

**DRAFT**  
**Minnesota Workforce Funders Policy Task Force**

**POLICY AGENDA TO REDUCE ADULT EMPLOYMENT DISPARITIES**  
**AND PREPARE MINNESOTANS FOR GOOD JOBS BY 2020**

**I. Introduction and Overarching Policy**

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**The Workforce Funders Policy Task Force seeks to close current and future skill gaps through results-driven policies and processes that align private and public investments in order to reduce employment disparities and prepare Minnesotans for good jobs.**

**Who We Are**

The Workforce Funder Policy Task Force is comprised of members of Minnesota's philanthropic community<sup>1</sup> with a particular interest and focus on building a workforce to sustain and grow Minnesota's economy. We devote significant private funding and human capital to address the growing gap between employer needs and worker skills. Because we come without a vested interest in any existing program or organization, we believe we are uniquely suited to provide nonpartisan policy recommendations for improving the systems and infrastructure currently in place in Minnesota.

We acknowledge that a lot of great work has been done by public policy makers, the business and philanthropic communities, advocacy organizations and others to address the issue of workforce adequacy and development in our state. We look forward to working in collaboration with other stakeholders to implement these recommendations.

**New Realities Facing Minnesota's Economy and Workers**

Our state can and must measurably improve skills training to better support sustained employment, increased earnings and regional competitiveness. The following facts lead us to conclude that Minnesota must improve its workforce training:

- 1. Most jobs in today's labor market and in the future required education and training beyond high school:** By 2018, 70% of Minnesota careers will require education beyond high school.<sup>2</sup>
- 2. The state faces a growing skills gap:** 60% of working-age adults in Minnesota lack a postsecondary degree or credential.<sup>3</sup>

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<sup>1</sup> Members currently include The St. Paul Foundation, The Minneapolis Foundation, Initiative Foundation, McKnight Foundation, Phillips Family Foundation of Minnesota, Greater Twin Cities United Way, Joyce Foundation

<sup>2</sup> Carnevale, A., et al, "*Help Wanted: Projection of Jobs and Education Requirements through 2018,*" Georgetown University Center on Education and the Workforce (2010).

<sup>3</sup> A credential is a qualification, certification, or degree, which opens the door to a career and family-supporting wage (over \$20,000 per year with benefits). American Community Survey, U.S. Census Bureau; Help Wanted, Georgetown University Center on Education and the Workforce; National Center for Higher Education Management Systems. Trendlines beyond 2008 are based on single-point-in-time estimates.

3. **Tomorrow's workforce is today's:** since 2/3 of Minnesota's 2035 workforce is already working today, we cannot close the skills gap without focusing on our current adult workforce.<sup>4</sup>
4. **Even so, many adults don't have opportunities to enter and advance in the labor market:**
  - 334,000 working-age adults live in poverty<sup>5</sup> in Minnesota and face many barriers to credential attainment and family-supporting careers. These barriers include:
    - Balancing school with family
    - Working multiple dead-end jobs
    - Transportation issues
    - Inadequate financial aid
  - Eight of ten college dropouts said that the following would help them stay in school to complete a postsecondary credential: coaching, social services, and hands-on learning.<sup>6</sup>
  - For many adults, access to college means starting with remedial education. And by the time an individual is deemed "college ready," time and money have run out (nationally, less than 4% of low-skilled adults complete college). A recent national study found that most adult education students stay in a program for 30 to 80 hours of instruction, yet
  - Current state policies and programs leave out many potential workers (adults) and too many jobs are unfilled (specifically, jobs requiring training past high school but not a four-year college degree).

### **A Plan for Investing in Minnesota's Economy and Workforce**

In order to improve skills training to better support sustained employment, increased earnings and regional competitiveness, the state must scrutinize the outcomes of all government funding dedicated to workforce development and subsequently direct resources to successful investments.

Private philanthropy has made some critical investments to assess Minnesota's current workforce system, test what works in today's economy, and evaluate its impact. There is an opportunity for public investments and policies to bring successful models to scale so that more workers and businesses can be helped in the long-term. Otherwise, traction being made by the private sector will be lost, and ultimately, Minnesota's economy and workers will lose.

**We propose two overarching policy goals: (1) better align existing funding streams to support known, effective programs; and (2) ensure that both public and private investments are closing skill gaps through uniform metrics and tracking systems.**

To achieve these goals, Minnesota policymakers should move forward on key reforms:

- a. Create a state "report card" for training and education in Minnesota.
- b. Realign existing investments to establish a Minnesota Adult Career Pathways System.<sup>7</sup>

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<sup>4</sup> Carnevale, A. P. et al. (2010). *Help Wanted: Projections of Jobs and Education Requirements Through 2018*. Georgetown University Center on Education and the Workforce. Available at <http://www.cew.georgetown.edu/jobs2018>.

<sup>5</sup> 100% of federal poverty guideline, based on 2010 American Community Survey (3-year estimate).

<sup>6</sup> Johnson, J. et al. *With their Whole Lives Ahead of Them*. Public Agenda. (Pages 18-20) Soares, L. (2009). *Working Learners: Educating our Entire Workforce for Success in the 21st Century*. Center for American Progress.

<sup>7</sup> We distinguish the career pathways system from the Perkins technical education career pathways/programs of study. The Perkins career pathways/programs of study could become a part of a larger statewide career pathways system.

- c. Grow industry partnerships in key economic development regions across the state.

Funding workforce development is complex – federal, state and private funds flow through a wide variety of education and training entities to reach potential workers in different geographic, economic, and industry-specific areas. The state must dedicate energy and effort to understand how existing funding streams support this system, where they overlap, and how they might work better. This work has already started: Individual members of our coalition have funded an extensive inventory of the array of workforce development programs currently operating in the state – “Minnesota’s Workforce Inventory 2012.” This inventory, by its complexity and diversity alone, suggests that the flow of existing dollars should be realigned using a common set of goals and measures of success, while allowing sufficient flexibility to test and implement reform models that may lead to further system improvements.

In addition, and equally important, a thorough review of the measures, compliance and reporting requirements tied to government funding must be undertaken in order to improve efficiency and overall effectiveness of government programs.

## **II. Policy Agenda**

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### ***A. Efficiency and Effectiveness: Develop state measures for education credentials and program accountability***

Consistent criteria and outcome measures, such as completion of training, credential attainment, employment and increased earnings, are critical to a successful workforce development system in Minnesota. The best avenue we have for shaping a successful workforce is to first understand which programs are leading to positive outcomes, including credential attainment. A recent study shows that adults who earn two semesters of postsecondary credit and a credential have a significant earnings advantage over those who earn fewer than ten credits.<sup>8</sup> Measuring outcomes like these is good for the state, employers, and most importantly, individual citizens.

While efforts such as the State Longitudinal Education Data Systems (SLEDS) and the Workforce Data Quality Initiative (WDQI) are building the state’s capacity to collect higher education and workforce development measures respectively, there is still a need to better understand, and communicate the impact of Minnesota’s education and training system for different populations, regions and industries. Today, it is unclear what actually works and what value the State gets for its \$512 million investment in workforce services and higher education (2011). The Governor’s Workforce Development Council’s Return on Investment Initiative is currently building the analytical framework to understand which workforce development programs and interventions are the most efficient and effective. Additional analysis and reporting on the programmatic outcome measures listed above would complement and reinforce ROI analyses, and would be critical in helping us understand the specific combinations of programs and interventions that enable different populations across the state to increase their skills and earnings. Consistent outcome measures would also help us improve existing programs. Together with ROI, consistent outcome measures will help Minnesota make smarter decisions with regards to workforce and higher education investments.

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<sup>8</sup> The Tipping Point Research, Prince, D. and Jenkins, D. 2005.

It is crucial to ensure that we have the capacity and systems in place to support these analyses across the entire spectrum of education and training programs.<sup>9</sup> To maximize the effectiveness of these analyses, they must be carried out in an ongoing fashion and integrated into program management and operations.

The state should undertake the following steps to continue to improve efficiency and effectiveness of workforce development across the state:

**Recommendation 1: Establish, collect and analyze uniform measures that can be used to compare regional and statewide progress.**

**Action 1:** The state should enhance and analysis review existing data collection practices and clarify important measure definitions. A good place to start would be the ten common completion standards recommended by the National Governor’s Association that have been tested and are considered useful measures in many states already. These standards measure both outcomes and progress, which helps identify opportunities for increasing outcomes and determining how and when students fail.

**Action 2:** The state should collect outcome and progress metric data. State agencies and institutions should be required to report this data annually to a central collection office or agency.

**Action 3:** Data collected should be disaggregated to help identify completion disparities for low-income and minority students as well as targeted groups such as working adults and part-time students.

**Action 4:** The state should produce a “report card” annually in a format easily accessible and understood by the public.

**Action 5:** Expand and sustain the state’s ROI Initiative to require analysis of outcome data across the full spectrum of the state’s training and education system for use by policymakers and students alike.

**Recommendation 2: Establish goals for improving credential outcomes.**

**Action 1:** The Governor’s Workforce Development Council (“GWDC”) should analyze credential attainment information for the myriad of programs that compose the state’s education and training pipeline.

**Action 2:** The GWDC should define a single, measurable statewide goal for education credentials. Consistent with this goal, the GWDC should institute a mechanism for reporting outcome data to policymakers on a regular basis, monitoring agencies progress towards meeting the statewide goal. This may be used at the regional level as well at an agency level.

***B. Funding Alignment: public and private funding must target and maximize known, successful programs and models***

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<sup>9</sup> For the purposes of this policy agenda, the scope of our workforce recommendations include Workforce Investment Act (WIA) Adult Program, WIA and State Dislocated Worker Program, Trade Adjustment Assistance, Minnesota Family Investment Program (MFIP) Employment Services, Diversionary Work Program Employment Services, Minnesota Job Skills Partnership, Adult Basic Education, MnSCU Postsecondary Career and Technical Education, MnSCU Customized Training, and MnSCU Remedial Education.

Despite the complexity of workforce funding, there is strong evidence showing us what works. But effectiveness on a small scale will not make the difference our state needs in the long term. We make the following two recommendations that we believe will set the state on a course to make significant steps toward ensuring that an adequately trained workforce will be available in both the short and long term.

### **Recommendation 3: Build out Minnesota adult career pathway system**

As previously stated, Minnesota cannot just rely on youth and young adults to close its skills gap. Working adults must also be part of Minnesota's solution for closing the gap.

The State, with support from private philanthropy, has already begun to align resources through what is called a "career pathway" model. By "career pathway," we mean a sequence of education and training services that enable students, often while they are working, to advance over time to successively higher levels of education and employment in a given industry or occupational sector.<sup>10</sup>

Each step on a career pathway is designed prepare for the next level of employment and education. Career pathways target jobs in industries of importance to local economies. This creates avenues of advancement for current workers, jobseekers and future labor market entrants, while functioning as a supply-chain of qualified workers for local employers.

A adult career pathways system is an approach by which states align publicly supported services and programs to build an adult workforce customized to the needs of regional labor markets. By aligning policies and programs, and functioning as the platform for integration and coordination, the system facilitates regional efforts to identify and respond to market demand.<sup>11</sup> This approach encourages regions to align publicly supported services and programs to build a workforce customized to their specific needs in their labor market.

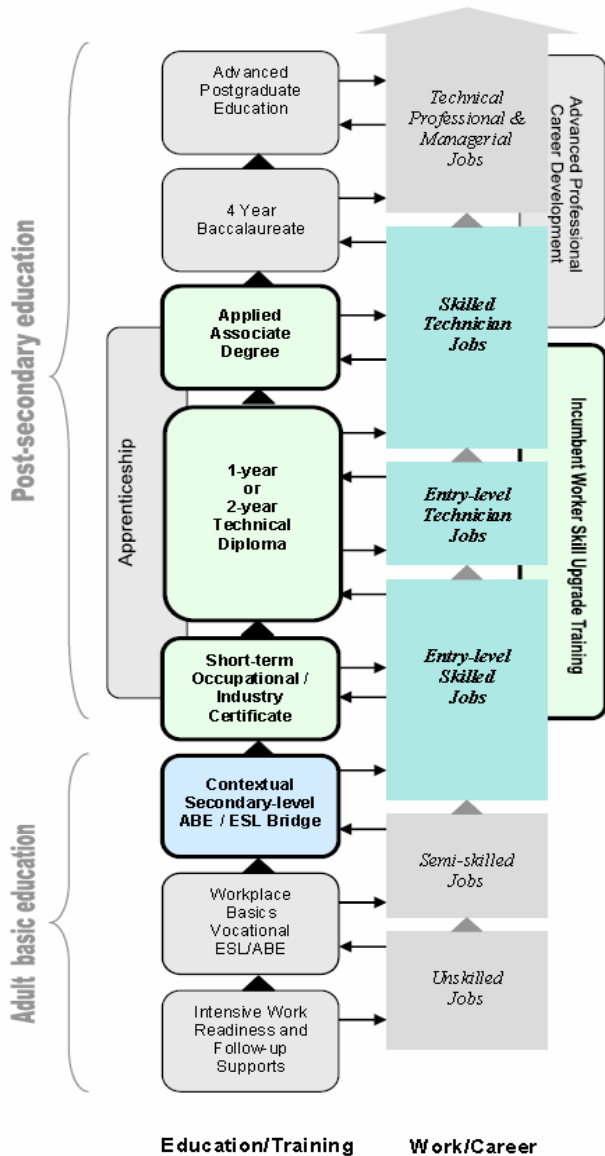
The adult career pathway strategy can be embedded in a number of settings such as community colleges curricula, community-based training programs, labor-management apprenticeships, and industry training partnerships. With support from private philanthropy, the state has already piloted a career pathway model through a program called Minnesota FastTRAC Adult Career Pathways, which gives participants an immediately employable skill, coupled with a pathway for future education opportunities. Minnesota FastTRAC Adult Career Pathways is showing great promise: since January 2010, 88 percent of participants have successfully moved ahead on their pathway in the development of employable skills tied to credits. The rate of completion and the percentage of participants who are remaining in programs to pursue advanced credentials in a career pathways model is believed to be significantly higher than with other training programs. For example, Integrated Basic Education and Skills Training (I-BEST), a model similar to Minnesota FastTRAC Adult Career Pathways in Washington State, has demonstrated that students are 29 – 35 percent more likely to earn a postsecondary credential than students in a traditional program. There is more that needs to be done to both expand and sustain this successful model.

Adult career pathway models like Minnesota FastTRAC Adult Career Pathways are key components to a larger career pathway system that redesigns the on-ramps and skills training within our existing training and education systems to produce improved outcomes for individuals and program. A Minnesota Adult

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<sup>10</sup> See CLASP Center for Post Secondary and Economic Success for definition, available at <http://www.clasp.org/postsecondary/pages?id=0029>.

<sup>11</sup> *Taking Root: The Virginia Career Pathways System*, Workforce Strategy Center



Career Pathways system is an economic imperative as our demographics and economy change, requiring employees to have higher-level skills and credentials. Adult career pathways provide an effective and efficient model for building basic education and technical skills. Using these models, regions within the State are beginning to establish common credential goals, targeting in-demand industries, engaging employers and building short-term training to address employer needs. Notably, this program is also measuring outcomes, such as credential attainment, to demonstrate its success.

Building out an adult career pathway’s system should be one piece of a larger plan to address the needs of all Minnesota residents. A thorough analysis of Minnesota FastTRAC completion and credential outcomes compared to other programs, such as Minnesota Job Skills Partnership (MJSP), Dislocated Worker, and customized training programs, is needed in order to help policymakers make informed decisions about funding. By directing discretionary funds to expand and sustain Career Pathway models, Minnesota will improve training outcomes and increase its return on investment.

To support ongoing coordination and the sustainability of career pathways, funding sources should be identified and formalized. State funds, along with focused private investment, should be used to improve coordination and accountability, and to leverage and align the financial resources of local partners. We recommend that the state undertake the following steps to establish a Minnesota career pathway’s system:

**Action 1:** Build out a Minnesota adult career pathway’s system using existing educational infrastructure to the degree practical.

1. The Governor and legislature establish (or designate) a senior level cross-agency council consisting of designees of Governor Dayton’s cabinet members and leadership from MnSCU and other relevant agencies to create an Adult Career Pathways System and advise and support the efforts of the Working Group.
2. Establish or designate a cross-agency Working Group to oversee grants management, support capacity building, program design efforts and oversee evaluation.
3. Expand the provision of supportive services, including advising and coaching, to increase retention and completion rates among Minnesotans enrolled in workforce training and education programs.
4. Establish the sustainability of Minnesota’s Adult Career Pathways system as a cross-agency and business priority through the creation and implementation of a business plan that realigns resources to support improved outcomes.

**Action 2:** Create organizational incentives to move adult students, particularly low-skilled, into career pathway programs. Increase the reimbursement rate for state funding used to support enrollment in adult

career pathway programs that meet the adult career pathway criteria. This funding would compensate colleges and partners for the costs of running adult career pathway programs.

**Action 3:** Establish a adult career pathways competitive grant fund to provide resources to workforce development and education programs that meet the following criteria:

1. Basic skills and career-technical content are combined or provided as co-requisites, including general workforce readiness skills, pre-college academic and English language skills, and specific occupational knowledge and skills, supported by comprehensive student services.
2. Basic skills and English language content are contextualized to the knowledge and skills needed in specific occupations.
3. One year of postsecondary education and an industry-recognized stackable credential are available to participants.
4. Pathways and at least 45% of students are Pell Grant eligible.
5. Curricula with identified learning targets are used for both academic and occupational content, identifying the next level of advancement in the college and career pathway.
6. Student support services are provided, often including a point of contact who helps students navigate through college advising and financial aid services, to problem-solve as challenges arise that could otherwise derail progress.
7. Partnerships are established with multiple employers within targeted industries or across inter-related industries to identify work opportunities, inform program design and meet employer's skill needs.
8. Student data is collected and reported, including completion rate, credential attainment rate, and data regarding momentum points, and comparisons are made based on similar populations and geography.

**Recommendation 4:** Scale up and sustain effective industry sector/cluster strategies.

Sector/cluster initiatives build partnerships of employers, training providers, community organizations, and other key stakeholders around specific industries to address the workforce needs of employers and the training, employment, and career advancement needs of workers.

Sector initiatives focus intensively on the workforce needs of an industry over a sustained period, while cluster initiatives focus on the needs of inter-related industries in a region over a sustained period. These initiatives often concentrate on specific occupations, and always engage multiple employers to analyze industry needs and design customized solutions.

These strategies are more responsive to industry demand than traditional job-matching and training services because they are problem-oriented, not program-oriented; they address needs interdependently, not independently; and they work with industries collectively, not as individual firms. Sector initiatives strive simultaneously to meet the skill, recruitment, and retention needs of employers and the training, employment, and career advancement needs of workers in ways that strengthen overall industries and labor markets in a region.

Statewide adoption of sector/cluster initiatives provides a framework to transform the workforce development system to better meet the needs of Minnesota's industries and workers. This is a statewide economic development strategy to help workforce regions, employers, educators, economic developers, and other potential partners to transition workers and connect the unemployed and underemployed to careers in growing industries.

The defining elements of state sector/cluster initiatives include a focus on customized solutions for a specific industry at a regional level, a central role for a workforce intermediary in bringing the industry partnerships together, and the dual goals of promoting the competitiveness of industries and advancing the employment of low- and middle-income workers.

Basic components of a sector/cluster workforce strategy include:<sup>12</sup>

- training and skills development to bring new employees into specific industries and occupations
- business development
- organization of residents, workers, employers, and other key constituents
- labor market and industry research
- restructuring of work environments to improve recruitment, hiring, training, compensation, and retention strategies
- integrating two or more of these strategies in a multifaceted approach

An Aspen Institute study found that workers in sector-based programs saw their median personal earnings rise from \$8,580 to \$14,040 one year after training and \$17,732 after two years. Based on earnings alone, 48 percent of participants exited poverty. Another outside evaluation found that employers reported a 41 percent reduction in turnover and a 19 percent reduction in rework.<sup>13</sup>

Many states are implementing a combination of these strategies successfully. Minnesota has some successful sector and cluster efforts, including the M-Powered program and the mining cluster. When included as part of a comprehensive state policy framework, sector/cluster strategies help states address the rapidly changing economic and demographic challenges they face.

The state should undertake the following steps to scale up and sustain industry sector and/or cluster strategies:

**Action 1:** Direct and redirect public resources, and incentivize private resources to support, sustain, and expand regional sector/cluster initiatives that include collaborative planning, resource alignment, and adult career pathway training efforts across multiple firms for current and potential workers within the targeted industry sector/cluster.

**Action 2:** Align multiple agencies, including their relevant policies and resources, to support targeted sector initiatives.

**Action 3:** Require agency leaders to collaborate to redefine common missions, reallocate and blend funding, and encourage joint work to respond effectively to targeted industries and workers.

**Action 4:** Make the expertise of state agencies available to sector initiatives during the research, planning, and implementation phases.

### ***C. The future challenge: continuous improvement.***

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<sup>12</sup> 2007, 2008 Insight Center for Community Economic Development

<sup>13</sup> *State Sector Strategies: Regional Solutions to Worker and Employer Needs*, NGA Center for Best Practices (October 11, 2006).



**Recommendation 5: Require that the State apply the Efficiency and Effectiveness metrics established in Part A to make future appropriations and policy decisions.**

The state must establish criteria that drive decision-making about funding toward efficient and effective programs, regardless of status as a long-established program.

The information gathered in Part A will pinpoint both effective, successful programs, and those programs that are not producing needed results. By establishing decision-making around metrics, the State will improve outcomes, and reduce the potential to fund existing (status quo) programs without clear evidence justifying such support.

While metrics are critical to identifying where the bulk of financial support should flow, the State must also accommodate new ideas by supporting pilots that suggest promising reform and results.

**Action 1: Review workforce training outcomes:** Establish a working group or designate an existing entity to review existing state and federal funding streams (including Minnesota Jobs Skills Partnership, MnSCU customized training and remediation, WIA programs, and Workforce Development Fund programs) based on their outcomes, population served and geography, and make recommendations to the 2014 legislature on how to improve outcomes that include but are not limited to completion rate, credential attainment, momentum points, employment rate and wages).

### **III. Our Commitment**

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Philanthropy is one sector with a long-standing role in supporting the state's workforce and economic development needs. The recommendations outlined above are based on years of reform and evidence, all of which strongly suggests that they will form a successful long-term strategy for the state. Consistent with these policy principles and goals, the Minnesota Workforce Funders Policy Task Force commits to aligning our grant making with the product of work proposed herein. To accomplish our goal of making real, sustainable improvements in workforce resources in Minnesota will require considerable collaborative effort. We must begin this work now in order to ensure our state's long-term vitality.