programs do not have enough funds to serve all of their customers and to support their own infrastructures, much less to contribute more to the workforce development system. The three WIA programs of Adult, Dislocated Worker, and Youth are, for instance, mandated partners in the system and the federal funding provided to California by the Act was reduced by \$175 million since the WIA's implementation in July of 2000.⁵⁷

Moreover, the State's budget shortfall is not only resulting in reduced funding for California's General Fund programs, but also prevents the replacement of lost federal funding. Consequently, the very measures that can be taken to reduce fragmentation and duplication within the workforce development system become much more difficult to implement because the partner programs do not have the resources to do so.

Added to the funding challenge is the diversity of governance through which the funding flows. California's governmental organizational structure is among the most efficient in the nation.⁵⁸ Partly due to the State's size, California uses a complex structure of agencies, departments, boards, commissions, special districts, and local governments to service its population of over 33.9 million people.⁵⁹ While efficient when viewed in its entirety, this decentralized delegation of authority supports fragmentation between workforce development programs. The challenges this presents are exacerbated by local control, most notably by the WIA established One-Stop systems. WIA created Local Workforce Investment Areas that operate individual One-Stop systems. A separate, unique, and, most importantly, autonomous Local Workforce Investment Board governs each system. In all there are 50 boards that govern 444 One-Stops throughout California. This example is not criticizing the organizational structure. It simply notes that the separate, unique, and autonomous boards adds to the State's challenges in coordinating workforce development programs into a real system that will better serve the State's citizens and businesses.

Recent Reform Efforts

California's workforce development system performs well in its current form.⁶⁰ As the previous section notes, however, there is room for improvement by targeting the affects of fragmentation, which include duplication, resource inefficiency, and access and understanding difficulties. Recently, both the federal government and Governor Davis have taken measures to resolve the issues emanating from fragmentation.

The federal government, a major contributing source of the fragmentation, launched its first major reform effort in the early 1980's by enacting the JTPA. The JTPA was designed to reduce

the impacts of fragmentation by establishing stronger networks between workforce development partners. For example, the act formally established a system of publicly funded training programs that were locally based and directly linked to the state-run employment security programs. The JTPA also included links to other programs outside its system, such as a state's workforce education programs. During the last few years of the JTPA, the federal Department of Labor (DOL) moved to identify and to define the parameters of this "system" with the employment security and job training programs at its core. In doing so, it emphasized direct and stronger links to other public and private programs that offered similar or related services.

The principal organizing vehicle that the DOL used for defining this "system" was the implementation of state One-Stop delivery systems. The One-Stops are required to link a variety of partner programs from other systems, including education, health, and welfare. With the advent of WIA, which replaced the JTPA, the federal government finally mandated the workforce development system of programs that operates today through a locally developed and maintained One-Stop service delivery system. This "system building" in the WIA relies primarily on partnership, coordination, resource sharing, and shared strategic planning.

In 1999, Governor Davis established the California Workforce Investment Board (CalWIB) via Executive Order to assist the state in implementing WIA. The Board's primary objective is to advise and assist in planning, coordinating, and implementing the provisions of California's workforce development programs and services as they relate to WIA.⁶¹ All members of the Board are appointed by the Governor and represent the many facets of workforce development, as well as business, labor, public education, higher education, economic development, youth activities, employment, training, and the Legislature.⁶²

Governor Davis, not satisfied with progress made by federal efforts, acknowledges that the state's workforce development system remains fragmented to a degree where duplication, resource inefficiency, and access and understanding difficulties remain. As a result, Governor Davis launched a workforce development reform initiative in his 2001 Budget Summary.

The centerpiece of the Governor's initiative was the establishment of a State Labor and Workforce Development Agency to oversee the critical worker protection, employment security, and workforce training programs. It was formed by consolidating two state departments, three state boards, and one training panel under one agency. With this new agency, California, for the first time, has both the labor and business communities represented and served by a cabinet-level Secretary that is solely dedicated to helping meet the State's workforce needs. Both the labor and business communities have expressed the need and support for a labor agency with the time and resources to effectively coordinate and administer major workforce development programs.⁶³

Another aspect of the Governor's initiative includes a measure to guide public policy through the use of discretionary WIA funding. Fifteen percent of the federal funds allocated to California by WIA are given to the Governor as discretionary funds. WIA limits how the discretionary funds can be utilized. Overcoming these limits, the Governor continues to use these funds for fighting negative aspects of fragmentation in the workforce development system. He is reshaping public policy through the establishment of broad, industry-based initiatives that benefit both workers

and employers. Worker benefits include training for and placement in higher-skill, higher-wage jobs, while employer benefits include a reduction in workforce shortages.

The Governor's workforce development initiatives also serve to improve the negative impacts of fragmentation by building partnerships. The initiative requires the formation of partnerships among the state's workforce development entities at both the state and local levels. It also provides badly needed resources to strengthen the partnerships that are at the foundation of the workforce development system.

Five examples of programs that resulted from the Governor's workforce development initiative are:

- The Caregiver Training Initiative, launched with \$25 million to recruit and train health care workers.
- The Techforce initiative, launched with approximately \$10 million to help satisfy California's need for Information Technology (IT) workers.
- The Nurse Workforce Initiative, launched with \$60 million to help address the critical shortage of trained nurses in California.
- A series of grants to local governments launched with \$14 million to provide employment and training services for unemployed high-tech and dot-com workers; and
- Veterans programs launched with \$24 million to increase employment and training opportunities.

A Foundation for Future Reform Efforts

Recent reform efforts targeting the negative consequences of fragmentation in the state's workforce development system are proving successful. Moreover, the efforts can be viewed as the beginning of a larger effort to ensure that California's workforce development system can satisfy future demands. As California's global economy continues to grow and as its traditional and emerging industries become more coordinated, a cost-effective and results-oriented workforce development system is needed.⁶⁴ This subsection identifies a framework that will enable the state's workforce development system to adapt to the changing employment trends and, as a result, to meet the needs of workers and employers in a coordinated, cost-effective, and results-oriented manner.

The goal of the framework provided at the end of this subsection is to assure that California's workforce development system will provide the types of training that reflects present and future demands by the state's traditional and emerging industries. A majority of Californians are employed in traditional occupations,⁶⁵ yet most of California's occupations with the fastest growth are in the emerging industries.⁶⁶ The changes reflect the way today's businesses operate to remain competitive, which influences employer expectations for their workforces. These expectations are:

- that employees are no longer expected to spend a lifetime of employment with a single employer and will change careers 3 to 5 times due to fluid economic conditions.⁶⁷

- that transforming the work place into a "high performance" environment requires employees to assume a greater variety of tasks and to possess higher skill sets.⁶⁸
- that rapid technology advances require employees to keep pace by constantly maintaining and updating their knowledge, skills, and abilities throughout the course of their employment.⁶⁹
- that competency in computers and other rapidly changing technologies will increasingly become a prerequisite for more of the workforce.⁷⁰

The following recommendations provide a framework for future state efforts to modify California's workforce development system to meet future demands⁷¹:

1. Improve awareness of, and access to, employment and training programs for unemployed workers, workers seeking skill upgrades, and employers.
2. Improve the workforce development system's focus on providing skill upgrade training for the already employed, especially on the "working poor". Most of the state's workforce is already employed, and more system focus should be placed on helping people maintain employable skill sets, achieving higher paying jobs, and increasing their standard of living.
3. Create more job training partnerships between the state's workforce development partners, the state's education system partners, and private sector entities. Many of the Governor's efforts to establish such programs are proving highly successful.
4. Improve the collection and application of employment data needed for developing comprehensive labor and workforce development policies and strategies.
5. Improve the workforce development system's coordination and collaboration with the state's education system, including K-12, Community Colleges, State Colleges, University of California System, vocational education programs, and apprenticeships, to establish new and stronger relationships for improving coordination, resource sharing, and common strategic planning.
6. Collaborate with the state's education system to improve the connection between educational curriculum and industrial demands.
7. Better link job training to labor market and industry demands and to growth opportunities.
8. Standardize terminology among the workforce development entities with an emphasis on private sector jargon to help facilitate coordination between the partners and to make the programs more user-friendly by workers and employers.
9. Increase Coordination between State and federal job training programs that help new and incumbent workers.
10. Improve coordination between the California Workforce Investment Board and the local workforce investment boards.
11. Assist small businesses that do not have the time and/or resources to adequately access the state's workforce development system.

12. Develop programs that help guide youth from school to job training and to career development programs and/or to gainful employment.
13. Fund what works. This involves increasing accountability indicators and emphasizing funding on programs with proven success for: strengthening coordination between the state's workforce development partners, improving access to programs, creating employment opportunities, training people to acquire in-demand skill sets, and enabling workers to earn higher paying wages.
14. Provide funding preferences to workforce development programs that promote coordination and collaboration between partners.
15. Encourage workforce development programs to reflect the needs of larger regional markets rather than the needs of a single small community.
16. Consider workforce development aspects when developing land use, transportation, and housing policies. The cost of land, commute times, and poor land use planning can discourage business operations in an area, especially high-value added jobs that can usually locate anywhere in the world.
17. Block grant all existing job-training funds, to the extent permitted by federal law, to consolidate the focus of resources to the various workforce development needs.
18. Enhance the State's Labor Law enforcement efforts that protect workers and employers who abide by the State's labor laws. Enhanced enforcement efforts will benefit the State's legitimate employers by eliminating unfair competition when illegal businesses operate in an underground economy.

Conclusion

Workforce development is an issue of sustainability as California attempts to meet the economic, environmental, and equity challenges of the future. The workforce development system must evolve to meet the demands of California's changing economy and to provide workers with higher wages and learning opportunities that support a strong social fabric. The recommendations in the preceding subsection create a framework for reform efforts targeting the negative consequences of fragmentation in the state's workforce development system. This framework will build upon recent efforts by Governor Davis and the federal government.

Endnotes

¹ This paper uses the term "workforce development" as opposed to "workforce investment" or "workforce preparation" for no other reason than the author's preference.

² California Governor's Budget Summary 2002-03, submitted by California Governor Gray Davis to the California Legislature Regular Session 2001-02.

³ *Id.*

⁴ *A White Paper on the Next California Economy*, created by the Governor's Office of Planning and Research and the Governor's Office of the Advocate for Small Business, January, 2003.

⁵ Examples include agriculture, manufacturing, and commercial retail.

⁶ Examples include life sciences, high-tech manufacturing, advanced telecommunications, motion pictures and multimedia, tourism, space and navigation, professional services, and tools and content for the Internet.

⁷ California Technology, Trade, and Commerce Agency Web Site: www.commerce.ca.gov, September, 2003.

⁸ According to the California Trade and Commerce Agency's Office of Economic Research in September, 2000, California small businesses comprised nearly 98% (or 2.5 million) of all businesses in the state. Since 2.5 million is 98% of total businesses, it follows that adding 2% to the 2.5 million figure (or 2.55 million) represents the total number state businesses.

⁹ California Employment Development Department, *Labor Market Information and United States Unemployment Rates Seasonally Adjusted*, 2003

¹⁰ California Technology, Trade, and Commerce Agency Web Site: www.commerce.ca.gov, September, 2003

¹¹ California Employment Development Department, Labor Market Information Division, *Covered Employment and Wages - Major Industry Level, California*, 2001; the statistic reflects the employers with one or more persons who pay wages in excess of \$100 during a calendar quarter and who are not engaged in an activity that excepts them from the Unemployment Insurance provision of the California Unemployment Insurance Code.

¹² According to the ARB's Annual Legislative Summary for 2002, SB 1078 (Sher, Chapter 516) "[r]equires California utilities to increase procurement of electricity from renewable energy sources by at least one percent per year until 20 percent is reached."

¹³ The Pavley Bill refers to AB 1493 authored by Assemblymember Pavley and signed into law by Governor Davis on July 22, 2002.

¹⁴ According to the ARB's Annual Legislative Summary for 2002, AB 1493 "[r]equires ARB to adopt regulations by January 1, 2005, that achieve the maximum feasible and cost-effective reduction of greenhouse gas (GHG) emissions emitted by passenger vehicles in the state. ARB must report the contents of the adopted regulations to the Legislature by January 1, 2005. The regulations will not take effect prior to January 1, 2006, and shall apply only to a motor vehicle manufactured in the 2009 model year, or any model year thereafter."

¹⁵ AB 2018 Katz, Chapter 27; SB 198 Kopp, Chapter 28; SB 52 Presley, Chapter 29, 1994

¹⁶ AAA of Southern California Web Site: www.aaa-calif.com. October 2, 2003.

¹⁷ United States Department of Energy, Energy Information Division, *Annual Energy Outlook 2003 with Projections to 2025*.

¹⁸ John A. Maynard, *A sesquicentennial Celebration: California Golden Past, Shining Future*, 2000

¹⁹ *Id.*

²⁰ *Id.*

²¹ San Francisco, Sacramento, Los Angeles, and San Diego

²² Anaheim Angels, Oakland Athletics, San Diego Padres, Los Angeles Dodgers, and San Francisco Giants

²³ Oakland Raiders, San Diego Chargers, and San Francisco 49ers

²⁴ Golden State Warriors, Sacramento Kings, Los Angeles Clippers, and Los Angeles Lakers

²⁵ Los Angeles Kings, San Jose Sharks, and Anaheim Mighty Ducks

²⁶ Examples include Disneyland, Knott's Berry Farm, Six Flags Magic Mountain, Sea World, Universal Studios, and Legoland.

²⁷ California Technology, Trade, and Commerce Agency, *California Tourism's Contributions to the California Economy: 1998-2002*, January 1, 2003 edition; the source also notes that for "the last four successive years, California has increased market share against aggressively competing states with significantly larger budgets from 9.7 percent to 11.6 percent, resulting in an additional \$8.7 billion in visitor spending infused into the California economy, creating 120,833 California jobs, and approximately \$539 million in direct tax revenue."

²⁸ *Id.*; the source also notes that California's tourism industry annually generates more than \$75 billion in direct travel spending into the economy; generates \$5 billion in direct state and local tax revenue; and is the 5th largest contributor to the gross state product.

²⁹ In September 2002, *The Harris Poll* found California to be the state where most people would like to live. In 2nd through 10th places were Florida, Hawaii, Colorado, North Carolina, Arizona, Tennessee, New York, Washington, and Oregon respectively.

³⁰ Interview with Peter McNamee, Director of the California Employment Training Panel, September 10, 2003

³¹ *Id.*

³² U.S. Census Bureau, Census 2000; actual number of families in poverty status in 1999 are 845,991; the definition of "poverty status" is complex, for the U.S. Census Bureau "uses a set of money income thresholds that vary by family size and composition to determine who is poor." Consult www.census.gov/hhes/poverty/povdef.html for the thresholds.

³³ Employment Training Panel Mission Statement as of September 2003 (emphasis added): "to provide financial assistance to California businesses to promote customized worker training through partnerships with government, business, and labor for the purpose of attracting and

retaining businesses that promote a healthy California economy; *providing workers with good jobs that pay good wages*; successfully competing in the global economy; and promoting the value of employee training."

³⁴ Employment Training Panel Web Site: www.etp.ca.gov, September, 2003.

³⁵ *Id.*

³⁶ Employment Development Department, Labor Market Information Division, *The State of the State State's Labor Markets: Executive Briefing*, November 2002.

³⁷ U.S. Census, DP-1. Profile of General Demographic Characteristics: 2000, Data Set: Census 2000 Summary File 1 (SF 1) 100-Percent Data, Geographic Area: California.

³⁸ Other relevant benefits could include sick leave, personal leave, funeral leave, military leave, family leave, and disability coverage.

³⁹ Henry J. Kaiser Family Foundation Web Site, California: Population Distribution by Insurance Status, state data 2000-2001, U.S. 2001

⁴⁰ United States Department of Labor, Bureau of Labor Statistics, *National Compensation Survey: Employee Benefits in Private Industry in the United States, 2000*, released January 2003

⁴¹ *Id.*

⁴² Employment Development Department Web Site: www.edd.ca.gov, September, 2003.

⁴³ Assumes that positions are within the state's Professional, Paraprofessional, and Technical Occupation Group; hourly figure provided by Employment Development Department, Labor Market Information Division, *The State of the State State's Labor Markets: Executive Briefing*, November 2002.

⁴⁴ Governor's Office Press Release, Governor Announces Nurse Workforce Initiative, 01/23/2002

⁴⁵ *Id.*

⁴⁶ www.nurse.ca.gov; August, 2003.

⁴⁷ *Id.*

⁴⁸ California Governor's Budget Summary 2002-03.

⁴⁹ *Id.*

⁵⁰ California Employment Development Department Web Site: www.edd.ca.gov, October 2, 2003.

⁵¹ *Id.*

⁵² *Id.*

⁵³ Gladys Roth Kremen, United States Department of Labor, MDTA: The Origins of the Manpower Development and Training Act of 1962, Office of the Assistant Secretary for Policy's Web Site: www.dol.gov/asp. October 2, 2003.

⁵⁴ California Employment Development Department Web Site: www.edd.ca.gov. October 2, 2003.

⁵⁵ David A. Sylvester, *How State's Business Tax Burden Stacks Up: Debate Overlooks High Productivity, Program Costs*, Mercury News, posted Monday, September 22, 2003. The other three primary reasons cited are advanced equipment, mobile workforce, and concentration of industries.

⁵⁶ California Governor's Budget Summary 2002-03.

⁵⁷ Interview with John Bohart, Research Program Specialist for the California Workforce Investment Board, October 2, 2003.

⁵⁸ Small Business Survival Committee, *Seventh Annual Small Business Survival Index 2002: Ranking the Policy Environment for Entrepreneurship Across the Nation*, July 2002. Notes that California is among the lowest in the nation when comparing the number of state and local government employees to the state's population.

⁵⁹ U.S. Census, DP-1. Profile of General Demographic Characteristics: 2000, Data Set: Census 2000 Summary File 1 (SF 1) 100-Percent Data, Geographic Area: California: Total population: 33,871,648

⁶⁰ Interview with Michael Bernick, Director of the California Employment Development Department, September, 2003.

⁶¹ California Workforce Investment Board Web Site: www.calwia.org. September, 2003

⁶² *Id.*

⁶³ *Id.*

⁶⁴ California State University Alumni Legislative Day 2003 White Papers, *The California State University: Meeting California's Economic and Workforce Needs*

⁶⁵ California Employment Development Department, Labor Market Information Division, *California-Occupations with Greatest Growth, 2000-2010*, Revised April 4, 2003.

⁶⁶ *Id.*

⁶⁷ Delaine Eastin, State Superintendent of Public Instruction et. al., *California Workforce Development: A policy Framework for Economic Growth*.

⁶⁸ *Id.*

⁶⁹ *Id.*

⁷⁰ *Id.*

⁷¹ The recommendations are gleaned from a variety of sources, including the California Governor's Budget Summary 2002-03, *Shared Prosperity and the California Economy: Implications for California's Workforce Investment System*, Center for Continuing Study of the California Economy, sponsored by the James Irvine Foundation; and staff from the California Labor and Workforce Development Agency and corresponding departments.