Minnesota’s Workforce Investment and Competitiveness Strategy

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What the European Social Fund Can Learn from the WIA Experience

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Abstract

In 2003, the Minnesota’s workforce development and economic development departments were merged, becoming the Minnesota Department of Employment and Economic Development (DEED). While the two departments were merged, linking workforce development and economic development in more than name, proved to be a significant challenge for the department. The traditional clients of workforce development professionals have been job seekers, while the traditional clients of economic development professionals have been businesses. The cultures are also very different, with workforce development programs relying heavily on federal funding and guidelines, with economic development programs funded primarily with state and local funding and heavily influenced by the Governor, the Legislature and local governments.

The federal Workforce Investment Act (WIA) of 1998 focused on meeting the needs of businesses for skilled workers and the needs of job seekers and those who want to further their careers. The WIA’s focus on both business and individual customers combined with the new merged department, offered the opportunity to refocus the department’s workforce on its new dual mission. The first step was to train workforce development professionals in a business “demand-driven” approach. The University of Minnesota’s Humphrey Institute of Public Affairs was enlisted by DEED’s Director of Workforce Development to conduct a seven-day executive development course over a four-month period on economic competitiveness using case studies developed by Professor Michael Porter and his colleagues at the Harvard Business School. This course, which was taught twice to a total of 110 DEED, higher education, and local government employees, included a team project focused on a significant regional industry cluster in Minnesota. The teams completed 21 regional cluster projects, which have laid the groundwork for more effective business outreach and alignment of programs to be demand-driven. The cohort of professionals who participated in the courses now have a deeper appreciation of business dynamics in Minnesota and the relationship to the global and national economy.

WIA has evolved with each new Federal Administration’s emphasis on workforce. A shift away from strictly supply side workforce development began with Clinton/Gore administration towards supply side/demand side integration and the One-Stop System model. The Bush administration emphasis shifted towards a leaner, self-serve model and a demand-driven approach. The Obama administration’s emphasis for WIA is now a dual-customer approach. The infrastructure that serves the dual customer through state One-Stop Workforce Centers, county and city Workforce Investment Boards remains the same however technology infrastructure in Minnesota is a key innovation component to service delivery.

DEED has continued to work with the Humphrey Institute on implementing a competitiveness strategy for the Twin Cities Metropolitan region. They have recently begun a project working with the Regional Council of Mayors, an active group of Mayors interested in changing the traditional paradigm of cities in the region competing with each other for economic development to one of collaboration, recognizing the benefits to everyone of a regional approach. The Mayors are actively engaging business leaders in this new regional competitiveness project. The Twin Cities are building a new model for a strategic regional economic and workforce development partnership.
Introduction

The power of the Workforce Investment Act (WIA) in Minnesota is grounded in the partnership between federal, state and local entities. The basic, core foundation of this partnership forms the nucleus that then extends to the regional and local. There are forty-seven workforce centers in the state of Minnesota, which means that there are forty-seven joint ventures between the state agency and the sixteen workforce service areas. How does Minnesota implement the WIA – with joint ventures that partner with local entities who in turn charter this work?

Minnesota began to transform workforce development service delivery into a one-stop system with their Job Training Partnership Act (JTPA) dollars in 1993 as a state initiative through 1998 -- an effort that informed the construction of the WIA based one-stop system. In 2003, Minnesota’s workforce development and economic development departments were merged, becoming the Minnesota Department of Employment and Economic Development (DEED). While the two departments were merged, linking workforce development and economic development in more than name, proved to be a significant challenge for the department.

Merging Workforce Development and Economic Development

The traditional clients of workforce development professionals have been job seekers, while the traditional clients of economic development professionals have been businesses. The cultures are also very different, with workforce development programs relying heavily on federal funding and guidelines, with economic development programs funded primarily with state and local funding and heavily influenced by the governor, the legislature and local governments.

The department merger took place in conjunction with the evolving criteria and language of the federal WIA to integrate service delivery to better serve the supply and demand side. This new emphasis is reflected in DEED’s mission: “to support the economic success of individuals, businesses, and communities by improving opportunities for growth” (1). Workforce development has been evolving since 1918, with many of the domestic programs and services shaped by the social reforms of the “Great Society” programs dedicated to reducing poverty and racial inequality during the sixties (2). The mindset of many dedicated employment and training staff overtime was embedded in a cultural service model from this era. It was critical to state competitiveness that professional staff understood Minnesota’s necessary shift away from traditional agriculture and natural resource-based economies dependent on labor intensive jobs to move toward a knowledge-based economy in a global marketplace.

In order to integrate the two systems for 21st Century internal and external service delivery, the department made some strategic investments. The Workforce Division of DEED created professional staff positions that understood and supported a business-driven approach for the benefit of businesses and job seeker services alike. This led to the creation of targeted positions for business service specialists, industry specialists, regional labor market analysts, and regional administrators. Brief descriptions of these WIA-funded positions that play a critical role in DEED’s competitiveness strategy are listed below:
- **Business Service Specialists** are trained to provide practical business solutions for finding and hiring new employees, retaining employees, accessing training resources, and general human resource information (3).

- **Industry Specialists** provide information to businesses on the Economic Development side but also exist to serve industry more effectively on the workforce side – with content experts in medical devices and healthcare, financial services, manufacturing, renewable energy, and bioscience industry (4).

- **Regional Labor Market Analysts** work as a team covering six regions of the state. They are experts on labor market intelligence, economic conditions and trends. They are helping regions understand their competitiveness by providing overview of regional economy and job market (5).

- **Regional Administrators** work as a team, covering six regions of the state. Designed in 2004 to expand state workforce and business services, their role has evolved into driving transformation across systems and geo-political boundaries - shifting the old workforce and economic development paradigm from the transactional to the transformative. RA’s build collaborations, leverage knowledge of federal, state and local services and resources, and develop innovative strategies with partners. Their leadership increases alignment and continuity of strategy internally and externally, increasing state competitiveness.

**Economic Competitiveness Focus**

The federal Workforce Investment Act (WIA) of 1998 focused on meeting the needs of businesses for skilled workers and the needs of job seekers and those who want to further their careers. The WIA’s focus on both business and individual customers combined with the new merged department, offered the opportunity to refocus the department’s workforce on its new dual mission. The first step was to train workforce development professionals in a business “demand-driven” approach. The University of Minnesota’s Humphrey Institute of Public Affairs was enlisted to conduct a seven-day executive development course over a four-month period on economic competitiveness using case studies developed by Professor Michael Porter and his colleagues at the Harvard Business School. The course, *Microeconomics of Competitiveness: Firms, Clusters and Economic Development (MOC)*, was delivered in the fall of 2006 and 2007, the first Executive Development MOC offering of its kind in the United States.

This course was taught twice to a total of 110 DEED, higher education, and local government employees. The course included all of the regional administrators, many business service specialists and industry specialists, labor market analysts, as well as leadership from rehabilitation services and state services for the blind and was also inclusive of all program directors of WIA Title competencies. Early in the course delivery, participants selected to be part of a cluster strategy team, with a project focused on a significant industry cluster in their region of Minnesota. The teams completed 21 regional cluster study projects with some duplication in the second round going into greater depth. Investing in MOC as a tool to educate employees about competitiveness was about internal transformation as much as building
integrated, regional approaches with a distinguishing industry focus. A deliverable of the cluster team work was an assessment of next steps for the industry as it pertained to education and training, workforce and economic development – a more integrated lens on clusters.

The applied experience based on Porter’s case-study method laid the groundwork for more effective demand-driven business outreach and alignment of programs. The cohorts of professionals who participated in the courses now have a deeper appreciation of business dynamics in Minnesota and the relationship to the global and national economy. Moving away from the transactional pattern of serving one occupation, one company, one town at a time, the MOC graduates now share a common language and understanding of competitiveness that contributes to a soft infrastructure of knowledge and the capacity for transformative and innovative change (6).

From the first round of cluster team studies, a three-state study of renewable energy resources provided the groundwork and research to compete for a U.S. Department of Labor (DOL) Workforce Innovation for Regional Economic Development (WIRED) grant. A $5 million dollar grant was awarded to the southwest region of Minnesota for the Ag Innovation Triangle. The grant covers thirty-six Minnesota counties, requiring collaboration across systems, sectors and geo-political boundaries. The dedication of many who understood the critical need for industry collaboration, open innovation, and partnership building helped transform this into the Minnesota Renewable Energy Marketplace (MnREM). Now in its third year, MnREM is a business-driven effort supporting emerging biotechnology and a renewable energy industry cluster, an industry with a concentration on talent development, regional leadership and identity, entrepreneurship, innovation and business growth (7).
Regional Collaboration

WIA’s evolving interpretation was reflected in the investment of DOL grants as expressed in their WIRED initiative. DEED’s investment in MOC with WIA funds to build capacity, internally and with external partners, increased the state’s competitiveness not only to secure the grant but to deliver on its expectations and goals. At that time a greater context existed in state that contributed to the groundswell of awareness on clusters and regional competitiveness.

Concurrent with MOC the National Center for Education and Economy (NCEE) contracted with Stuart Rosenfeld of Regional Technologies Inc. to lead a rural cluster research project nationwide, including in Greater Minnesota; Richard Florida was the keynote speaker at Minnesota’s Economic Development Conference and went on to work on regionalism with the City of Duluth in Northeast Minnesota; the Council on Competitiveness at the Brookings Institute worked with a regional cohort in St Cloud as well as with the Twin Cities Metro area through their Metro Program.

Another outcome of the MOC investment in studying competitiveness and industry clusters was orchestrating a new industry-based delivery approach for the Metropolitan business services specialists (BSS). BSS staff put a face on the state Department of Employment and Economic Development, calling on businesses directly in order to understand their workforce needs. Twenty-two of the thirty-five BSS staff completed the MOC training. With their new MOC perspective, the emphasis shifted away from doing customized business – one business at a time – to organizing training across an industry cluster. The investment of WIA Title 3 Job Services – Wagner Peyser funds to create these positions has been somewhat contentious from the start with workforce investment boards, at the local level. The local boards elected to restrict the BSS to the respective workforce service areas where they officed, making it more challenging to conduct a region-wide cluster approach.

The value proposition of this investment has been challenged and to improve capacity, it necessitated moving BSS staff beyond the constraints of geopolitical boundaries to sensibly work a regional labor shed. Teams were formed based on the six key industry sectors that span the seven-county metropolitan area and were agreed upon by the six workforce investment boards. Those industries are manufacturing, health care, financial services, construction, transportation and emerging green businesses. Many BSS were transformed by MOC training, galvanized with new knowledge, increased professional credibility and capacity to serve regionally while understanding global competitiveness. One BSS is quoted saying that “when I interview businesses, I use all of the tools that I learned from MOC to really ask the right questions of businesses.”

The next iteration of this workforce development investment of WIA dollars was to fund a competitive grants process called FIRST grants – Framework for Integrated Regional Strategies. Directly influenced by the MOC training and WIRED, the FIRST grants required applicants to identify their economic regions based on industry clusters – not on the basis of geo-political boundaries; to identify competitiveness connected to cluster or sector analysis; and to require integrated leadership from business, education and economic development at the table to create a business/demand driven network. The state awarded thirteen $50,000 grants totaling $650,000 for regional collaborations with a distinguishing industry focus – a
small investment for potentially big outcomes. The FIRST grant leadership teams often included MOC graduates that were using the Porter diamond, value chain and cluster map analysis to identify their landscape of competitiveness.

One direct impact of the 2007/2008 cluster training was a FIRST grant entitled “The MN IT Workforce Collaborative” based on a computer IT cluster team study in the MOC courses. After ten months of organizational work, this has all the makings of a successful institution for collaboration — their mission to form a voluntary network of companies, professional associations, educators, nonprofits and government agencies that work together to increase both the number and the capabilities of IT professionals working in Minnesota.

WIA has evolved with each new national administration’s emphasis on workforce. A shift away from strictly supply side workforce development began nationally with Clinton/Gore administration towards supply side/demand sign integration and the one-stop system model. In Minnesota the transformation to a one-stop system began in 1993 with JTPA dollars (precursor to WIA), influencing the Clinton administration. The Bush administration emphasis shifted towards a leaner, self-serve model and a demand-driven approach. The Obama administration’s emphasis for WIA is now a dual-customer (business and job seeker) approach. Minnesota’s infrastructure that serves the dual customer through state one-stop workforce centers, county and city workforce investment boards remains the same.

**Unified Workforce Investment Plan**

Minnesota’s unified plan for WIA is one good method of addressing all four titles across two federal agencies — the U.S. Department of Labor and U.S. Department of Education. Unique to Minnesota are the core partners and requirements that all four titles and TANF (Temporary Assistance to Needy Families) be included in workforce centers’ one-stop system. Working with TANIF means that a third agency, the US Department of Health and Human Services, joins Minnesota’s workforce centers, building a model with a strategy that integrates services at the community level and this in turn attracts investment of other dollars. Georgia and Minnesota are the only two states with a unified plan.

There are five titles or competencies under WIA (links to Minnesota’s programs below):

1. **Title 1** — WIA Adult/Youth and Dislocated Worker (DOL funded)
   [http://www.deed.state.mn.us/programs/wiaadult.htm](http://www.deed.state.mn.us/programs/wiaadult.htm)

2. **Title 2** — WIA Adult Basic Education (ABE with funding stream from DOE)

3. **Title 3** — WIA Wagner Peyser - Job services/ labor exchange, (DOL funded)
   [http://www.deed.state.mn.us/programs/jobserv.htm](http://www.deed.state.mn.us/programs/jobserv.htm)

4. **Title 4** — WIA Vocational Rehabilitation Services (funds from DOE)
   [http://www.deed.state.mn.us/programs/vorehab.htm](http://www.deed.state.mn.us/programs/vorehab.htm)

5. **Title 5** — Administration of WIA — general provisions
All of the WIA Titles (competencies) are dedicated to preparing individuals with the skills to be competitive regardless of population: Youth, adult learner, dislocated workers, people with disabilities, veterans, ex-offenders. The one-stop system was created in 1995. Minnesota was one of thirteen states in the early round of WIA implementation of the one-stop system in 1996. Since that time, the Minnesota workforce center system has required Titles 1, 3 and 4 to co-locate in order to integrate location and management of services in the one-stop system. In accordance with the department’s competitiveness strategy, the workforce development side of DEED began investing in a more aligned and integrated approach with adult basic education (WIA Title 2-ABE) in 2006. Note that because both ABE (Title 2) and Rehabilitation Services (Title 4) receive their funding through the Department of Education, the difference in funding streams does challenge alignment and continuity of strategy.

In that context, the Workforce Division has been investing in systems alignment with Adult Basic Education and Minnesota State College and University Systems (MnSCU — particularly Community and Technical colleges geared for customized training). One workforce development strategy has been to hire professional staff from ABE to work within DEED to help construct pathways that fulfill adult learner basic-skill needs simultaneously with occupational skills development. Learners requiring general education diploma (GED) and English as a Second Language (ESL) credentials are then part of a credentialed pathway into community or technical college. This would not require remedial education when they reach the costlier post-secondary status because they have been utilizing free or low cost ABE services inclusive of job readiness and career pathways as part of their basic skills training. An innovative model of this newly integrated and aligned approach is Minnesota FastTRAC. This model enhances employability of low wage working learners and state competitiveness depends on this seamless alignment. The value proposition for FastTRAC is the targeted investment in reaching the 60% of Minnesotan’s in the current workforce who do not possess a post-secondary occupational credential or degree.

![FastTRAC population as percentage of MN workforce “Adult Learning in Focus – MN Profile of Adult Learners,” Council on Adults & Experiential Learning, 2008](image-url)
WIA Reauthorization: Integrating Workforce Development, Education and Economic Development

Minnesota has made unique investments to support a more integrated and regional approach to workforce development, education and economic development with our WIA funds. MinnesotaWorks.net is the largest available website of Minnesota job openings. The partnership working across systems and state government exemplifies a more integrated approach:

- DEED developed a registration system with Unemployment Insurance (UI) and applicants who are identified as job seekers (permanently separated from employment) who are required to actively seek work. This automatic system of linking UI and the job seeker requesting benefits to an online job source is new.

- Iseek and MinnesotaWorks.net is integrating career and educational information from Minnesota State College and University system (MnSCU) with the job bank – linking critical career research and job search information to a user account.

- MnCareers and State of Minnesota jobs website linked through the MinnesotaWorks.net to increase the quality and pool of applicants for State civil service job openings.

- CRS (the state workforce center Customer Registration System, and MinnesotaWorks.net merged two separate intake systems in workforce development to simplify processes for customers and share information about agency services (10).

Each national administration cultivates the potential of the Workforce Investment Act to better serve the United States with discretionary investment opportunities to address economic trends and conditions of the global economy. The language of the competitive grants set out by the Obama administration’s American Recovery and Reinvestment Act’s (ARRA) carry an overarching emphasis on regional, inclusive and innovative approaches to workforce development. Minnesota is well positioned in this approach based on the focus of earlier WIA investments. The integration of Vocational Rehabilitation Services and State Services for the Blind within DEED has increased awareness and commitment to inclusive strategies that ensure people with disabilities access to training for mainstream jobs. The state formulated a partnership across three state agencies to form Pathways to Employment, with a mission to increase competitive employment of people with disabilities and meet Minnesota’s workforce needs by bringing together people with disabilities, employers, businesses, government and providers (11).

As the dialogue on WIA reauthorization grows, Minnesota’s emphasis continues to be on a one-stop system that rewards alignment and continuity for seamless access, across systems and agencies, with educational institutions and non-profit providers. Post secondary educational attainment must be the priority of any new program - partnerships that leverage
other resources as a match to create initiatives like MN FastTRAC for example. Former Assistant Secretary of the Department of Labor Emily De Rocco has been a leading proponent of regional preparedness and capacity building as evidenced by the WIRED grants she initiated. At the National Association of State Universities and Land Grant Colleges “Roundtable on Transformative Regional Engagement” at Penn State in October 2008, Ms. De Rocco expressed her sentiments in these terms: “The state that figures out on and off ramps to education will be the most competitive.” An outcome of that roundtable is a proposal to create regional innovation and talent hubs in economically underperforming regions (12).

Mayors Lead Regional Competitiveness Effort

The discretionary investments of each national administration influence the manner in which WIA serves the public. The Obama Administration language requires collaboration that is regional, inclusive and innovative. In fact this articulated commitment helped influence the Regional Council of Mayors from the Twin Cities Metropolitan area of Minnesota that led to the creation of the Regional Competitiveness Project.

Traditionally cities have competed with each other for economic development. Thirty-six Mayors of the seven-county Twin Cities Metropolitan region through the Regional Council of Mayors (RCM) have decided they want to work together on a regional strategy for encouraging economic competitiveness rather than compete with each other for businesses and jobs. Mayors recognize that the people who live in their cities work throughout the Metro area, and that the businesses located in their cities employ workers from the entire region.

The RCM is a non-partisan organization that brings together central city and suburban mayors on a monthly basis to work on regional problems with staff support from the Urban Land Institute (ULI). The mayors recognize that collaboration can bring benefits to the entire region. One recent example of this collaboration was the leadership of mayors in the I-35W corridor from downtown through southern suburbs in bringing a $133 million U.S. Department of Transportation Urban Partnership Agreement (UPA) grant in 2007. The mayors strong and timely support of this innovative project involving congestion pricing, transit investments, new technology and telecommuting was critical in winning the grant.

The State and Local Policy Program (SLPP) of the University of Minnesota’s Hubert H. Humphrey Institute of Public Affairs has conducted regional industry cluster studies throughout the state since 1995. These regional studies have helped regions in understanding the dynamics of their regional economies and encouraged increased institutional collaboration. In August of 2009 DEED funded a two-year regional competitiveness project to be conducted by the Humphrey Institute for the Regional Council of Mayors in conjunction with business leaders, DEED staff and the workforce center system. A technical advisory group was formed with key staff from metropolitan institutions such as the Metropolitan Council, Minnesota State College and Universities, Pollution Control Agency, Growth and Justice, Citizens League, and the Greater Metropolitan Workforce Council to engage their expertise and build collaboration with many stakeholders. In the first step of this project the Humphrey Institute researchers and DEED analysts analyzed 41 traded industry clusters using Michael Porter’s cluster mapping database and identified ten clusters where the Twin Cities was more competitive than other
regions in relation to its size. Aside from location quotient and other standard metrics for competitiveness, six criteria were developed to assist the mayors’ selection process that would help build a regional model. The six criteria were:

1. Strength of competitive advantage (existing or emerging)
2. Potential gain for industry cluster from private-public collaboration
3. Degree of geographic distribution in the region
4. Potential to spur innovation
5. Potential to spur entrepreneurship
6. International strength

From the ten clusters in the context of this criteria, the mayors selected three for more in-depth analysis, business interviews and strategy development. The selected clusters are medical devices, financial services and distribution services (e.g. Target and Best Buy are headquartered in the Twin Cities). Working with the Regional Competitiveness Project (RCP) team, the mayors will join one of three cluster teams. Direct interviews and engagement with the CEO’s of the businesses in the clusters will be conducted by the mayors working in pairs with an RCP team member as recorder. The mayors shared leadership is meant to send a clear message that they are working together to develop an effective regional model for the Metropolitan area. Teams of public policy, planning and business graduate students from the Humphrey Institute and Carlson School of Management will conduct strategy studies on these three clusters and two Greater Minnesota (non-Metro) clusters during a capstone workshop in the 2010 spring semester. The Greater Minnesota clusters will be selected based on linkages to the Twin Cities region, which is the economic driver for the state. The strategies will consist of a diagnosis, vision and action plan for each of the three clusters and will set the stage for further work with the three selected clusters as well as a framework for working with other competitive clusters in the region.

During the second year of the project, the Regional Council of Mayors will follow through on action plans, which may include local investments by cities related to the cluster strategies, workforce and education initiatives in collaboration with DEED and higher education, or legislative initiatives.

Conclusion

Regional competitiveness and institutional collaboration are critical ingredients for the evolving workforce development, education and economic development strategies in Minnesota. Regional industry cluster strategies such as Minnesota is developing may offer an effective new model for linking business, government and education strategies within a region and state.
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References:


6. State map of MOC participants - soft infrastructure - addendum 3


10. Toskey, Julie. Director MinnesotaWorks.net. (personal communication, October 30, 2009)


Addendum 1 - 4

1. Minnesota’s Public workforce Development System, WIA Report

2. Minnesota Workforce Investment transformation and integration

3. MOC Participant map

4. Map of Regional Prosperity Initiatives
Addendum 1: Minnesota’s Public Workforce Development System

http://www.deed.state.mn.us/wia/2007/index.htm
Addendum 2: Minnesota workforce investment transformation and integration
Addendum 3: MOC Participant map – distribution - soft infrastructure

Locations for MOC Participants, 2006 - 2007

Source: Numbers represent frequencies of cluster study participants at each WorkForce Center or office location. Prepared by DEED LMI (JF) on Dec. 4, 2006.
Addendum 4. Map of Regional Prosperity Initiatives

http://www.deed.state.mn.us/workforce/first/PDFs/RegEconCompetMap.pdf