

Implementing Senate Bill 642

# A Labor Market Approach to Workforce Development

Paper 2 in a Series of 4

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## Preface

This is the second in a series of four papers on issues related to the implementation of Texas Senate Bill 642, the Workforce and Economic Competitiveness Act of 1993.

This law fundamentally restructures the way labor market services are planned and delivered in Texas. At the state level, it consolidates the strategic planning, oversight and evaluation functions for a number of separate workforce development programs in single state agency, the Texas Council on Workforce and Economic Competitiveness. The law requires state agencies represented on the council to use its strategic plan to guide budgeting and operational planning decisions for the workforce programs they administer. Further, these agencies must implement all council recommendations approved by the governor provided they do not violate federal or state laws or regulations.

At the local level, Senate Bill 642 encourages mayors and county judges—as representatives of units of general local government—to both establish workforce development boards with functions similar to those of the new state council and design service delivery systems based on the “one-stop” approach outlined in the bill. If they respond to this challenge, much of the state’s authority and control over workforce development activities will be decentralized to local areas throughout the state. This not insignificant shift of power will enable local decision makers to fashion workforce systems that better address the unique labor market needs of employers and workers in their respective locales.

This combination of consolidation and decentralization lays the foundation for building an integrated workforce development system in Texas that improves access for those who need labor market services and enhances the quality and appropriateness of the services they receive. Building such an integrated system from the existing array of separately funded education, training and employment programs is a major undertaking that will require strong commitment and a sustained effort over several years.

Understandably, the scope and magnitude of these changes will threaten many of those currently associated with the various workforce programs. They will have questions and concerns about the new approach and will need substantive information describing the benefits of an integrated system, what it will look like and how it will work. Even so, it will take time for the benefits of reform to outweigh their fear of the unknown and natural resistance to change.

This series focuses on the most important elements of the workforce system outlined in Senate Bill 642. The individual papers are not written as technical assistance guides. Rather, each describes a key component of the new system and explores the major opportunities and challenges associated with its implementation. Together, they provide a framework and offer a possible course of action for those who see the advantages of building an integrated workforce system in Texas. Other papers in the series are:

- Paper 1 The Local Option: A Stronger Role in Workforce Development
- Paper 3 Building a Local Workforce Development Board:  
The Key Steps
- Paper 4 Designing the Local Service Delivery System

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## Implementing Senate Bill 642

# **A Labor Market Approach to Workforce Development**

### **Introduction**

Senate Bill 642 offers a classic example of a systems approach to workforce development. Rather than creating another new program, it establishes an intergovernmental system to provide high quality labor market services to employers and workers, not as an end, but as the means to something much greater.

The law's underlying premise is that a statewide system which integrates the services of a number of separately funded workforce programs can best address the economic and labor market needs of the state. A single integrated system would improve access to services, tailor services more closely to individual needs of employers and workers, and educate and train workers more effectively. As a result, labor markets would operate more efficiently, productivity would increase and all Texans would enjoy the benefits of higher wages and a better quality of life.

### **A Labor Market Emphasis**

The system's key feature is the integration of services at the local level. Pulling together workforce program funding streams, management functions and services at the state level is important but not essential for success. Integrating workforce services at the local level is, however, absolutely vital.

Establishing a systems capability like that envisioned in Senate Bill 642 requires three interrelated yet different integration efforts at the local level. The first is a consolidation of the governance and management functions of the various programs. The second, a programmatic integration, brings together all

services offered by the various workforce programs and makes them available through a single service delivery system.

The third, and the primary focus of this paper, is the geographic integration of workforce program service delivery within the recognized boundaries of local labor market areas. Achieving common substate areas for planning and delivering workforce services across the state will require combining the service delivery areas of some programs—most notably the Job Training Partnership Act (JTPA)—and expanding others to cover entire labor markets or regions. Geographic integration recognizes the inherent nature of local labor markets and how they operate, allows local officials to plan and deliver workforce services on a labor market or regional basis, and improves access to jobs and labor market services for all residents of a local area, regardless of where they live and work.

Given Senate Bill 642's emphasis on building a system that is driven by market demand, it is not surprising to find strong requirements in the bill for a labor market approach to workforce development. They are most clearly visible in Section 3.01 of the law as criteria for the governor's designation of local workforce development areas. The governor is to propose areas, each of which:

“(1) is composed of more than one contiguous unit of general local government that includes at least one county;

“(2) is consistent with either a local labor market area, a metropolitan statistical area, one of the 24 substate planning areas, or one of the ten uniform state service regions; and,

“(3) is of sufficient size to have the administrative resources necessary to provide for the effective planning, management and delivery of workforce development services.”<sup>1</sup>

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<sup>1</sup>Under Senate Bill 642, the governor first *proposes* the designation of local workforce development areas and makes the final designation for these areas after receiving comments from local elected officials, business and labor representatives, and other interested parties.



All three conditions must be met for a proposed designation. These criteria, taken together, appear to allow the designation of substate areas that include multiple local labor markets but clearly preclude the designation of any substate area that is substantially less than an entire local labor market.

### **Federal Encouragement**

A labor market approach to workforce development is not new with Senate Bill 642. The federal government has long encouraged labor market or regional planning and delivery for many different areas of public policy, including economic development, transportation, job training, water quality and solid waste disposal. The Department of Labor seriously began promoting a labor market approach to workforce development in the late 1960s as part of a larger agenda to decentralize decision making for job training and employment programs to state and local governments.

The Comprehensive Employment and Training Act (CETA) of 1973 offered a sizable financial bonus to local governments which agreed to plan and operate programs on a labor market or regional basis. Legislation authorizing the current JTPA program also encourages local governments to enter into consortia arrangements that serve a substantial part of a local labor market area, but it stops short of offering financial incentives for doing so.

The department's continuing interest in fostering a labor market approach is currently reflected in the Re-employment Act of 1994, introduced in the last session of Congress. Title III of the bill, which establishes a one-stop career center system (Department of Labor language for an integrated service delivery system), gives special consideration for federal implementation grants to governors who designate one-stop service areas that are consistent with the geographic boundaries of labor market areas within their states.<sup>2</sup>

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<sup>2</sup>Basing one-stop service areas on the geography of local labor markets ranks as the first of several factors for receiving special consideration for federal funding. Other factors relate to the number of different workforce programs participating in the one-stop system and the proportion of a state's population covered by such areas that have agreed to implement the one-stop approach. Failure to designate local workforce areas that coincide with the geography of local labor market areas in the urban parts of the state could prove costly to Texas.

But while the federal government encourages a labor market approach with one hand, with the other it authorizes and funds programs in such a way that almost guarantees states will not take that approach. Again, the JTPA program offers a good example. By enfranchising units of general local government (or combinations thereof) with a population of 200,000 or more for a program of its own, the legislation has balkanized workforce services in urban labor markets along city and county boundaries. In each eligible jurisdiction, the chief elected official controls a JTPA program that serves only a portion of the local labor market area. This kind of local control over job training programs has predominated since the early 1970s.<sup>3</sup> Given this long-standing arrangement, local elected officials' hesitancy to share control in the interest of a labor marketwide approach to workforce development is understandable.

In this environment, the challenge lies in making the case for a labor market approach and providing financial incentives to persuade local elected officials to work together.

### **The Case for a Labor Market Approach to Workforce Development**

There is widespread acceptance of a labor market or regional approach to workforce development outside the larger urban areas in Texas. Because of their size and limited administrative resources (many local governments in the rural areas are too small to independently qualify for job training programs) and because they have long recognized the benefits of working together, elected officials in rural areas have joined together for many years to plan and deliver workforce services, primarily JTPA and its predecessors, on a regional basis.

The urban areas in Texas have had a different experience. While local governments have a long history of working cooperatively in policy areas such as transportation, natural resources and the environment to benefit the entire region, they have generally divided the administration of workforce programs

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<sup>3</sup>Local elected officials were authorized to administer their own job training and employment programs first under the Emergency Employment Act of 1971, again under the Comprehensive Employment and Training Act of 1973 and more recently under the JTPA legislation of 1983.

along the lines of their separate political jurisdictions.<sup>4</sup> The cities and counties with populations large enough to be eligible for their own programs have usually elected to set them up. Lacking other options, the remaining smaller units of government in the same regions have traditionally joined together to operate separate programs through their regional councils of government.

This artificial bifurcation of the JTPA program in the major metropolitan areas of Texas has continued largely undisturbed despite dramatic demographic, social and economic changes in these urban areas over the past two decades. Periodically the population of a city or county has reached the 200,000 minimum, causing general uncertainty as local elected officials considered the options of staying where they were, going independent or joining in some new configuration with other local governments in the region. In most cases, however, the status quo has won out over the perceived advantages of operating independent programs or forming new alliances, thereby preventing further balkanization of local labor market areas.<sup>5</sup>

The requirements for a labor market approach in Senate Bill 642—specifically the criteria for the governor’s designation of local workforce development areas—seriously challenge the existing bifurcation of workforce programs in Texas’ metropolitan areas. As a first step in the implementation process, staff of the Texas Council on Workforce and Economic Competitiveness (TCWEC) proposed that local workforce development areas coincide with the geographic configuration of the state’s 24 substate planning areas.<sup>6</sup> For the larger urban areas, a labor market or regional designation of this nature would mandate that a number of local elected officials agree to consolidate their JTPA operations

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<sup>4</sup>In workforce development, the number of local programs in an area is determined by the population requirement for independent local service delivery areas set out in JTPA, i.e., cities or counties (excluding the population of any eligible city within that county of 200,000 or more). Unfortunately, this forces a number of fairly large cities and counties in urban areas to join with other local governments that are not independently eligible. In many cases, these larger units of government have much more in common with the big city or county in their area than with the more rural counties with which they are unavoidably aligned.

<sup>5</sup>Collin County is the one exception. Local officials there chose to break away from the North Central Texas service delivery area and operate their own JTPA program.

<sup>6</sup>The references to the state council and to state council staff refer to the Texas Council on Workforce and Economic Competitiveness, established under Senate Bill 642.

and form workforce development boards in order to take advantage of the opportunities offered by the new legislation.

Though this proposal was presented as a point of departure for the state council's recommendations for the designation of local areas, it drew an immediate and predictable reaction from local officials, especially from those representing local governments in the larger metropolitan areas of the state. Nineteen mostly rural regions of the state supported the staff proposal, while five urban regions, areas that include 65 percent of the state's population, strongly opposed it.<sup>7</sup>

There are a number of compelling reasons for taking a labor market approach to workforce development, and it is ironic that the greatest resistance to such an approach came from the larger urban areas of the state where the case for a labor market approach is the strongest.

### *Understanding the Nature of Labor Markets*

One of the best reasons for an integrated labor market approach lies in the nature of labor markets and how they work. The term *labor market* describes all the individual interactions that take place between people looking for jobs and employers seeking workers in a given occupation, industry or geographic area. There are literally hundreds of labor markets, some more structured and visible than others, but all engaged in allocating human resources to productive ends. While some are national or international in scope, the vast majority are local in the sense that their activities take place within a geographic area where people can change jobs without having to change their place of residence.<sup>8</sup>

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<sup>7</sup>Three of the 19 areas supporting a regional designation have large metropolitan centers: the Alamo area includes San Antonio, Coastal Bend includes Corpus Christi, and Upper Rio Grande includes El Paso. Of the five that strongly opposed it, four were regions that include the major urban centers of Houston, Dallas-Fort Worth, Austin and Lubbock. The fifth was the Lower Rio Grande Valley.

<sup>8</sup>Section 4(15) of JTPA defines a local labor market area as "an economically integrated geographic area within which individuals can reside and find employment within a reasonable distance and can readily change employment without changing their place of residence."

In almost all cases, labor market activities transcend political jurisdictions. The political boundaries of cities and counties are meaningless to local labor markets, especially in the more economically integrated urban areas of the state. Job seekers do not limit their search efforts to a single city or county, and employers looking for qualified applicants do not restrict hiring to the residents of the jurisdictions in which they are located. Both reach without hesitation across these nearly invisible boundaries for jobs, workers and services.

### *Accounting for the Interdependence of Urban Areas*

Economically and socially, the cities and counties in Texas' major metropolitan regions are already closely and inextricably interconnected. Neither problems nor solutions—urban or rural—fall conveniently along city or county boundaries. A failure to address the causes of crime in the inner city ultimately produces higher crime rates and increased public safety concerns for nearby suburbs and surrounding counties. Inadequate education in a rural school district inevitably contributes to unemployment problems in the central city as rural students move into town looking for jobs. The decision by a major business to move in or out of any part of the region has economic implications well beyond the boundaries of the city or county in which it is located.

Statistics about where people live and work serve as the best indicator of the high level of urban interdependence. While most workers in urban Texas still live and work in a central urban county, a growing number now lives in surrounding counties. Of this second group, a large number travels beyond their city or county of residence to work, most to the closest metropolitan center. The largest influx of workers to the central urban counties comes from the adjacent counties, but significant numbers of workers also commute from counties farther away. Though data is not readily available for all urban areas of the state, most workers in these outlying counties presumably travel toward, if not into the closest metropolitan area because most jobs are still clustered in the largest counties of the state.

In the Gulf Coast region for example, 66 percent of the workers living in Fort Bend County, southwest of Houston, work outside the county. Of those, 94

percent commute to Harris County. To the north, 50 percent of the workers in Montgomery County work outside the county, 89 percent of them in Harris County. To the east, the numbers for Chambers County are 54 and 76 percent respectively. For counties not adjacent to Harris but in the Gulf Coast region, the percentage of workers leaving their counties of residence declines, but the direction of movement is still toward the urban center.<sup>9</sup>

Similar patterns are reflected in all major metropolitan areas of the state. If their populations increase as projected and the shift of jobs and people from the inner cities to the suburbs continues, the level of interdependence will only rise. As David Rusk, a former mayor of Albuquerque, aptly points out in his book *Cities Without Suburbs*, "Any solution to urban problems must treat the suburbs and central cities as indivisible parts of a whole."<sup>10</sup>

### *Ensuring Access and Equal Opportunity*

The urban economic reality is one of booming suburbs and declining inner cities. While most jobs in metropolitan areas of the state are still located in the central counties, job growth is another matter. From 1985 to 1993, employment in Fort Bend County grew 45 percent compared to Harris County's eight percent. In fact, many areas in the central part of Houston actually lost jobs, with the greatest losses coming at the city's inner core.<sup>11</sup>

This job growth pattern also holds for other metropolitan areas of the state. In Williamson County, north of Austin and Travis County, employment grew by 46 percent compared to 23 percent in the more urban Travis County. The most dramatic shift has taken place in the Dallas metropolitan area, where job growth from 1985 to 1993 in neighboring Collin County was 79 percent compared to less than three percent in Dallas county.<sup>12</sup> While the shifts were less

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<sup>9</sup>This data was prepared by staff of the Texas Council on Workforce and Economic Competitiveness for meetings of the council and its five-region task force (January-March 1994).

<sup>10</sup>Rusk, David, *Cities Without Suburbs*, Woodrow Wilson Center Press, 1993.

<sup>11</sup>This information came from maps produced by the Houston/Galveston Council of Governments showing employment changes in the region from 1980 to 1990.

<sup>12</sup>The county employment data used here came from information prepared by the Economic, Research and Analysis Department of the Texas Employment Commission in January 1994. It

dramatic in the other urban counties around Houston, Austin and Dallas, they were all substantial. If this trend continues, a majority of the jobs and people in the metropolitan areas of Texas will soon reside in the suburbs.

Population changes in urban Texas areas correlate highly with job growth. As the number of jobs and residents in the inner cities declines, the suburbs are experiencing rapid growth from a combination of in-migration to the urban region and out-migration from the central cities. In the Gulf Coast region, for example, the inner-city neighborhoods of Houston lost population between 1980 and 1990, while the suburbs and surrounding counties, especially to the north and west, made sizable gains. The shift of jobs and people to the suburbs has resulted in the central cities having the highest levels of unemployment and poverty, especially in the predominately minority neighborhoods at their cores.

Those who remain in these blighted inner-city neighborhoods have become increasingly isolated from the economic growth, jobs and prosperity of the suburbs. Without competitive education, job skills and access to the higher-wage jobs in the suburbs, they will remain economically, socially and racially segregated from mainstream society.

Well-intentioned workforce programs—the very programs designed to address labor market pathologies that result in these concentrations of unemployment and poverty—often contribute unwittingly to the problems they try to solve. When service areas for programs such as JTPA are limited to the boundaries of individual cities and counties within a greater metropolitan area, planning and service delivery can only affect part of the local labor market.<sup>13</sup> Such programs are fragmented, and the services they provide are often limited by job opportunities in their political jurisdictions. The effect is to cut off residents of the central city from better jobs emerging in the outlying areas.

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reflects changes in covered employment for selected urban areas from the first quarter of 1985 to the first quarter of 1993.

<sup>13</sup>Under JTPA, any unit of general local government or any combination thereof with a population of 200,000 is independently eligible to have its own program. In urban areas this results in a number of separate programs—the central city, the central county (excluding the city), another city or county, or a group of smaller counties joining together to reach the 200,000-population minimum—all serving parts of the same labor market area.

Only integrated workforce programs serving entire labor market areas can guarantee access and equal opportunity. Only they offer any hope of ending the economic segregation of the inner core.

### *Making Local Areas in Texas More Competitive*

All evidence indicates that economic activity in Texas, like that everywhere in the country, will continue to cluster in urban areas. These economically integrated islands actively compete with each other in both domestic and international markets. The current secretary of labor and a number of leading labor economists maintain that these areas' only competitive edge lies in the education and skills of their workforces.

If this is the case, it makes sense for local officials to join together, not only in attracting new jobs but also in educating and training their workers for high-wage jobs that raise the standard of living for everyone in the area. More often than not, fragmented efforts by individual cities and counties in the same labor market pit them against one another, yet in reality their economic futures are inseparable. Collaborative approaches to education, workforce training and economic development have the greatest chance of success. As David Rusk says, "With metro-wide or regional approaches, urban areas are able to compete as integrated labor market areas, an approach the marketplace most values."<sup>14</sup>

### *Maintaining Compatibility with Other Federal and State Programs*

Texas has long encouraged a regional approach to planning and delivering government services. In 1967, the legislature established the governor as the state's chief planning officer. In the following year, the governor divided the state into 21 substate areas based on, among other considerations, geographic relationships, population concentrations, commuting patterns and configurations of local labor markets. Though Texas now comprises 24 areas and though a few counties have shifted from one region to another, this basic structure has stood the test of time, population growth and dramatic economic changes.

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<sup>14</sup>See footnote 10, page 8.



Along with Senate Bill 642, other recent state legislation has supported regional planning and service delivery. In 1993, House Bill 7, creating the Texas Health and Human Services Commission, mandated a statewide service delivery system for health and human services programs. The legislation created ten uniform state service regions by combining the existing 24 substate regions and directed all state agencies to plan and deliver services using at least ten but not more than 24 regions. It further directed that the agencies not split any boundaries in setting their substate configurations, thereby reinforcing a regional approach built on the 24-region framework.<sup>15</sup>

Taking a labor market or regional approach to workforce development would permit local officials to more closely align the planning and delivery of workforce services with those of other federal and state programs that complement the workforce agenda. For example, initiatives linking school to work are increasingly planned and implemented on a regional basis. With the exception of one region, which is divided into two parts, both the state's Quality Workforce Planning Committees and Tech-Prep Consortia use the established 24 substate planning regions. In addition, employment and human services programs offering job finding, income support, health, and child care assistance for those receiving workforce development services now use these same regions or combinations thereof.

Instituting the same 24-region substate geography for all workforce programs would enhance local efforts to plan and deliver related services in an integrated fashion. To the extent that authority and responsibility for all these programs are consistently decentralized, it would also set the stage for local decision making that could cut across the boundaries of traditional workforce programs and agencies. It could mark the beginning of local delivery systems built to address local labor market needs rather than to meet the requirements of disparate federal or state funding sources.

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<sup>15</sup>Subsequent legislation eliminated this regional configuration requirement for all state agencies except those providing health and human services.

### *Ensuring Congruence with Senate Bill 642*

Another good reason for taking a labor market or regional approach lies in the nature of Senate Bill 642, independent of specific requirements in the bill for such an approach. This legislation breaks new ground by framing an integrated workforce delivery system that is demand driven and customer oriented. It envisions a workforce development system primarily guided by economic rather than social welfare objectives, one that considers employers organized by industry as its primary customers.<sup>16</sup> In this context, employers function as purchasing agents and the workforce system as a supplier, providing qualified workers in response to market demand. In turn, an individual's need for services is determined by the difference between the economy's requirements for labor and his or her current education, skills level and economic circumstances.<sup>17</sup>

From this perspective, it only makes sense to build workforce systems around local labor markets, where the suppliers are in close proximity to their potential customers. Allowing separate political entities to plan and operate workforce programs within large economically integrated urban areas confuses employers and is clearly counterproductive. What's needed are workforce systems firmly rooted to their local economies and bolstered by their educational systems.

Current state council recommendations—that the governor designate local workforce development areas along the lines of existing JTPA service delivery areas in several large urban regions—do not support the workforce system

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<sup>16</sup>Rather than focusing exclusively on individual employers, the thrust in the workforce field is toward an industry-based approach which organizes employers in industry groups to set skills standards and certification requirements for all occupational training. The term *employer* as used here is not limited to management. Worker participation is essential. In cases where there is an independent organization representing workers, it must be involved in the process.

<sup>17</sup>Viewing employers as the primary customers for the system should not be understood as taking sides in the debate over whether the focus of workforce programs should be on individuals seeking training or on employers seeking qualified workers. To structure the issue as an either/or question, as is often done, is inappropriate and not likely to lead to a satisfactory answer. The matter is simply one of setting priorities. Without question, both groups must be served and the bulk of available public resources must go to those individuals most in need of assistance. Without a clearly established priority, however, the system will lack focus, services will be inappropriate in many cases, and scarce resources will be wasted.

outlined in Senate Bill 642. The recommendations most likely violate the letter of the law and certainly its intent and underlying objectives.

For example, placing Collin County, north of Dallas, in the same labor market area with Erath County, southwest of Fort Worth, instead of in the greater Dallas labor market defies all logic except that of political expediency. Council recommendations also place four of the five counties in the Austin metropolitan statistical area in a labor market area with four outlying rural counties, rather than in the same one as Austin and Travis County. These proposed configurations simply reinforce the existing geography of the JTPA program. They obstruct Texas' building the kind of workforce system envisioned in Senate Bill 642.

### *Paralleling Federal Initiatives*

Senate Bill 642's labor market approach puts Texas in a favorable position relative to workforce development initiatives emanating from the Clinton administration and Congress. The governance structure and service delivery system outlined in Senate Bill 642 moves Texas to the front of the line for receiving additional federal assistance and for obtaining waivers from existing federal legislation to design programs that better address local labor market needs throughout the state.

The Re-employment Act of 1994 recently introduced by President Clinton calls for a one-stop approach to service delivery similar to that required by Senate Bill 642. The legislation offers special consideration for planning and implementation grants to develop this model to those states taking a labor market approach and incorporating as many different workforce programs as possible in their systems. Further indication of federal interest in a labor market approach is evident in the most recent federal solicitation of proposals for incentive grants to states for developing programs under the new School-to-Work Opportunities Act. Here again, priority consideration will go to those areas taking a labor market approach to planning and delivering services. This same preference will likely be included in the forthcoming Department of Labor solicitation which also will support the development of one-stop career centers.

By all indications, those states demonstrating a commitment to a labor market approach will have an edge over the others. Senate Bill 642 puts Texas at the front of the queue for federal funding. Whether or not Texas remains at the forefront depends largely on how effectively the law is implemented by the state council and the governor.

### *Realizing Administrative Efficiencies*

Finally, there are a number of administrative efficiencies to be realized by taking a labor market or regional approach to workforce development in urban areas. Combining separate administrative structures which provide similar services into a single system can reduce administrative costs, improve the appropriateness and quality of services provided and leave more dollars for client services. This option is most attractive to elected officials at all levels of government, particularly in the current environment of tight budgets, an almost universal unwillingness to raise taxes and strong pressures to reinvent government.

Realizing the potential savings in administrative costs as well as the other benefits will require consolidating administrative functions heretofore provided separately and creating high performance work organizations in government similar to those emerging in the private sector. The trick will be to actually integrate governance structures, management functions and program services. The temptation either to add another administrative layer or to co-locate program services simply to comply with federal or state requirements should be assiduously avoided. Both would add to the bureaucracy and probably increase administrative costs. Neither would produce any discernible improvement in the quantity or quality of services provided. Nor would either produce any of the administrative efficiencies normally associated with program consolidation.

## Major Challenges to a Labor Market Approach

These arguments make a strong case for taking a labor market or regional approach to workforce development and harnessing education, job training and other labor market services to meet the needs of local economies across Texas. A number of formidable challenges stand in the way of implementing this approach, however.

The primary challenge comes from local JTPA program administrators, particularly those operating programs in the larger metropolitan areas. For more than two decades, federal legislation has given the chief elected officials of larger cities and counties control over their own employment and training programs. As a result, many urban labor markets are served by a number of separate programs, most of them long-standing and well-entrenched. Administrators and staff of these programs have a vested interest in maintaining the status quo, and most oppose any approach to workforce development that would consolidate their programs.

The same sort of institutional resistance to a regional approach comes from some of the local service providers that contract with local JTPA programs. They benefit under the current arrangement and feel uncertain about how they would fare under a system with a broader geographic focus.

A second, and in many cases equally strong challenge, comes from local elected officials, based on their past experiences with area-wide approaches to planning and service delivery and on their strong, abiding interest in retaining local control at all costs. Most readily acknowledge the programmatic benefits of working together, but their first concern is always the level of services available to residents of their own jurisdictions. Elected officials' natural suspicions of each other, especially of others from the same area, further complicate matters.

While most local elected officials have had experience with regional approaches in other public policy areas, their views of the success of these joint ventures vary widely. Furthermore, they all share legitimate concerns about adopting a labor market approach to workforce development that has not been

tried previously and proven workable. These concerns quickly surface in the form of questions about power sharing with other local elected officials, i.e., determining the structure and membership of local governing boards, distributing votes on those boards, accommodating different urban and rural needs, and most important, allocating federal and state funds among member governments in an area.

Given all this, local officials divide into three camps in their responses. A few are at least willing to try a labor market approach in their area. Others are skeptical about its prospects and therefore hesitate to step forward. The remainder, especially those representing rural counties around large metropolitan areas and the large urban jurisdictions with their own separate programs, clearly oppose joining forces.<sup>18</sup>

A third challenge arises despite the merits of the idea simply because there is no organized constituency fighting to build integrated workforce systems. Existing employment and training programs each have their own well-entrenched constituencies, but only a few scattered individuals support building a system. The ultimate beneficiaries of such a systematic approach to service delivery—employers seeking qualified applicants for job vacancies, and workers looking for good labor market information and quality services—are generally not aware of the debate and are not, therefore, engaged.

Under these circumstances selling the concept of a labor market approach is extremely difficult, particularly among those who view it as a precursor of other changes which might threaten traditional programs. Untested and unproved, the idea is vulnerable to attack from everyone who fears the changes required to create an integrated workforce development system of the kind envisioned in Senate Bill 642.

The issues and concerns underlying each of these three challenges must be addressed immediately and forthrightly to avoid further confusion and uncertainty.

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<sup>18</sup>One notable exception is in the Houston-Galveston area, where representatives of the rural counties favor a regional approach.

## The Challenges to Overcome

Doing the smart thing for the Texas economy—implementing a labor market approach to workforce development—will require strong leadership from state government. The governor and the state council, in close consultation with the legislative leadership, must articulate the vision and provide support for creating the new system. The legislature took the first step by outlining the basic components of an intergovernmental framework in Senate Bill 642. Now the governor and the new state council must take the lead and provide the substantive details required for successful implementation of the system. Otherwise, overcoming the challenges presented above may be impossible.

There are five key areas that require strong executive leadership:

- *Articulating the Vision.* The governor and state council must further develop and consistently articulate the vision of an integrated workforce development system in Texas—its major components, intergovernmental structure, and key players. They need to describe how the system will work at the point of service to benefit its customers, and they must paint a clear picture of the future. Failure to do so will thwart both state and local efforts to build an integrated system.

One frequently raised question, for example, is about “fair share.” Local elected officials are concerned that residents of their jurisdictions continue to receive a fair share of the resources coming into their areas. If local governance structures and delivery systems are properly designed, this will not be an issue.

Another question concerns providing appropriate services to residents of rural areas in labor markets that include large urban centers. Urban and rural differences must be recognized and appropriately addressed. While urban and rural problems in large metropolitan areas are increasingly interrelated, it does not follow that workforce services or the organizations providing them would be the same throughout the labor market area.

The responsibility for addressing these questions and assuring everyone of fair and equal treatment falls squarely on the state leadership.

- *Promoting a Labor Market Approach.* The governor and the state council must continually make the case for a labor market approach and respond directly to local challenges to this approach. The main arguments for such an approach have been presented here. Issues will inevitably be raised by those opposed. They must be addressed quickly and persuasively.

- *Using Financial Incentives to Encourage Consolidation of Local Programs.* The larger cities and counties in Texas are not likely to consolidate their separate JTPA programs voluntarily without strong financial incentives to do so. Senate Bill 642 recognizes the importance of incentives to encourage consolidation in the urban areas. In section 2.06 the bill requires the state council to identify and recommend to the governor incentives for consolidating existing local workforce councils, boards and committees. Later, in section 4.11, incentives are defined specifically to include “financial incentives for the consolidation of service delivery areas authorized under JTPA.”

Inexplicably, these provisions were not implemented at the same time the council unveiled its proposal for designating local workforce areas. Obviously, it would have received a much better reception from local officials had the financial incentives for consolidation been included as part of the proposal.

If Texas is to implement a labor market approach to workforce development in the urban areas, the governor and the state council must take the lead in identifying federal and state funds that can be used for this purpose and in encouraging local officials to work together to that end.

- *Serving as an Advocate.* The governor and state council must serve as advocates for local officials willing to seize the opportunities and face the challenges of taking a labor market approach. In addition to identifying incentives, state officials must also earmark discretionary funding and



seek waivers from existing federal and state legislation that impedes local efforts to build integrated workforce delivery systems consistent with the provisions of Senate Bill 642.

- *Making a Strong Commitment to Capacity Building.* Staff in current workforce programs across the state, including JTPA, have experience administering only narrowly focused education, job training and employment programs. While they have been involved in numerous efforts to better coordinate services funded under separate federal or state programs, they have had little opportunity to do strategic planning or design local workforce systems that integrate services funded by multiple sources. Few, if any, have been involved with programs that take a labor market approach to workforce development. Almost none have had the opportunity and the luxury offered by Senate Bill 642 to design a local workforce system independent of any single federal or state funding source.

To rectify this, the governor and the state council must make a major, sustained investment in capacity building. This would involve developing the “systems-building” skills of staff currently employed in workforce programs at both the state and local level as well as attracting new talent with expertise in areas such as labor market planning, systems design and implementation, management, and program evaluation. Making this investment is a prerequisite for the successful implementation of Senate Bill 642.

