

Improving the Skills of Our Current Workforce

Employer funded training is critical to our nation's economic growth and prosperity, but we cannot expect to remain competitive through these investments alone. Many small and medium size employers lack the ability to develop and provide training, which ultimately limits their innovation and success.

The Bridge to the New Economy: Worker Training Fills the Gap Institute of America's Future

The Workforce Boards of Metropolitan Chicago (Workforce Boards) have issued this publication which addresses how the use of public resources to support incumbent worker training can benefit workers, employers, and our economy; how resources available through the Workforce Investment Act have been utilized for this purpose in the metropolitan Chicago region¹; and why continued use of public resources for incumbent worker training is consistent with current goals and priorities of the Obama Administration.

Public Investments in Incumbent Worker Training

We know that a skilled workforce is critical to maintaining our nation's productivity and economic competitiveness. As the workplace changes and jobs are restructured, workers require new knowledge and skills in order to retain employment or take advantage of new job opportunities. Is this solely the responsibility of each individual worker or employer? Or, should government also play a role through the investment of public resources in incumbent worker training?

The private sector invests approximately \$50 to 60 billion a year on training its workforce; only about \$500 million or 1% of these investments are public funds. One type of incumbent worker training supported with public funds is job training grants aimed at business attraction or expansion. As an economic development strategy, these job training funds often support customized training contracts with community colleges or technical colleges for training workers who will be employed in expanded or newly opened facilities. More recently, incumbent worker training funds have focused on retaining employers and improving their competitiveness through the development of improved or new worker skills.²

In Illinois, there are limited public resources to assist employers in offsetting costs associated with upgrading the skills of current workers. One such program is the Employer Training Investment Program administered through the Department of Commerce and Economic Opportunity.³ Another source of public funding for incumbent worker training is the Workforce Investment Act Program administered through Workforce Boards.

The federally funded Workforce Investment Act of 1998 (WIA) has always allowed the use of funds for incumbent worker training, but the majority of funding supports training and services for economically disadvantaged and unemployed youth and adults. However, recognizing the value of strengthening private-public partnerships in addressing the skill needs of the nation's current workers, federal and state issuances in 2003 to 2006⁴ encouraged the use of WIA funds for this purpose. Recently the U.S. Department of Labor has taken a more restrictive stance with regards to WIA supported incumbent worker training; these policies will negatively impact the program's effectiveness and flexibility in assisting employers address their workers' skill gaps as well as employer participation in the program.

Ultimately, the decision as to whether local WIA funds will be used for incumbent worker training rests with each Workforce Board. Federal and state guidelines provide the framework for design and administration of the incumbent worker training program but each Workforce Board is responsible for identifying targeted industry sectors for the use of funds and establishing policies and guidelines for the award of training grants to employers.

"As a small business, it is hard to prioritize training as it requires diverting funds from other investments. The Incumbent Worker Training Program was really an incentive for us to improve the skills of our employees."

Aleksandra Kulczuga
Director of Business Development
Ultimate Machining & Engineering, Inc.

This report presents data for the following Workforce Boards in the metropolitan Chicago region: Lake County Workforce Investment Board, McHenry County Workforce Investment Board, DuPage Workforce Board, The Workforce Board of Northern Cook County, Workforce Investment Board of Will County and Grundy Livingston Kankakee Workforce Board. The Cook County Workforce Investment Board does not offer incumbent worker training in their local area. Data was not available for River Valley Workforce Board and the Chicago Workforce Investment Council.

¹ The metropolitan Chicago region includes the following areas: City of Chicago and Cook, DeKalb, DuPage, Grundy, Kane, Kankakee, Kendall, Lake, Livingston, McHenry, and Will counties.

² *Evidence About the Effectiveness of Public Training Programs for Incumbent Workers*, Kevin Hollenbeck and Sarah Klerk, W.E. John Hopkins Institute, April 2007, page 1.

³ <http://www.illinoisbiz.biz/dceo/Bureaus/Technology/Technology+Grants+Programs/20-ETIP.htm>

⁴ *Employer Worker Programs Focus on Business Needs, but Revised Performance Measures Could Improve Access for Some Workers*, U.S. General Accounting Office, February 2003; Illinois Department of Commerce and Economic Opportunity, WIA Policy Letter No. 05-PL-11, November 10, 2005; U.S. Department of Labor Employment and Training Administration, Training and Employment Guidance Letter No. 18-05, March 6, 2006.

Figure 1 provides an overview of how WIA and supplemental funds made available through the American Recovery and Reinvestment Act, totaling \$1,631,384, have been invested in regional incumbent worker training in the last year and a half. Additionally, all WIA incumbent worker training investments require private sector contributions based on the total cost of training and size of employer; a minimum of \$910,761 were contributed toward employee training.

Figure 2 provides an overview of the 3,418 workers that have benefited from this training. In terms of sector-based investments, manufacturing employers and their workers represent the largest investment of \$927,545 for 2,084 workers at a cost of \$455.08 per worker. Investments in

the transportation/distribution/logistics sector totaled \$204,696 and benefited 721 workers, at a cost of \$283.91 per worker. The third sector, healthcare, represented training grants totaling \$357,228 for 421 workers, at a cost of \$848.52 per worker.

In looking at the investments based on the employer's size, training investments with employers with 100 + employees totaled \$742,300 and benefited 2,375 workers. Employers with less than 50 employees represent the second largest investment of training funds, with grants totaling \$575,550 that benefited 432 incumbent workers. Those employers with 51 to 99 employees represent an investment of \$313,534 that provided training to 611 workers.

DISTRIBUTION OF FUNDS - SECTOR AND SIZE WIA INCUMBENT WORKER PROGRAM Figure 1									
Program Year	Total Amount of Training Grants Awarded	Leveraged Employer Contribution	Sector				Company Size		
			Healthcare	Manufacturing	Transportation/ Distribution/ Logistics	Other	1-50 Employees	51-99 Employees	100 & Over Employees
PY08 – July 2008 to June 2009	\$750,401	\$384,583	\$146,233	\$443,491	\$85,806	\$74,871	\$323,623	\$117,229	\$309,549
	100%	100%	19.5%	59.1%	11.4%	10.0%	43.1%	15.6%	41.3%
PY09 – July 2009 to January 2010	\$880,983	\$526,178	\$210,995	\$484,054	\$118,890	\$67,044	\$251,927	\$196,305	\$432,751
	100%	100%	24.0%	54.9%	13.5%	7.6%	28.6%	22.3%	49.1%

WORKERS TRAINED—SECTOR AND SIZE WIA INCUMBENT WORKER PROGRAM Figure 2								
Program Year	Sector				Company Size			Total Trainees
	Healthcare	Manufacturing	Transportation/ Distribution/ Logistics	Other	1-50 Employees	51-99 Employees	100 & Over Employees	
PY08–July 2008 to June 2009	197	939	351	67	242	203	1,109	1,554
	12.7%	60.4%	22.6%	4.3%	15.6%	13.0%	71.4%	100%
PY09 – July 2009 to January 2010	224	1,145	370	125	190	408	1,266	1,864
	12.0%	61.5%	19.8%	6.7%	10.2%	21.9%	67.9%	100%

Educational Attainment and Higher Skills

Over the past year, one topic has dominated the nation’s attention: the state of the economy. Enacted and proposed legislation has focused on stimulating the economy and getting people back to work. In order for people to capitalize on future job opportunities, they must develop the skills and acquire the knowledge that will be required. Most government supported efforts are focused on the unemployed. However, it is important to recognize that in order for currently employed individuals to take advantage of advancement opportunities or retain current jobs that require new or upgraded skills, the employed must also be provided access to education and training.

On February 24, 2009, in a speech to the joint session of Congress and the nation, President Obama challenged all Americans to “commit to at least one year or more of higher education or career training.” He stated that as we look at the jobs of today and tomorrow, every American will need more than a high school education. Labor market data supports the President’s statement; “middle-skill” jobs or those jobs requiring less than a four year degree but more than a high school diploma will account for much of the

nation, state, and metropolitan Chicago region’s job growth in the next four years. In fact, 41% of all new jobs in the region will be middle-skill jobs.⁵ However, while middle-skill jobs will provide employment opportunities, trends show that there are declining resources for middle-skill training, and the future retirement of middle-skill workers will result in an inadequate labor pool of qualified workers to fill middle-skill jobs.⁶

So, if more jobs will require post secondary education or training, how prepared is the metropolitan Chicago region’s working age population? Data presented in Figure 3 provides some indication as to the educational attainment levels of the region’s workforce. While data is not complete in the sense of individuals who may have completed post secondary training programs through other than colleges or universities, it does provide some indication that in the metropolitan Chicago region more than 2 million individuals would need some additional training to meet the President’s challenge. Approximately two thirds of the people who will be in Illinois’ workforce in 2020 are already working adults. So, if Illinois and the metropolitan Chicago region are going to address the skill deficiencies of its current workforce, it will need education strategies that are not focused solely on future workers coming out of high school.⁷ Because, in reality, it will be difficult for working adults to access additional education or training without some assistance that helps them overcome financial, family and work constraints.

EDUCATIONAL ATTAINMENT 25 YEARS & OLDER Figure 3								
Area	Population	Less Than 9th Grade	9th to 12th Grade No Diploma	High School Diploma or Equivalency	Some College No Degree	Associates Degree	Bachelor Degree	Graduate or Professional Degree
Metropolitan Chicago Region	5,663,839	412,042	442,008	1,436,646	1,111,598	373,401	1,164,244	723,900
	100%	7.3%	7.8%	25.4%	19.6%	6.6%	20.5%	12.8%
Illinois	8,336,919	533,563	666,954	2,367,685	1,709,068	600,258	1,533,993	925,398
	100%	6.4%	8.0%	28.4%	20.5%	7.2%	18.4%	11.1%

Source: 2006-2008 American Community Survey 3-Year Estimates

The Benefits: Employers, Economic Development, Workers

Incumbent worker training funded through the Workforce Investment Act represents a partnership of the public workforce system with employers. The program is designed to help employers provide short term and job specific training to workers so they can acquire skills needed to meet current job performance expectations or to advance in their careers.

As stated in a recent report issued by the Institute for America’s Future:

U.S. business need access to training programs that can quickly and effectively respond to changes in economic conditions and technology, while allowing them to focus on their core businesses. This requires a national skills strategy that focuses on **developing effective partnerships between employers and other stakeholders** to identify industry skill needs, **upgrade the skills of their current workforce**, and develop pipelines of skilled work to meet future demands.⁸

⁵ *Middle-Skill Job Opportunities in the Metropolitan Chicago Region*, The Workforce Boards of Metropolitan Chicago, June 2009, page 3.

⁶ *Illinois’ Forgotten Middle-Skill Jobs*, The Workforce Alliance, September 2008, page 11.

⁷ *Ibid*, page 16.

⁸ *The Bridge to The New Economy: Worker Training Fills the Gap*, Institute for America’s Future, National Skills Coalition, January 28, 2010, page 3.

Incumbent worker training programs provide the public workforce system an opportunity to engage employers and at the same time leverage employer resources for incumbent worker training, increase employer understanding of the cost benefit of upgrading the skills of their workforce and develop the capacity of small and medium size firms to provide worker training by connecting them with education and training providers that develop customized training.⁹

Employers

While many employers know that their employees need new or improved skills, they often lack the financial resource to provide training to their employees, the expertise to develop a training program, or the knowledge of training providers that can assist them. This is especially true of employers with less than 100 employees. To some, a simpler solution is to replace their current workforce with individuals that already have the skills that they need. Incumbent worker training grants can serve as an incentive for employers to work with the public workforce system and establish linkages with training providers for the development and delivery of customized training.

“We are fortunate to have the opportunity to receive a DuPage County Incumbent Worker Training Program grant, which is vital in achieving our Safe Quality Foods certification, thus saving jobs at our company and making our employees more valuable in our industry. Once achieved, this certification will fortify the retention of current clients and strongly increase the odds of attracting new ones, giving us the opportunity to maintain and possibly increase our workforce.”
Juan E. Chavez, PHR
Vice President of Human Resources
The Jel Sert Company

Figure 4 reflects the types of education and training providers that employers used for the development and delivery of training for their workers. Overall, 57% of the employers receiving incumbent worker training grants utilized private profit training providers and 44% used community colleges. Only 7% of employers used an in-house training capacity.

SUMMARY OF TRAINING PROVIDERS WIA INCUMBENT WORKER TRAINING Figure 4						
		Training Providers				
Program Year	# Companies	Community College	Private Training Provider	Community Based Organization	Employer	Other
PY08–July 2008 to June 2009	61	26	35	1	5	0
	100%	42.6%	57.4%	1.6%	8.2%	0%
PY09–July 2009 to January 2010	50	23	28	0	3	0
	100%	46.0%	56.0%	0%	6.0%	0%

Note: A company may use more than one type of training provider.



In the metropolitan Chicago region, the Workforce Boards that administer incumbent worker programs have mainly targeted the use of funds to three sectors: healthcare, transportation/distribution/logistics, and manufacturing. Individual Workforce Boards have also identified additional sectors which vary from one area to another that include: technology, hospitality, finance and insurance, green, professional and technical, and construction. By targeting specific sectors, public investments are tied to those sectors that drive the local economy. While Figure 2 reflected the amount of funds invested by sector and size of company, Figure 5 shows employer participation in the training grant program by sector and size.

⁹ *Incumbent Worker Training for Low-Wage Workers*, Welfare Information Network, Issue Notes, Nanette Relave, October 2003, pages 1—5.

**PROFILE OF COMPANIES- SECTOR AND SIZE
VIA INCUMBENT WORKER PROGRAM
Figure 5**

Program Year	# Companies	Sector				Company Size		
		Healthcare	Manufacturing	Transportation/ Distribution/ Logistics	Other	1-50 Employees	51-99 Employees	100 & Over Employees
PY08–July 2008 to June 2009	61	11	38	5	7	24	12	25
	100%	18.0%	62.3%	8.2%	11.5%	39.3%	19.7%	41.0%
PY09 – July 2009 to January 2010	50	5	30	6	9	17	12	21
	100%	10.0%	60.0%	12.0%	18.0%	34.0%	24.0%	42.0%

Sixty-one percent (61%) of all training grants were awarded to manufacturers. This is especially significant given manufacturing represents almost 8% of the region’s jobs and, even though improved, continues to experience high unemployment (11% as of December 2009).¹⁰ As manufacturing redefines itself in terms of products and processes, it is more important than ever to retool the skills of their current workers. Incumbent worker grants are helping manufacturers do this and avert the dislocation of additional workers. Healthcare employers ranked a distant second representing 14% of the regional training grants. Transportation/distribution/logistics accounted for 10% of the region’s employers receiving incumbent worker grants. All other sectors combined comprised only 14% of employers participating in the region’s incumbent worker training programs.

If businesses are going to grow, especially those in emerging, cutting edge industries, they need qualified workers with reoriented skills to do the job.

Job Creation? Not Without Worker Training
www.ourfuture.org

support the creation of new jobs, small business will require additional assistance in providing their current workforce upgraded skills to oversee and perform these new jobs.

“As part of the Lake County Incumbent Worker Training Program, we were able to receive training dollars to assist in the certification of our manufacturing employees. This training has contributed to the development and improvement of the technical skills for our current workforce. This increased technical skill set has facilitated higher job satisfaction, increased productivity, and more promotional opportunities for our employees”.

Baxter Healthcare - Round Lake Manufacturing,

Economic Development

We all want it – economic recovery. This means businesses are increasing their workforce – not closing or downsizing. It means that employer revenues are increasing through the offering of new or expanded products or services—often requiring their workers to have new skills and abilities. And, employers are profitable and able to remain in the region or those expanding choose to open new facilities in the region – with the availability of a skilled workforce being a major consideration. The incumbent worker program is an economic development tool that supports all of these goals through skill development of the current workforce.

In terms of training grants, 41% of the companies have over 100 employees, 37% have 1 to 50 employees, and 22% have 51 to 99 employees. The prevalence of small businesses receiving assistance for employee training is particularly important given President Obama’s position that small business growth is significant to the nation’s economic recovery. Over the past 15 years, small businesses are credited with creating 65% of all new jobs.¹¹ With federal incentives for small business innovation and expansion to



¹⁰ Unemployment by Industry, Economic Modeling Specialists, Inc. 1st Quarter 2010
¹¹ President Obama’s Budget for Fiscal Year 2011

Figure 6 summarizes how WIA investments in training over the past 19 months have benefited employers. The top ranking benefit is “Increased Productivity” with 93.4% of the employers receiving incumbent worker training grants in PY08 and 86% in PY09 increasing overall worker productivity through the acquisition of new or improved skills. Ranking second among employer benefits is “Competitiveness Improved” with 77.1% in PY08 and 62% in PY09 improving their overall competitiveness through incumbent worker training. The third ranking benefit for both PY08 and PY09 was “Process Improvement”.

“Through this program, we were able to provide the highest quality of training to our workers. The skills and abilities of our employees impact our bottom line – especially in this competitive economy. Investing in our workers enables us to grow our business and, as a result, increase our workforce.”

*Julie Boomsma
FKM USA, LLC*

BENEFIT OF TRAINING TO EMPLOYER WIA INCUMBENT WORKER PROGRAM Figure 6						
Program Year	Process Improvement	Increased Productivity	Increased Product Quality	Decreased Costs	Competitiveness Improved	Certification (e.g., ISO, etc.)
PY08–July 2008 to June 2009 (61)	75.4%	93.4%	68.9%	70.5%	77.1%	27.9%
PY08–July 2009 to January 2010 (50)	62.0%	86.0%	50.0%	44.0%	62.0%	18.0%

Note: A company may accrue more than one benefit from the incumbent worker training grant.

Worker

While much of the national focus has been on the need to invest in developing the pipeline of skilled workers that will be needed in the future, incumbent worker programs recognize the necessity of investing in our current workforce. As stated earlier in this report, approximately 2/3 of the workers who will comprise our workforce in 2020 are already working. Studies have documented that employers are more likely to invest in college graduate workers in high skill jobs rather than low-skill, entry-level workers; incumbent worker training programs help address this inequity.

prospects should they lose their jobs. “Approaches that combine education and job skill training with work to make work a learning experience hold the most promise for providing low-skilled workers with the tools they need to progress beyond entry level, low-wage positions. To providing meaningful and lasting effects, efforts to link education with work for low-skilled workers should be coordinated with the needs and efforts of the local employers who hire these workers.”¹²

“While the training was very specialized to the type of equipment that we have, the knowledge is applicable to other robotic systems as they have same or similar controls. Providing our employees the opportunity to acquire additional skills benefits not only the company but also provides increased career opportunities for these individuals. Without the Workforce Board’s help, we would not have been able to offer the training to as many of our workers,”

*Andreas Miloczki
Human Resource Manager
Pollmann North America, Inc*



Incumbent worker training programs provide low-wage, entry-level workers the opportunity to upgrade their skills and, as a result, improve their ability to retain their job, advance in their careers, earn higher wages, and acquire skills and credentials that improve their re-employment

¹² *Strategies to Promote Education, Skill Development, and Career Advancement Opportunities for Low Skilled Workers*, NGA Center for Best Practices, Employment and Social Services Policy Studies Division, Susan Golonka, July 28, 1998, page 1.

One effective training strategy that can be supported with incumbent worker training programs are career pathway programs. “Career Pathways is a terms that describes various programs that connect education or training classes together to provide individuals with the skills, certifications, and knowledge needed to obtain jobs in particular sectors or occupation clusters.”¹³ Incumbent worker training can support employers and workers in designing programs in cooperation with community colleges that enable workers to continue working and at the same time acquire skills and certifications needed for advancement. As previously noted in the Employer section, 44% of employers utilized community colleges to develop and deliver training through their incumbent worker training grants.

In the metropolitan Chicago region, 3,418 workers received training over the past 19 months through incumbent worker programs. In looking at employer data (Figure 7) regarding

“For Norlux, the Incumbent Worker Training program has been invaluable! Our employees have received nearly 3000 hours of training that would never have been possible without it! “

Vicky Gibson
Norlux

the type of skills that training addressed, 65% of training grants upgraded workers’ job specific, technical skills. The second ranking training need addressed was improving technology skills of workers - 45 % of employers. The third ranking need addressed through training grants was to provide workers with a certification or credential - 32% of employers. Only 13% of employers used funds to upgrade basic reading or math skills.

SUMMARY OF PURPOSE OF TRAINING WIA INCUMBENT WORKER TRAINING Figure 7						
		Purpose of Employee Training				
Program Year	# Companies	Upgrade Basic Skills	Upgrade Technical Job Skills	Improve Technology Based Skills	Acquire Certification/Credential	Other
PY08–July 2008 to June 2009	61	9	43	36	20	16
	100%	14.8%	70.5%	59.0%	32.8%	26.2%
PY09–July 2009 to January 2010	50	5	29	14	16	18
	100%	10.0%	58.0%	28.0%	32.0%	36.0%

Note: A company may provide training for more than one purpose.

Conclusion

WIA incumbent worker training investment of \$1,631,384 leveraged \$910,761 in employer contributions towards employee training. The primary benefits to employers as a result of this training were increased productivity and improved competitiveness. At the same time, the training encouraged employers to invest in training for low-wage, entry-level workers and form stronger partnerships with the workforce system.

Over the past 19 months, the metropolitan Chicago region’s incumbent worker programs have partnered with 111 companies to upgrade the skills of 3,418 workers. Those employees received training that provided them with the skills needed to perform their jobs, with most receiving customized training that improved technical job skills or technology based skills. Additionally, for those who were

able to retain their jobs through these investments, the social costs of unemployment insurance, lost productivity, detrimental effects on physical or mental health, and loss of tax receipts were averted.¹⁴



¹³ Strong Students, Strong Workers, Center for American Progress, Harry J. Holzer and Demetra S. Nightingale, December 2009, pg.22 and 23

¹⁴Is There a Role for Public Support of Incumbent Worker On-the-Job Training, Upjohn Institute Staff Working Paper No. 08-137, Kevin Hollenbeck, January 2009, page 3

We must lay a new foundation in which innovation and job creation are nurtured, the middle class is strengthened and economic opportunity is available to all.

President Obama's Budget for Fiscal Year 2011

The use of WIA funds for incumbent worker training is consistent with and supports many of the Obama Administration's priorities:

- Encourage all Americans to acquire additional skills required to obtain middle skills jobs and attain middle class status;
- Provide workers with the skills needed for new jobs that will be created through small business initiatives; and
- Facilitate stronger private partnerships with the community college system through the development of customized training programs that result in the advancement of workers and acquisition of industry recognized credentials.

The U.S. Department of Labor Employment and Training Administration should encourage the use of WIA funds for incumbent worker training programs recognizing that it is critical that as a nation we invest not only in the development of a pipeline of future workers but also address the skill deficiencies of our current workers. This encouragement can come in the form of less restrictive policies related to the use of WIA funds and competitive grants focusing on training needs of incumbent workers. Our nation's economic recovery cannot leave our current workforce behind; aggressive strategies for improving the skills of our nation's workers should be part of a comprehensive national workforce development policy.

Good Jobs for Everyone. A Vision for the USDOL ETA.

The ETA, in partnership with states, localities, and community organizations, assists adults and youth in transitioning to good jobs by administering effective, value-added programs that expand opportunities for employment, continuous learning, business competitiveness and community prosperity.

www.dol.gov/strategicplan2010

The Workforce Boards of Metropolitan Chicago are a consortium of eight Workforce Boards that include the Chicago Workforce Investment Council, Cook County Workforce Investment Board, DuPage Workforce Board, Grundy Livingston Kankakee Workforce Board, Lake County Workforce Investment Board, McHenry County Workforce Investment Board, The Workforce Board of Northern Cook County, and the Workforce Investment Board of Will County.

The Workforce Boards are responsible for workforce preparation and economic development activities in their respective local areas and, collectively as a consortium, work to address workforce issues on a regional basis. This consortium has adopted a regional approach recognizing that cross-geographic issues impact the economic vitality of each area.

For more information, visit

www.workforceboardsmetrochicago.com.

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