



TRANSFORMING U.S. WORKFORCE DEVELOPMENT POLICIES FOR THE 21st CENTURY

EDITORS

Carl Van Horn, John J. Heldrich Center for Workforce Development at Rutgers University

Tammy Edwards, Federal Reserve Bank of Kansas City

Todd Greene, Federal Reserve Bank of Atlanta

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Redesigning Workforce Development Strategies

14

Workforce Innovation in Regional Economic Development (WIRED)

Nancy Hewat
Synthesis Evaluation & Research

Kevin Hollenbeck
W.E. Upjohn Institute for Employment Research

This case study highlights key lessons learned through an evaluation of the Workforce Innovation in Regional Economic Development WIRED Initiative (Generations II and III) that was conducted by the authors.¹ WIRED grantees were responsible for conceiving, designing, allocating, implementing, and managing their initiatives within some basic parameters established by the U.S. Department of Labor's Employment and Training Administration (ETA). WIRED regions were expected to identify regional boundaries and establish strategic priorities. The success of their efforts hinged on the ability of WIRED partners (a cross-section of public, private, and nonprofit interests) to collaborate, leverage partner resources, and encourage and support innovation. They were responsible for results in the sense that their efforts were expected to affect their communities and the region as a whole. The flexibility to define and shape a regional strategy in response to regional needs resulted in a diverse group of initiatives that served as the basis for the national WIRED evaluation.

The evaluation was responsive to ETA's interest that the evaluation focus on WIRED as a national strategy. It was primarily an implementation study to document the activities that regions were undertaking with WIRED funding and their effectiveness. However, the evaluation did include a net impact study to attempt to estimate the impact of the WIRED grants on regions' economies.

This case study highlights and discusses the implications of the lessons learned from WIRED and its evaluation, as appropriate, for current regional innovation cluster initiatives (including the multiagency-funded Initial Clusters; the Small Business Administration's Pilot Contract-Based Clusters; and the multiagency-funded Jobs Accelerator Collaboration Clusters, Advanced Manufacturing Jobs Accelerator Collaboration Clusters, and Rural Jobs Accelerator Collaboration Clusters) and future related initiatives that may be undertaken with the support of federal or state funding. This chapter provides an overview of the WIRED Initiative, a description of the evaluation of WIRED, a discussion of the findings from that evaluation, and a presentation of the implications that we derive from WIRED. The findings and implications will be useful for policymakers, agency leaders, and regional administrators to improve the effectiveness of future regional innovation clusters.

OVERVIEW OF WIRED

The WIRED Initiative was conceived and launched in late 2005 as the United States was slowly recovering from the 2000–2002 recession. The major economic concern at the time was international competitiveness. The intellectual precursor of WIRED is the work of Porter (1998, 2003), who recognized the power of clusters to advance regional economic growth.²

In its Solicitation for Grant Applications (SGA), ETA justified its investment as a way for regions “to implement ground-breaking strategies that will result in their workforce investment system becoming a key component of their region’s economic development strategy. The ultimate goal of the WIRED Initiative is to expand employment and advancement opportunities for American workers and catalyze the creation of high-skill and high-wage opportunities.” The notion of WIRED as a catalyst was used often by ETA in its documentation of the initiative, suggesting that the agency saw the role of federal support as being catalytic: necessary to get the reaction—that is, regional collaboration and the related leveraging of partner resources—under way, but not necessary for sustainability.

Ultimately, ETA funded 39 regions as a result of two SGAs. The first SGA was released in late 2005 and offered regions grants with terms of up to 36 months and awards of approximately \$5 million annually (i.e., total awards of approximately \$15 million). In February 2006, ETA selected 13 regions to be awarded grants. These regions became known as Generation I (Gen I). Interestingly, the first SGA did not require a sectoral or cluster approach—it indicated that ETA was looking for an innovative/transformational way to integrate workforce and economic development at the regional level to support the creation and expansion of high-skill, high-wage jobs. However, most of the regions proposed and implemented one. Presumably, the regions understood explicitly or implicitly the benefits of the agglomeration economies that arise from focusing on a sector or cluster.

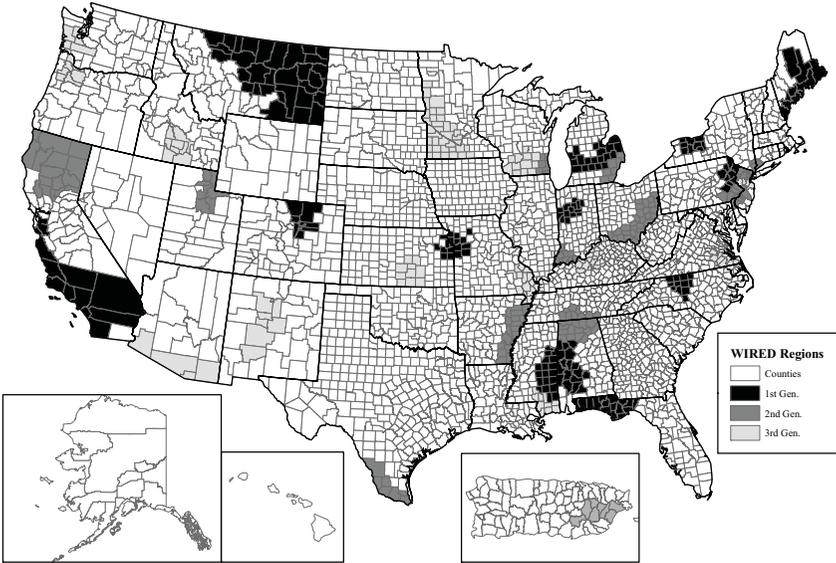
An additional 13 regions that responded to the initial SGA were awarded planning grants of approximately \$100,000 in 2006. In January 2007, these 13 regions were awarded 36-month grants that totaled approximately \$5 million, that is, one-third the size of the Gen I awards. These 13 regions became known as Gen II.

In early 2007, ETA released a second SGA for WIRED. This solicitation was quite similar to the earlier one, except that in alignment with Gen II, the awards totaled approximately \$5 million for the entire 36-month term of the grants. Other changes were made as well. For instance, the second SGA was explicit in describing the focus of WIRED: “Applicant(s) must describe the high-growth industries and economic sectors that will be the focus of the strategies.”

In addition, grantees were required to include a “senior representative” of the workforce investment system of the region (i.e., chair or executive director of a local workforce investment board) as the lead or colead of the partnership.³ In fall 2007, the final 13 regions of the WIRED Initiative were named, and dubbed Gen III.

With a total of \$325 million invested in 39 regions, WIRED attracted considerable attention nationally as a large-scale effort by a federal agency to promote and support regional cluster development and growth. In Figure 14.1, the darkest shaded regions are Gen I, the next darkest are Gen II, and the lightest shaded regions are Gen III.

Figure 14.1 WIRED Regions in the United States and Puerto Rico



SELECTED FEATURES OF THE WIRED GRANT PROGRAM

Funding

The funding for WIRED came from fees paid by employers to obtain H-1B visas for their employees. These fees were intended to support the development of skills in U.S. citizens so that they could compete with the foreign workers for whom the visas were being obtained. Congress established allowable expenditures for these funds, generally permitting their use for job training and related curriculum development. ETA “captured” these funds and allocated them to the WIRED Initiative. The official grant applicants were states, and as fiscal agent, they were ultimately held accountable for unallowable costs. Due in part to the problems that Gen I grantees encountered about allowable uses of H-1B funds, the second SGA was far more explicit about how H-1B funds could be used.⁴

To achieve its goal of enhancing regional economic development, the WIRED solicitation expected, but did not require, applicants to align resources and leverage funds from federal, state, and regional/local partners; the private sector; investor community; and philanthropies.

The second SGA was quite explicit about this, offering applicants extra points for providing information about local matching resources.

Activities

Across the 39 regions, the WIRED Initiative supported a wide gamut of activities. Most regions offered some sort of customized training to incumbent workers. The training was often located at community colleges and conducted by their staff members. In many cases, the training activities involved curriculum development as well as the provision of the training. Many of the regions also funded small business technical assistance, entrepreneurship programs, and occasional seminars on special topics.

WIRED represented a change in how ETA approached grant making by asking grantees to define the geographic boundaries of their economic regions. They were not constrained by predetermined jurisdictional boundaries such as workforce investment areas or community college service areas. In fact, seven of the regions crossed state lines.

ETA required each region to complete a comprehensive implementation plan that had to be approved before any funds were released. This turned out to be problematic in many instances. For most regions, the ETA review took several months. There was some benefit to having grantees think through the implementation process, but the delays caused by multiple layers of review and a back and forth revision process compromised the momentum that had been established between public and private partners during the proposal and plan development process. The review process furthermore reinforced opinions among some employers of the inefficiency of the federal government.

Another ETA requirement was the development of an asset map for the region (Kempner and Levine 2008). All of the WIRED grantees met this requirement, but very few grantees said that the map was useful or had any lasting strategic or operational value. In general, the grantees felt that they were well aware of the regional assets and felt that it was inefficient to have to use resources to formalize a list of them.

States were the fiscal agent for the grants, but at the regional level the grants were administered by an intermediary organization: a community college, workforce investment board, regional chamber, or an arm of a university. The region had the authority to decide how they would allocate grant funds as long as federal rules and regulations were followed.

Grantees that predetermined how WIRED funds would be allocated had less flexibility in how to respond to changing conditions and needs over the three-year grant period. The lack of flexibility was particularly problematic in regions that were hardest hit as the economy began to spiral downward in early 2008 and continued to follow that trajectory over the course of the WIRED grant period.

Performance Measures

A variety of performance measures were referenced in the SGAs.

- Common performance measures were to be used to report outcomes for individuals who received training. In all three grant generations, regions were required to report this data.
- Process-oriented measures associated with activities mentioned in regional implementation plans (e.g., curricula developed, articulation agreements established). The specific mix of measures was unique to each WIRED grantee.
- System-based outcome measures focused on the longer-term effects that WIRED efforts would have on participating regions, including the elimination of barriers to innovation, increased interdisciplinary collaboration, the elimination of redundant programs, and increased efficiency. To our knowledge, none of these system-based measures were ever defined, nor were data on them collected. Whereas the fact that these metrics were not reported (and probably not produced), having them listed in the SGA may have served the purpose of getting regions to consider the longer-term outcomes of their activities.

According to the SGAs, these measures were to be monitored throughout the three-year implementation period.

Technical Assistance

ETA contracted with national vendors, including Mathematica Policy Research, to provide technical assistance to regions on a voluntary basis. Furthermore, ETA organized several annual national convenings for grantees from all three generations, which appeared to us as quite useful in terms of sharing best practices, discussing challenges, and informal networking. In addition to the national technical assistance and convenings, many of the regions set up informal affinity communities or hosted regional convenings.

EVALUATION DESIGN

ETA funded two evaluation contracts. One evaluator conducted an assessment of the Gen I regions (Berkeley Policy Associates), and the second evaluator (our team) examined the Gen II and III regions. Both evaluations were primarily implementation studies using mixed methods: documents were reviewed, all sites were visited at least twice, partner surveys were fielded, and social networking data were collected and analyzed.

Both evaluations also attempted to estimate the net impact of the WIRED grant on the regions' economies, although these facets were not central to the evaluations. The Gen I evaluation examined postgrant regional economic activity relative to the states in which the grants were located. Our evaluation used a matched region approach in which the regional economic activity in each WIRED region was compared to the overall economic activity in a region that was matched to it based on characteristics such as size, population, median income, education, and industrial mix.

In general, the evaluations relied on grantee self-reported data on the Common Performance Measures, and on other customized data such as training enrollments and completions, curricula developed, and technical assistance provided. There was no requirement for regions to employ their own evaluator, and that rarely occurred.

A key topic for ETA was the sustainability of the regional collaboratives. In theory, the WIRED funding was intended to be a catalyst that would result in an ongoing collaborative effort. We explored this topic during each of the site visits, and since the evaluation period of performance exceeded the implementation period of the grants, we were able to interview (by phone) a few partners in each of the regions after their grants had expired, and we visited a half dozen of the sites that seemed to have viable sustainability plans.

DISCUSSION

Funding

The overall funding level for the Initiative, approximately \$325 million for grants plus additional funds for a national technical assistance effort, attracted a lot of national attention. The notoriety helped to build momentum, but it was not necessarily sufficient to replace the momentum that had been lost through the slow review and approval of implementation plans prior to releasing funds.

Leveraging

Because of its emphasis on providing catalytic support, ETA had each regional collaborative produce a resource mapping report that documented potential sources of resources in the area. The need for leveraging was more acute for Gen II/III. The SGA expectations for these grants were the same as those for Gen I, despite the fact that the WIRED grants had been cut by 66 percent.

In addition to asking grantees to furnish information about leveraged resources (direct and in-kind) in their original grant proposals, ETA used its regional offices to gather ongoing information about leveraged funds. The quality of this evidence was questionable, however. Regional administrators found it difficult to attribute recent federal and state grant awards to the fact that the region had received a WIRED grant and to determine how aligned other grant projects were with the region's WIRED goals.

Limitations of Single Funding Source

ETA was fortunate to have funds available through H-1B to implement the WIRED Initiative. However, as noted above, Gen I and Gen II regions' activities were constrained because of limitations on the uses of H-1B funding. Actually, the problems arose because ETA did not announce the limitations until after it had approved implementation plans. Our presumption is that the individuals in ETA who were responsible for the initial SGA and grantee selection did not learn about the constraints on the H-1B funds until late 2006 or early 2007. In many cases, the grantees were committed to the activities that were identified in their implementation plans, so they needed to search for additional funds to support activities that were not allowable under H-1B. They were quite often successful at finding the funding alternatives.

Grant Program Design and Implementation

Among the first activities undertaken in each region was the formation of a governing board that included public and private sector partners. Their primary role tended to be in the early phase of the initiatives: overseeing allocations and expenditure of grant funds.

In theory and in practice, allowing the grantees to define the boundaries of their regions and to identify industry clusters that were important to their regional economies increased the sense of ownership among regional partners and allowed them to target their efforts based on their knowledge of regional needs. Not only could the regions identify activities that met local needs, but regions could also establish meaningful economic areas and labor sheds. However, in regions that had more than one community college and/or local Workforce Investment Board (which was the vast majority of the regions), competitiveness among these institutions and agencies persisted. In our view, the most successful regions were able to overcome these divisive influences through effective leadership and timely and accurate communication.

Employer and Partner Engagement

Perhaps the most difficult challenge for WIRED regions to address was the engagement of private sector employers. The opportunity

costs for employers to become involved were substantial, and so they rightfully wanted to see substantial value added for their organizations before they invested time, effort, and resources. As might be expected, individuals from smaller firms were particularly time- and resource-challenged. Some WIRED regions targeted activities on technical assistance or training for small businesses, and these were generally well attended and considered effective. Staff from larger businesses were somewhat more inclined to participate, although oftentimes these individuals were active in the regional activities from an altruistic or civic duty obligation, rather than as recipients of value added, such as having incumbent workers participate in customized training or having management receive technical assistance.

Activities

In almost all the regions, WIRED funds were used to purchase training equipment for educational institutions. The H-1B funding carried many constraints on the purchase of equipment, but basically, as long as the equipment was proposed to be used for training purposes and not for inventory acquisition or general business operations, it was okay. The potential for problems arose when grant partners used equipment acquisition procedures of their home institution that were inconsistent with H-1B requirements. Limited monitoring, poor communications, and delays in processing reimbursement invoices exacerbated this problem. This was an issue among regional partners and between the regions and ETA.

Outcomes

As noted, even though the first SGA enumerated specific outcomes for regions, data were reported sporadically, and to our knowledge, there was no effort to confirm their validity. Toward the end of the grant period, ETA required regions to enter training data into its automated data system, called Workforce Investment Act Single Record Data (WIASRD). Despite sporadic compliance with this requirement, the WIASRD database contained several thousand observations of training. Furthermore, in customized outcome reporting, regions noted that literally hundreds of curricula were developed.

Less quantitative, but perhaps more important, site visitors noted that an important outcome that had occurred in some regions was the adoption of “regionalism,” defined as a general attitude that economic development that occurred anywhere in the region was to be applauded whether or not it directly benefited a particular locale in the region.

Also noted during site visits was the fact that partners used informal networks that were established as part of the regional collaboration. While the use of these networks oftentimes was unrelated to WIRED, they were useful for the productivity of the firms that were involved in networking activities. Through partnership meetings or through general communication means such as newsletters, the participants in the collaboration got to know each other and each other’s workforce development needs and interests. These individuals became resources that were relied upon for general business purposes. That is, when participants were interviewed, they often noted that a major advantage of participating was developing a network of other individuals involved in the cluster.

Sustainability

The theory behind the WIRED Initiative was that the funding provided by ETA would be a catalyst for regions to develop effective collaborations that would become self-sustainable. Using sustainability as a criterion, the WIRED Initiative had very little success. Most of the regional collaborations disbanded.

There are many possible reasons for the lack of sustainability/catalytic momentum. The limited timeline of the grants (formally three years that usually stretched to four years with no-cost extensions) made it difficult to achieve sustainable momentum, especially given the delays caused by the implementation plan review and approval process. The few WIRED regions that were able to continue their regional efforts had already established a strong foundation for regional action before the WIRED grant was awarded. Another problem was that many of the grantees, especially those led by education and workforce development agencies, interpreted sustainability as the continuation of funding for specific projects or programs that were developed during the grant period.

Perhaps the most important reason that sustainability failed was the onset of the Great Recession in 2007–2009. Firms that survived the recession cut their training budgets severely, trimmed their employee rolls, cut costs, and did whatever they could to survive. As a result, incumbent training demand fell precipitously. Emerging worker training also was hard to justify since very little hiring was being done in the economy.

IMPLICATIONS FOR FEDERAL AND STATE AGENCIES

Providing seed funding for a region may be a useful catalyst for bringing together economic and workforce development entities. However, the funding should have reasonable expectations about achievable outcomes that can be accurately measured. Indicators used to measure the success of a grant program need to be aligned with the goals of the regional initiatives that receive funding.

Having a single source of funding, and in particular, having a source of funding that is constrained in many ways, makes it difficult to implement viable initiatives at the local level. Smaller grants funded by several different agencies would increase the sense of ownership and engagement in activities at the federal, state, and regional levels. Many of the regional partners were attracted to WIRED because of the potential it offered for short- and longer-term skill development benefits. However, the limitations on the use of the H-1B funds made it more difficult for grantees to address all the elements of their regional strategies. Furthermore, engaging federal partners other than ETA proved to be difficult, due at least in part to the fact that ETA's H-1B revenue stream was the only source of support.

Grant programs that provide multiyear funding and that are intended to have long-term impact need to have very general goals that are achievable under changing economic and political circumstances. WIRED started out with very clear expectations that grants were intended to catalyze the creation of high-skill, high-wage jobs. Local regions adopted implementation plans consistent with that goal. Several years into the effort, ETA altered the goal and requested that regions assist low-wage workers. Then the Great Recession hit and ETA com-

municated a goal of reducing layoffs. The regions felt whipsawed by the changing priorities.

Concomitant with the notion that the federal agency needs to have very general, flexible goals is the idea that local agencies also need to maintain flexibility. The ability of regions to respond to changing economic conditions was compromised when they preallocated all or most of the WIRED grant funds at the proposal stage, which was done because ETA announced that H-1B funds needed to be competitively bid unless partners and their respective projects were listed in the winning proposal.

Large federal grants gain the attention of stakeholders but also increase political pressure on the funding agency and grantees to perform. WIRED funds attracted national attention because of their large grant awards and ETA's national communications campaign promoting WIRED. This attention attracted the notice of policymakers, who were aware that the funds were allocated rather narrowly to a relative few rather than distributed broadly to workforce agencies across the nation. This development added pressure on ETA, and the grantees, to achieve measureable (job placement) results. The pressure began to grow midway through the grant period as the Great Recession began to deepen.

The high-profile nature of WIRED led to a lesson in grant management for ETA. Initially, ETA assigned fairly high-level staff to serve as intermediaries between the regions and the federal government, which helped to open lines of communication, making the federal agency more accessible and responsive to regional needs. ETA soon learned how important it was to use staff who had recent, field-based workforce system experience. The initial strategy of assigning high-level agency leaders as intermediaries proved to be problematic because the leaders were not well versed on the detailed implementation questions and issues that were raised by the regions.

It is not clear whether there was any value to having (the governor of) the state be the official applicant and fiscal agent for the regional grants. When regions involved multiple states, it caused conflicts between the state that was awarded the grant and other states that were involved. Furthermore, states were being held accountable for decision making at the substate regional level.

Giving local and regional stakeholders the flexibility to define their economic regions, set grant goals, and allocate grant funds maximizes

the ability of grantees to be responsive to regional needs. Both the federal and regional entities need to be aware, however, of how limited the infusion of funding is compared to the size of the regional economy. The first SGA and the evaluation request for proposals incorporated a set of assumptions about what WIRED could achieve; these assumptions—that there would be measureable results on a wide range of business-expansion-related indicators—were not realistic. Not only were the expected outcomes unrealistic given the size of the grants, in many cases they were not measurable. And even when data were available, it was not possible to attribute those outcomes to the efforts undertaken by WIRED partners.

ETA initiated and administered WIRED with a belief that its support would be catalytic. Assessing the success of the catalytic power of federal support may be accomplished by examining the sustainability of the regional collaborations. Evidence of short-term sustainability may include the continuation of funding for a specific training program or the continued operation of a regional planning board that was formed as a grant-sponsored governance group. A longer time period is needed to assess the broader catalytic effects of a regional initiative. By extending the timeline for the evaluation beyond the grant period, it will be possible to assess the longer-term catalytic effects of the grant investment on the collaborative relationships, resource leveraging, and other follow-up activities.

Finally, public agencies need to consider whether innovation is a realistic goal for a taxpayer-funded (or otherwise publicly funded) initiative. Administrative issues and accountability are necessary in such situations, and these may constrain the “thinking outside the box” that is necessary for innovation to occur.

Notes

1. The authors have a unique perspective, having undertaken the evaluation of WIRED (Gen II and III) (see Hewat and Hollenbeck [2009, 2010]) and recently having become involved in an evaluation of the Jobs and Innovation Accelerator Challenge (JIAC and AM/JIAC) grants. The second round of JIAC grants were targeted on advanced manufacturing; hence the acronym AM/JIAC).
2. The work from Mills, Reynolds, and Reamer (2008) is an important contribution to the literature on regional innovation clusters.

3. In many private conversations with staff from ETA and with persons in leadership roles in the regions, we were told that ETA had received criticism about the lack of involvement of the local workforce investment system in Gen I and Gen II, and so it included this requirement in the Gen III SGA.
4. In developing their formal implementation plans, some of the Gen I regions had included summer science camps, many targeted for young girls, and some regions had included curriculum development in science, technology, engineering, and mathematics (STEM) areas for K–12 and postsecondary institutions. After these plans had been approved, ETA announced that H-1B funds could not be spent on youth under 16. Other problems that were encountered included a prohibition on the use of H-1B funds for marketing or for foreign travel.

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