

TRAINING AND EMPLOYMENT NOTICE	NO. 11-07
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TO: ALL STATE WORKFORCE LIAISONS
 ALL STATE WORKFORCE AGENCIES
 ALL STATE ONE-STOP CENTER SYSTEM LEADS
 ALL STATE AND LOCAL WORKFORCE INVESTMENT BOARDS

FROM: *Maria K. Flynn*
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SUBJECT: Release and Availability of ETA Occasional Paper 2007-14: The Employer as the Client: State-Financed Customized Training

1. Purpose. To announce the release and availability of the ETA Occasional Paper 2007-14: *The Employer as the Client: State-Financed Customized Training*.

2. Background. *The Employer as the Client: State-Financed Customized Training* focuses on the experiences of states in administering state-financed customized training programs. State-financed customized training programs are clear examples of employer-focused public training systems. The programs have disparate origins, administrative arrangements, budgets, sources of funding, and program rules; however, each one views training from the perspective of an employer and sees training as an economic development enterprise. Stakeholders interested in leveraging funds from different sources to train more workers would find useful information in this report. This report is an analysis of customized training activities funded by state governments for the years 1989-2006. It serves as an update to ETA's previous report on customized training that was released in 1999.

This report is intended to provide a better understanding of how and to what extent states have funded training through customized training programs. It provides a history and background of how the programs began and evolved, along with descriptions of the programs' size and structure, service providers, funding mechanisms, and links to economic development, colleges and the Workforce Investment Act (WIA). The report includes an analysis of trends in total spending (by states and by region), two-page descriptions of each state, as well as a brief case study of how the program operates in the State of California.

3. Publication Description. To learn more about this publication's findings, please see the attached Summary and Implications document.

4. Inquiries. To view an abstract of this publication as well as download the full report as a PDF, visit the ETA Occasional Paper Series Web site at:

<http://wdr.doleta.gov/research/keyword.cfm>. To request a hard copy of this publication, please write: the Dissemination Team, Division of Policy, Legislation and Dissemination, Office of Policy Development and Research, Employment and Training Administration, U.S. Department of Labor, 200 Constitution Avenue, NW, Room N5641, Washington, DC 20210; or call the publication order line at: (202) 693-3666.

5. Attachment. ETA Summary and Implications Document.

The Employer as the Client: State-Financed Customized Training

Summary and Implications*

Background

The Employer as the Client: State-Financed Customized Training focuses on the experiences of states in administering state-financed customized training programs. State-financed customized training programs are clear examples of employer-focused public training systems. The programs have disparate origins, administrative arrangements, budgets, sources of funding, and program rules; however, each one views training from the perspective of an employer and sees training as an economic development enterprise. The consistent focus of state customized training programs on the employer has broad implications for program operations and program results.

Summary of Findings

- **2006 Snapshot:** Forty-seven states provided state-financed customized training programs for a total spending of \$571 million. The total amount spent equaled 19 percent of state WIA allocations. About one million people were trained in these programs.
- **Average Annual Spending:** The average annual spending (inflation adjusted) by states in the early 1990s was \$415 million. In the late 1990s, states spent about \$619 million; and in the early 2000s, the amount dropped slightly to \$614 million.
- **Top Five States in Spending for 2006:** Iowa (\$62 million); California (\$52 million); Louisiana (\$44 million); Missouri (\$31 million); and Pennsylvania (\$30 million).
- **Top Five States in Per Capita Spending for 2006:** Iowa (\$42.48); Mississippi (\$26.64); Louisiana (\$23.01); Alaska (\$19.32); and Rhode Island (\$16.93).
- **Common Features:** Training was generally focused on manufacturing and other “traded sectors” (i.e., non-retail service businesses that sell outside state boundaries or compete with out-of-state firms). The programs themselves were flexible on training content and delivery, and the selection of people to hire and train was generally viewed as the right and responsibility of the employer and not the state. Employer matches were always required.
- **Linkages:** The authors found that 19 states had strong links to economic development, 17 states had strong links to community and technical college systems, but only a few states had strong links to the WIA system (e.g., the state Workforce Investment Board of Rhode Island directly administers the program).
- **Services or Contracts:** A total of 35 states contracted training with employers, and employers either did their own training or contracted it out to public schools or private vendors. Seven states provided training services only through community or technical



colleges. Five states did both. Overall, there have been few evaluations of these state-financed customized training programs.

- **Sources of Funds:** The primary sources of funding for the programs were: 1) the states' general fund (42 percent); 2) unemployment insurance off-set tax (39 percent); 3) bonds (15 percent); 4) tax credits (2 percent); and 5) lottery (1 percent).
- **Type of Trainees:** For the most part, programs funded incumbent workers, new workers, or both. In 1989, 51 percent of the training supported incumbent workers. By 2006, the percentage of training that supported incumbent workers increased slightly to 58 percent.
- **Administrative Agencies:** Three types of administrative agencies were identified: 1) education; 2) economic development; and 3) workforce development. For workforce development, the percentage of agencies that served as the administrative entity of the programs increased from 19 percent in 1990 to 31 percent in 2006.

Policy Implications

- **Customized training programs could be evaluated more rigorously.** State programs could collect micro-level data from trainees using unemployment insurance wage data to report results. At least four states have conducted such evaluations on a limited basis and found strong earnings gains for participants in customized training. Program operators should consider these types of metrics. States with larger budgets could explore more elaborate evaluation systems, but, at a minimum, every state could adopt a basic report on wages paid before and after training. Evaluations could be conducted continuously with feedback used to adjust program performance. Employers could serve as allies in conducting and obtaining evaluation information since they generally contribute at least half of the total costs of customized training programs. Evaluation information would help determine the effectiveness of the training on participants' employment, retention and advancement, as well as the return on investment to the states and employers.
- **Customized training programs need effective, streamlined administration.** Based on the performance of customized training programs -- compared with the performance of colleges in operating vocational programs and Workforce Investment Boards in operating incumbent worker programs -- states may want to consider the most effective allocation of administrative responsibilities. There is not one inherently "correct" agency to administer a program. The effectiveness of programs varies widely by state and sometimes within states. Agencies that administer job training funds could be evaluated based on comparable measures of employment and earnings. Decisions on administrative responsibility could be driven by performance and should be continually monitored and adjusted.
- **Best practices from the President's High Growth Job Training Initiative (HGJTI) may be useful in customized training program development and administration.** State-financed customized training programs could learn much from existing training initiatives such as the HGJTI and the Community-Based Job Training Grants. An evaluation of these initiatives is currently underway and could provide lessons learned that would be directly



applicable to state-financed customized training programs. While these initiatives have been funded by Federal resources rather than state-based resources, the customized training programs were developed via partnerships among the workforce investment system, educational entities, and business or industry. Business and industry under these initiatives play an integral role in designing the training program by articulating the skills needed for specific and targeted occupations.

* This Summary and Implications document was prepared by the Employment and Training Administration and does not necessarily reflect the opinions of the study author(s).

