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Executive Summary

Throughout the United States, policy makers and practitioners in the field of workforce development have been examining innovative ways to restructure their service offerings to align them more effectively with the needs of employers, key industry sectors, and local economic development priorities. In 2005, the City of Chicago, through the Mayor's Office of Workforce Development (now part of the Department of Community Development) and the Chicago Workforce Investment Board (CWIB), established two sector-based workforce centers: ManufacturingWorks (MW) and ServiceWorks (SW). They accomplished this, in part, by redirecting a portion of its funding under the federal Workforce Investment Act (WIA).

The purpose of these "Sector Centers" was to extend the efforts of the existing WIA-funded network of Workforce Centers and Community Affiliates, known as WorkNet Chicago, in three specific ways:

- **Demand-driven**: Sector Centers operate with the business as their primary customer, serving as a "single point of contact" for a range of value-added services that make the public workforce system a more attractive resource to employers;
- **Sectorally-focused**: Sector Centers focus exclusively on serving employers and jobseekers in their particular sector (manufacturing and hospitality/customer service), allowing them to become more specialized and serve as the system's expert on that sector;
- **System-integrated**: Sector Centers are designed to bring new employers and job opportunities into the WorkNet system, to be shared by providers throughout the system, and resulting in a deeper pool of candidates for employers and a wider range of jobs for individuals.

**Key Findings**

Based on an evaluation of the Sector Center initiative that included interviews with over 100 program staff, employers, and other stakeholders, as well as an analysis of programmatic activity and outcomes, three broad findings emerged.

1) **Sector Centers make the public workforce system more relevant to employers and key industries.**

Both Sector Centers have been relatively successful in engaging with businesses that had not previously utilized the WorkNet Chicago system, or have had bad experiences in the past. They recognize that recruitment and job matching are only one element of employers' workforce needs, and that recruitment efforts need to start from the needs of the businesses.

2) **Sector Centers create a platform for addressing issues of equity and access.**

The Sector Centers have attempted to leverage the trust and credibility of the companies they serve to promote progressive human resource practices and improved job quality. ManufacturingWorks, in particular, has been successful in helping companies shift toward "high road" practices, and limiting their services to "low road" companies.

3) **Sector Centers help to drive systems change toward a more integrated, demand-driven workforce development system.**

The Sector Centers have helped to foster systems change within WorkNet Chicago by building jobseeker referral networks with Workforce Centers and Community Affiliates; aligning their efforts with the strategic goals of the Chicago Manufacturing Renaissance Council (CMRC) and Chicago LEADS (Leading Economic Advancement, Development and Sustainability in the 21st Century), and strengthening the efforts of pre-employment training programs within the system.
Challenges

This new approach to workforce development has posed a number of challenges for Chicago’s workforce system. Key issues raised during program implementation include the following:

- Reconciling internal tensions between employer versus jobseeker goals, and more broadly, between “performance” and “development” imperatives;
- Ensuring quality, not just quantity - focusing on more than “hitting the numbers”;
- Using WIA funds tended to distort programmatic activities toward placement, but also created an impetus for system integration;
- Building the systems so that disadvantaged workers can access the new opportunities brought into the system;
- Ensuring system coordination around case management and referral processes;
- Collecting new and different kinds of data, especially related to employer outcomes;
- Fostering cooperation and learning between the centers; and
- Building a brand that is distinct from the providers.

Implications for Workforce Development Policy and Practice

What can be learned from Chicago’s experience with the Sector Center initiative? Four broad lessons for other cities and regions can be extracted.

1) A more business-focused approach is important but should not be an end in itself. Rather, it should be a means toward investments in skills, longer-term industry competitiveness, and individual career advancement.

2) Sectors aren’t everything, but they are a valuable tool for aligning resources toward strategic goals. They can bring together a variety of actors and organizations in ways that identify both gaps and partnership opportunities.

3) If you do not build equity and job quality into the vision from the beginning, it will never be there. This requires practitioners on the ground who can develop creative ways to communicate progressive workforce practices, and commitment from outside stakeholders and advocates.

4) Public funding is important but it cannot - and probably should not - be the only source. In order to demonstrate its value and become more sustainable in the long run, the Sector Centers will require a mixed-funding model that captures the value created for employers.
I. Background

Throughout the United States, policymakers and practitioners in the field of workforce development have been examining innovative ways to restructure their service offerings to align them more effectively with the needs of employers, key industry sectors, and local economic development priorities. The Workforce Investment Act (WIA) of 1998, the federal legislative framework shaping workforce development in the United States, gives states a certain amount of discretion to undertake new approaches, but local authorities have historically enjoyed far less latitude to expand the system's reach beyond disadvantaged and dislocated jobseeker populations. While the goals of addressing the employment and training needs of these populations remain highly important, they have tended to limit the system's ability to serve a broader set of goals in local economies that are increasingly in flux. In building a more demand-driven system linked with quality jobs in key industry sectors, the public workforce development system should be better positioned to serve both jobseekers and employers more effectively.

Chicago has an established track record of innovation in connecting workforce development to economic development and pioneering sector-based approaches. Dating back to the 1980s under the administration of Mayor Harold Washington, the City worked to align its economic and workforce development functions, in particular around local industrial retention efforts, to revitalize the city's base of small and medium-sized manufacturing companies. These efforts gave rise in the 1990s to innovative community-based organizations like the Jane Addams Resource Corporation, Bethel New Life, and the Greater West Town Community Development Project, which developed sector-specific job training programs with the dual goal of sustaining and strengthening the industrial job base of those communities, and helping to lift residents out of poverty. These promising examples helped to bring sector-based workforce development practice into the national mainstream during the 1990s through organizations like the Aspen Institute and the National Network of Sector Partners (NNSP). According to NNSP, sector initiatives share four characteristics:

1. They focus intensively on an industry within a regional labor market, and multiple employers in the industry, over a sustained period of time;
2. Are led by a workforce intermediary with credibility in the industry;
3. Create new pathways for low-wage workers into the industry, and up to good jobs and careers; and
4. Achieve systemic changes that are “win-win” for employers, workers and the community.

In this most recent decade, Chicago has sought to bring this approach to scale. Challenged by its business and economic development members to make the WIA-funded system more relevant to their constituents, the Chicago Workforce Investment Board and its partners in the Workforce Boards of Metropolitan Chicago began hosting a series of industry summits in 2003 for six sectors identified as critical to the Chicago regional economy: manufacturing, health care, transportation/distribution/logistics, information technology, hospitality, and finance and insurance. On the heels of this, in 2005 the City of Chicago Mayor's Office of Workforce Development (MOWD), which administers the City's Title I (Adult Disadvantaged & Dislocated) WIA funds, reallocated $1.4 million (approximately 10 percent) of its formula-based funding, combined with City general funds, toward the establishment of two sector-based workforce centers ("Sector Centers") - one for

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2 As of January 2009, MOWD was merged, along with parts of the City’s Departments of Planning and Development, and Housing, into a new Department of Community Development (DCD). Where the report refers to activities that took place prior to this merger, it will refer to "MOWD"; for discussion of current and future initiatives, it will refer to the agency as "DCD."

3 This figure has increased slightly in subsequent years, to 12% of Core & Intensive funding for Adult & Dislocated in PY 2008, even though the nominal funding for the Sector Centers has declined from $1.4 million in 2005 to just under $1.3 million in 2008. This relative increase therefore reflects a decline in overall WIA funding to the City of Chicago.
the manufacturing sector, one for hospitality and retail. These two new Sector Centers, eventually named "ManufacturingWorks" and "ServiceWorks," were charged with engaging businesses and extending the public workforce system's reach into those industry sectors on behalf of jobseekers. In doing so, Chicago was the first city, or region, in the United States to undertake such an initiative with its WIA formula funds.

### Chicago's WIA-Funded Workforce Development Network

As mandated under WIA, Chicago maintains five Workforce Centers, which are presently operated by four different organizations. Workforce Centers offer a wide range of state and federally-funded services to jobseekers as well as business customers, from computerized job matching for "universal" clients, unemployment insurance for displaced workers, and intensive, WIA-funded services for low-income and/or dislocated workers. By design, Workforce Centers serve a broad cross-section of the labor market and solicit job opportunities from employers across a wide range of industries and occupations. In addition to job placements, Workforce Centers refer qualified individuals to training opportunities at one of hundreds of certified training vendors in and around Chicago, which includes community colleges, proprietary schools, and non-profit organizations. As of Program Year 2007, MOWD-funded providers issued 1,429 training vouchers worth a total of $5.4 million, with the largest share of training funds going toward health care (30%) and transportation (27%) occupations.

One of the unique aspects of Chicago's workforce development infrastructure is the community-based organizations (CBOs) that operate as service providers within the WIA-funded system. This is a legacy of Chicago's rich history as a "city of neighborhoods" dating to the early 20th century, in which civic associations emerged to serve the city's diverse base of ethnic immigrants and its growing African-American population. Many of these CBOs, such as the Spanish Coalition for Jobs (now called the National Latino Education Institute), the Polish American Association, Chinese-American Service League, and the Chicago Urban League formed the backbone of the City's workforce development service provider network in the 1980s under the federal Job Training Partnership Act (JTPA). With the shift to WIA in the late 1990s, most other cities consolidated service delivery into "One Stop" centers, but Chicago chose to retain its CBOs in the role of Community Affiliates providing "core" job search assistance and "intensive" services like career counseling and resume preparation under WIA. As formula-based funding for WIA has shrunk in recent years, the number of affiliates funded by MOWD has declined, with the agency targeting its funds toward organizations serving distressed communities or specific client populations such as ex-offenders. Still, as of 2008, twenty-three organizations were funded by MOWD under WIA affiliate contracts for adult disadvantaged and dislocated jobseekers; just over half (52%) of the City's funding for disadvantaged (1A) going to community affiliates as did a slightly smaller share of funding for dislocated workers.

The Sector Center initiative was designed to supplement the City's existing network of service providers under WIA, collectively called 'Mayor Daley's WorkNet Chicago' (Figure 1). In comparison to other cities, WorkNet Chicago is relatively complex, because of the city's size, but also its historically dense network of community organizations active in workforce development.

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4 One of the major changes under WIA was to broaden access to job search assistance, called "core" services, to individuals otherwise not eligible for "intensive" services or training vouchers. For this reason, these services are available on a "universal" basis to jobseekers.

5 Internal MOWD analysis, 10/1/08.
In addition to the Workforce Centers, Chicago operates a network of affiliate agencies. This map shows adult and dislocated worker affiliates only.

**Affiliates**

1. Albany Park Community Center  
3403 W. Lawrence Ave., Chicago, 60625
2. Asian Human Services  
4820 N. Broadway St., Chicago, 60640
3. CARES Chicago  
3333 W. Arthington St., Chicago, 60624
4. CFL Workers Assistance Committee  
130 E. Randolph St., Chicago, 60601
5. Chicago Urban League  
854 W. 69th St., Chicago, 60621
6. Chinese American Service League  
2141 S. Tan Ct., Chicago, 60616
7. Dynamic Educational Systems, Inc.  
11000 S. Michigan Ave., Chicago, 60628
10001 S. Woodlawn Ave., Chicago, 60628
9. Easter Seals Metropolitan Chicago  
120 Madison St., Oak Park, 60302
10. Goodwill Industries  
2435 W. 63rd St., Chicago, 60629
11. Greater West Town Comm Dev't Project  
790 N. Milwaukee Ave., Chicago, 60642
12. Heartland Human Care Services  
3500 S. Lake Park Ave., Chicago, 60653
13. Howard Area Community Center  
1623 W. Howard Ave., Chicago, 60626
14. Inspiration Corporation  
4554 N. Broadway St., Chicago, 60640
15. Instituto del Progreso Latino  
2570 S. Blue Island Ave., Chicago, 60608
16. Instituto del Progreso Latino  
4600 S. Wood St., Chicago, 60609
17. Polish American Association  
3815 N. Cicero Ave., Chicago, 60641
18. Pyramid Partnership Inc.  
3057 N. Lincoln Ave., Chicago, 60657
19. Safer Foundation  
573 W. Jackson Blvd., Chicago, 60661
20. SE Chicago Dev't Commission  
2938 E. 91st St., Chicago, 60617
21. Ser Services Inc.  
3948 W. 26th St., Chicago, 60623
22. St Sabrina Employment Resource Ctr.  
7909 S. Racine Ave., Chicago, 60620
23. The Cara Program  
950 E. 61st St., Chicago, 60637
24. YMCA of Metropolitan Chicago  
11 E. Adams St., Chicago, 60603
25. YMCA of Metropolitan Chicago  
501 N. Central Ave, Chicago, 60644
Workforce Centers

A. ServiceWorks
500 N. Dearborn, Suite #850
312-494-9346

B. ManufacturingWorks
2800 S. Western
773-523-2516

C. Chicago Workforce Center, Northside
4740 N. Sheridan
773-334-4747, TTY: 773-334-9804

D. Chicago Workforce Center, Garfield
10 S. Kedzie, Room 134
773-722-3885, TTY: 773-722-6081

E. Chicago Workforce Center, Pilsen
1657 S. Blue Island Avenue,
312-265-5695, TTY: 312-738-0766

F. Chicago Workforce Center, Mid-South
4314 S. Cottage Grove
773-538-5627, TTY: 773-538-8260

G. Chicago Workforce Center, Southwest
7500 S. Pulaski, Bldg 100
773-884-7000, TTY: 773-884-0269

How the Sector Centers Work

The Sector Centers were intended to operate on a model that was different from, but complementary to, the existing WIA-based system of Workforce Centers and Community Affiliates. These differences are reflected in three core design features:

- **Demand-driven**: Unlike other parts of the WIA-based system, the Sector Centers operate with the business as their primary - although not their only - customer. Their goal is to provide the employer with a suite of workforce services on a "single point of contact" basis. These services include not just recruitment, but also incumbent worker training; human resource advice; workshops, and other resources that are generally not easily accessible through the public workforce development system.

- **Sectorally-focused**: The Sector Centers are charged with becoming the WorkNet system's "experts" on that industry sector. By focusing their energies on the particular needs of that industry, they can offer employers more specific resources and advice, and identify problems and solutions more easily than providers serving a wide range of industries. Ultimately, they bring this knowledge and expertise to bear on behalf of the rest of the public workforce development system, helping case managers better understand the skill requirements and career opportunities in that sector, and working with training providers, including both community colleges and CBOs, to improve their offerings, for example by teaching to recognized industry standards and certifications.

- **System-integrated**: The Sector Centers are designed to move the WorkNet system toward a more integrated approach, in which job opportunities are disseminated throughout the City’s provider network and qualified candidates are referred to those openings. By promoting cooperation among providers, the Sector Centers allow employers to access a larger pool of candidates, and jobseekers a larger pool of openings from which to choose.
The Sector Centers operate on a "sector hub" model (Figure 2) in which they broker the relationship between employers, economic development and business service providers, job training and employment programs working with individual jobseekers. Unlike many sectoral initiatives, neither MW nor SW maintains their own job training program. Rather, they are designed to work with individuals from a variety of local job training and workforce development programs, and from the general public, to help meet the workforce needs of employers in their sectors. However, they also work directly with jobseekers to help them understand skill requirements and career pathways within the sector, keeping with the "dual customer" approach that has become the standard within the workforce development field. Achieving the right degree of time and resource allocation to more intensive, jobseeker-focused activities has been a challenge for both Sector Centers.

Report Overview

This report draws upon the findings of an evaluation of the Sector Center initiative conducted by the UIC Center for Urban Economic Development (CUED) between Fall 2007 and Spring 2008. It is based on interviews conducted with over 100 program staff, contractors, stakeholders, and employers, as well as analysis of administrative data on program activities and outcomes collected by MW and SW since their inception.

The remainder of this report is divided into four sections. The first section presents three top-level findings about the Sector Centers, drawing on examples and case material from the evaluation. The second section discusses several challenges that the Sector Centers and the agency overseeing the initiative (MOWD, now Department of Community Development) faced in its implementation, ones that are specifically related to the new approach embodied in the Sector Center initiative. The third section profiles the two centers, MW and SW, discussing their history and programmatic outcomes. The concluding section draws out four main lessons for workforce development practice based on Chicago’s experience with the Sector Centers.

For examples of other sectoral initiatives, see: "Targeting Industries, Training Workers and Improving Opportunities: The Final Report from the Sectoral Employment Initiative," Anne Roder with Carol Clymer and Laura Wyckhoff, (Public/Private Ventures, November 2008); and Maureen Conway, Amy Blair, Steven L. Dawson and Linda Dworak-Munoz, "Sectoral Strategies for Low-Income Workers: Lessons From the Field" (The Aspen Institute-Workforce Strategies Initiative: 2007). It should be noted, though, that sectoral experts like Aspen Institute and NNSP do not consider internal training capacity to be an essential ingredient for successful sectoral initiatives.
Figure 2
Chicago’s Sector Centers Operational Model

Employers

Serve a single point of contact for employers to:
- Find job candidates from local training programs, WD providers and general public;
- Connect with business services such as workshops gap analysis and incumbent training;
- Obtain labor market and learn about workforce issues facing the sector.

Jobseekers

Work with business services and economic development providers to:
- Broker "upstream" services such as skills gap analysis; and
- Connect with business development and retention function.

Work with local workforce development providers (WIA/non-WIA) to identify and pre-screen candidates based on employer specifications

Serve as resource for jobseekers in general public and WD providers about careers in the sector

WD Provider

Work with job training programs to:
- Identify the best candidates;
- Connect program graduates to internships and employment; and
- Continuously improve curriculum to reflect industry needs.

Sector Center

Business Services & ED Providers

Job Training Programs
II. Key Findings

To what extent has Chicago’s Sector Center initiative, after nearly four years, accomplished its objectives? Based on extensive interviews and analysis of program activities and outcomes, we can point to three key findings about the Sector Centers and their impact on the public workforce development system.

Finding #1: Sector Centers make the public workforce system more relevant to employers and key industries.

One of the key goals of the Sector Centers was to foster a new “brand” for the public workforce development system that would enable it to engage in different - and potentially more effective - ways with employers, especially within key industries.

Studies of the publicly-funded workforce development system have consistently shown that employers do not consider it to be a primary source of talent, especially for more highly-skilled, harder-to-fill positions. In some cases this relates to employers’ preconceptions about the types of candidates that are available through Workforce Centers and community organizations i.e., only individuals with low skills and educational attainment, limited work experience, and significant barriers to employment. Indeed, a core mission of the public workforce system is to target such populations to improve their labor market outcomes, but in a market where both employers and jobseekers have a lot of choices - from staffing agencies to websites like CareerBuilder, Monster.com and Craigs List - the system has, at times, struggled to assert itself as a mainstream alternative serving broad segments of the labor force.

The Sector Centers make the public workforce development system more relevant to employers by offering them a different, broader set of services than what is generally available through Workforce Centers and Community Affiliates that are funded under WIA. This demand-driven approach is based on two core premises. First, that recruitment (job matching) is only one element of employers’ workforce needs, and that recruitment challenges often flow from other human resource and organizational needs within the company. For this reason, the Sector Centers offer services that are explicitly targeted at employers, such as workshops and consulting services, to help them better understand their own needs and potential solutions.

MW has been especially active on this front. In partnership with the Chicago Manufacturing Center, the local Manufacturing Extension Partnership affiliate, MW offers free, monthly “Lean Simulation” seminars that attract manufacturers, service providers and interested individuals from around the Chicagoland region. For many companies, the seminars represent their first exposure to MW and a “foot in the door” to introduce them to MW’s services, with some eventually taking advantage of recruitment services or other business services.

Another partner, Educational Data Systems Inc. (EDSI), provides companies with “skills gap” assessments that often result in prescriptions for incumbent worker training, which is provided through Truman College’s Business & Industry Services division. By drawing together a range of services from public and private-sector vendors, MW can offer its customers more than just recruitment, but a suite of value-added services.

While SW has been more focused around recruitment services since its inception, it has recently begun to shift its emphasis toward customized, incumbent worker training initiatives, especially within the hotel industry.

The other premise is that more traditional services like recruitment need to be provided in a way that starts from the needs of the business, rather than the pool of jobseekers that are available through the WIA system. While one of the ultimate goals of the Sector Center initiative was to widen the employment opportunities for disadvantaged and dislocated workers within the WIA system, there was a recognition that the Sector Centers needed to offer employers access to a wider range of candidates, especially individuals with skills and experience relevant to those industries. Many of the employers interviewed for the evaluation indicated that they had previously not worked with publicly-funded workforce agencies in the past, or if they had, their bad experiences made them wary. One of the most common complaints raised by employers was the perception that they were simply pushing their clients onto them without regard for the quality of the fit to the position.

Both SW and MW have reached outside the boundaries of the WorkNet Chicago system to help employers find the best candidates. In late 2007 and early 2008, SW worked with two hotel operators that were opening new properties in downtown Chicago, coordinating large-scale recruitment events on their behalf. These events, which were open to the public, drew hundreds of candidates - some referred by WIA providers and other publicly-funded agencies, others off the street - for several hundred well-paid hospitality positions ranging from front desk agents to dishwashers and room attendants. After extensive consultation with the employers, SW pre-screened the candidates and referred the most qualified individuals on for further consideration by the hotel operators.

An innovative approach taken by MW has been to organize “VIP hiring events” with targeted groups of employers and jobseekers. One event in October 2007 brought together 12 manufacturers from throughout the region with 60 pre-screened candidates with experience as machine operators, maintenance mechanics, material handlers, and welders. Employers, provided in advance with resumes for the candidates in attendance, could select for interviews the individuals most interesting to them, in some cases making job offers on the spot and in others inviting them for follow-up interviews at the plant. Since 2007, MW has hosted two such events that have resulted in 49 job placements. These events save employers time by presenting them with candidates tailored to their skill needs, and offer jobseekers opportunities to interview with employers who might not otherwise participate in a job fair.

By focusing on creating value for employers - saving them time in recruitment, cost of turnover, or outside staffing agencies - the Sector Centers begin to emulate private sector entities, with whom they compete in many respects. Many of the individuals working for the Sector Centers are actually drawn from the staffing industry, where demonstrating value and providing high-quality customer service are a normal part of doing business. But importantly, they recognize and adhere to the workforce and economic development goals of the Sector Centers - to expand access to quality jobs within the WIA-funded system, prepare jobseekers better for careers in the sector, and to strengthen the viability and competitiveness of manufacturing and hospitality sectors in Chicago. This combination of business acumen and social mission is an essential part of what makes the Sector Centers work.

Many of the employers that were interviewed recognized the value that the Sector Centers created on their behalf, and indicated openness to fee-based services, especially for more intensive services like consulting and recruitment for highly-skilled positions. Employers seeking more entry-level workers - which was more common in the service sector - were somewhat less inclined to see such value, a finding that is consistent with the research by the Aspen Institute.8 Ironically, smaller companies tended to exhibit greater recognition of the benefits of the Sector Centers, likely due to a lack of internal capacity or budget for recruitment.

8 The Aspen Institute’s Business Value Assessment initiative attempted to quantify value created for employers by sectoral workforce initiatives, and found that in many cases it is difficult to establish precise monetary benefits to the company. [see Amy Blair, “How Does Business Benefit From Sectoral Employment Initiatives?” (Aspen Institute Workforce Strategies Initiative, 2005) http://www.aspenwsi.org/publications/05-021.pdf]. In general, according to Allison Gerber, fee-for-service arrangements are most viable where employers are likely otherwise to hire an external vendor or incur obvious and identifiable internal costs (e.g., advertising fees on job boards), and/or where there is significant customization/differentiation of the service to sector-specific needs that go beyond what the company can obtain from free sources like traditional “one stop” workforce centers.
of the Sector Centers’ value and a willingness to pay for them, even though they are generally in less of a position to afford them. However, in meeting this “market test,” companies cautioned that their expectations for quality and service would increase as a result. Yet almost universally they recognized that in order to operate like a business, they would need the capacity for their “revenues” to grow in response to the demand for their services. In 2009, MW will begin to roll out a fee schedule for a number of its services, which will allow the organization to grow in the face of limited public resources. And SW is currently developing a membership-based model, in which companies would subscribe to gain access to many of their services.

Finding #2: Sector Centers create a platform for addressing issues of equity and access.

On its own, making the public workforce development system more relevant as a resource to employers is highly noteworthy as an outcome of the Sector Center initiative. But another outcome of broader social importance is that they have helped to create a platform for addressing the role of employers’ human resource practices in promoting equity, access to good jobs and career advancement. To the extent possible, the Sector Centers have attempted to leverage their relationships with employers to promote practices that both improve job quality and help employers’ bottom line.

On one level, this represented a practical concern for the Sector Centers in the face of limited staff resources - namely, which employers should benefit from publicly-funded services? Companies suffering from chronic turnover and recruitment problems may be the most eager for assistance, but to the extent that those problems originate from myopic human resource strategies - low wages and/or lack of benefits, poor frontline supervision, lack of real or perceived career advancement opportunities - then efforts to help alleviate those symptoms without addressing their underlying causes would effectively reward those strategies.

Prudent stewardship of public funding means helping companies understand and deal with their short-term needs while helping them improve for the longer-term.

The challenge for the Sector Centers was to encourage employers toward more progressive human resource practices - without seeming too pushy about it, and recognizing the constraints facing those companies. The key to accomplishing this is in building credibility and trust with the employer. At first, building credibility was a challenge for both centers because they were new (although the organizations who operated them had a track record that they relied on at first), and so they had to establish credibility through their performance. Over time, as they developed ongoing relationships with companies (and particular staff within those companies), a degree of trust emerged to where the centers’ staff were able to give advice to the company about potential modifications to their practices. In some cases, this has meant encouraging companies to increase their starting pay scales to attract and retain higher quality candidates, or recruit from a more diverse pool of candidates. While not all companies have taken their advice, they recognize that it is intended to help them improve their human resource outcomes.

MW has taken a strong position on this issue, including in its mission statement the goal of becoming the “preferred source of talent for ‘high road’ manufacturing companies.” Although the concept of “high road manufacturing” - in which companies compete on the basis of innovative, differentiated products made
by highly-skilled workers paid family-sustaining wages - is not new, putting this concept into practice represented a novel challenge for MW. To do so, they developed a tier-based system for rating companies to help guide the kinds of services that they should offer (Figure 3). Lower-tier companies were to be offered less extensive services, such as labor market information and access to workshops like Lean Simulation, while higher-tier companies were to be supported wherever possible. Indeed, in several cases MW declined to follow through with recruitment projects for lower-tier companies, citing their low wages and poor HR practices as the reason. In practice, though, most of the companies they encounter have fallen in between the ‘high road’ and ‘low road’ extremes, a fact which has provided a challenge for them in helping to move companies toward the high road. Recently, DCD has decided to adapt MW’s tier-based approach to providers throughout the WorkNet Chicago system to help guide the delivery of individualized and customized business services, such as incumbent worker training and hiring incentives.

**Figure 3**

**ManufacturingWorks – Tier System of Business Relationships**

**Tier Zero.** Firms that pay less than minimum wages, fail to pay overtime, maintain an unsafe workplace or in some other way violate the law. We will not serve these firms.

**Tier One.** Firms that pay at or near the minimum wage, do not offer benefits and lack career opportunities or career pathways/ladders for workers. We prefer to not work for these firms. If requested we will enter job openings into the State job listing system, and will refer job seekers that desire the type of job offered, but will not make any effort to recruit workers on behalf of these firms.

**Tier Two.** Firms that offer good wages OR low wages with good benefits OR relatively low wages with strong career opportunities. These are firms that offer less than family sustaining positions, but employment with these firms can be part of a rational family work strategy. For example a two-earner family might combine one $8 an hour job with good employer paid family health coverage and a $12 an hour job with no benefits.

*The line between tiers two and three is flexible, depending upon market demand. Tier Three firms always receive priority attention. Tier Two firms receive attention as resources are available.*

**Tier Three.** Firms that offer family sustaining wages, good benefits and career ladders. Typically these firms have adopted one or more other high road practices, such as using high performance manufacturing techniques, genuine employee participation, long term management, etc. These are the firms that offer the best opportunities for workers and for the community. They are our highest priority at all times.

“Prudent stewardship of public funding means helping companies understand and deal with their short-term needs while helping them improve for the longer-term.”

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Another issue that the Sector Centers have attempted to address is patterns of racially exclusionary hiring. This is a persistent issue in the manufacturing sector, where perceptions of bias toward Latino and Eastern European (immigrant) workers represent a barrier for African-American candidates—especially as many companies rely upon referrals from existing workers and sources like staffing agencies that often reinforce employer stereotypes. This results in fewer African-American candidates with manufacturing experience, which limits the available pool for more highly-paid positions. MW has attempted to remedy this problem through both demand and supply-side strategies. On the demand side, their account executives work to educate employers about the benefits of maintaining a diverse workforce and helping them to tap into pools of qualified African-American candidates, often within the surrounding neighborhood. And on the supply side, they have worked to get African-Americans without manufacturing experience—who would be less qualified for more highly-skilled positions—into job training programs to boost their skills and career potential. In some cases, though, they have recognized that a lack of manufacturing experience can be a barrier, and so they have partnered with a staffing agency to connect individuals into lower-paid temporary positions, with the goal of eventually helping them access better-paid, permanent jobs available through MW. As of the most recent program year, 42 percent of jobseekers placed through MW were African-American, a share that is four times higher than the overall African-American share of manufacturing employment (10%) in Cook County.\footnote{10}{Authors’ analysis of Public Use Microdata Series from the American Community Survey, 2005–2006.}

Tackling the issue of job quality in the service sector is an even more challenging task, since it is generally believed that low-wage jobs, that are commonly found within retailers and quick-service restaurants, are valuable as “stepping stones” to better-paying jobs within that industry or in other service-based industries.\footnote{11}{“Career Pathways and Crosswalks in the Hotel, Restaurant and Retail Industries”, Greg Schrock and Judith Kossy, (Chicago Workforce Board, 2006).} Still, making the reality of career advancement match the theory is something that SW has attempted to address. SW staff works with jobseekers to help them become more aware of the career paths that may be accessible to them within the service sector, and offer customer service training and certification to help enhance their upward career mobility. But they have also begun more intensive efforts with employers to strengthen their internal systems for training and career advancement. In late 2008, SW began working with a prominent hotel chain to improve their approach to identifying, cultivating and training candidates for internal promotion.

Finding #3: Sector Centers help to drive systems change toward a more integrated, demand-driven workforce development system.

Finally, the Sector Centers have been instrumental in helping the City promote “systems change” within the public workforce development system, toward a system that is better integrated and aligned with the changing needs of key sectors.
Integrating the System

SW was very proactive in building connections with providers, both within the WIA-funded WorkNet Chicago system as well as other education and training organizations, from the Chicago Public Schools to local community colleges. A longtime contractor under WIA and its predecessor JTPA, SW’s operator recognized that a twofold strategy was needed to ensure a flow of qualified candidates. The first was to make sure that providers received appropriate credit for WIA-registered jobseekers placed through SW, working with MOWD to eliminate any potential disincentives for providers to refer candidates based on WIA outcomes. For instance, on hiring events coordinated through SW, WorkNet providers were assured that if their WIA-registered jobseekers were hired as a result of a referral to SW, they would receive credit for the placement. This reduced providers’ incentive to bypass SW and send clients directly to the employer, potentially undermining the Sector Center’s relationship to the employer. But equally important, SW also reached out to the providers on a personal basis to forge relationships with them, and gain their confidence that their clients would be given full consideration, and worked hard to make sure that providers were updated on the status of individuals referred to them.

Aligning with Higher-Level Sectoral Partnerships

Both MW and SW have aligned themselves with higher-level strategic efforts to engage employers and industry stakeholders within their respective sectors. In doing so, they have become an extension of those partnerships, providing an operational arm to implement pilot project while benefiting from the strategic direction resulting from the engagement of industry, government, education and labor officials in those partnerships.

From the outset, MW has been closely linked to the Chicago Manufacturing Renaissance Council (CMRC), an industry partnership founded in 2005 as an outgrowth of the Center for Labor and Community Research. CMRC’s goal is to mobilize public, private and philanthropic resources toward securing Chicago’s status as a global leader in high-performance, high-value-added manufacturing.

In 2008, SW became part of Chicago LEADS (Leading Economic Advancement, Development and Sustainability in the 21st Century), an initiative of Mayor Richard M. Daley, launched in 2007, to integrate the City’s economic development, workforce development and educational resources around the needs of four key industry sectors: Hospitality; Healthcare; Transportation, Distribution and Logistics; and Technology. For each sector, LEADS has organized an industry advisory committee and identified potential pilot projects. For Hospitality, one of the primary goals is to build the city’s hospitality and customer service infrastructure in support of Chicago’s 2016 Olympic bid.

Both CMRC and LEADS Hospitality have become engaged in efforts to reform Chicago’s secondary education system through the establishment of sector-oriented career academies in Chicago Public Schools. CMRC has been deeply involved in the operation of Austin Polytechnical Academy since its creation in 2007, while LEADS Hospitality has been partnering with UNO Charter School Organization around the opening of a hospitality-focused Career and College Prep Academy in 2010.
Strengthening Training Programs

Both Sector Centers have been active in working with local training providers to help them place their graduates and improve the quality and effectiveness of their programs. In doing so, they are helping to create a more integrated training pipeline linking employer demand to the skill training opportunities for jobseekers, and improving the feedback loops about changing skill needs.

MW has developed an internship program for graduates of local manufacturing training programs, using funds from the City’s Business Hiring Incentive Program (BHIP) to underwrite a portion of the first 12 weeks of an individual’s wages with a company, giving that company an opportunity to “try out” qualified, but inexperienced, workers for positions. They currently work with two local job training programs, including the Fastrack CNC training program at Wilbur Wright College’s Humboldt Park Vocational Educational Center, using internships to help with post-program placement. As of December 2008, MW had placed 12 individuals into internships, with each getting hired on a permanent basis at the end, either with that same company or another one. With other training programs, such as the Jane Addams Resource Corporation’s metalworking skills training program, MW augments their job development functions by working with their students to understand the industry, and then helping those programs and jobseekers tap into MW’s network of employers for placement when they have graduated.

Similarly, SW has been working closely with training programs in the hospitality field, such as the Harold Washington College’s Hospitality “bridge” training program, to help their candidates prepare for and obtain employment.

Both centers have helped local training providers improve their training curricula to reflect evolving industry standards. MW has worked with local community colleges to integrate National Institute for Metalworking Skills (NIMS) standards more effectively into their curriculum. Meanwhile, SW has helped to bring certification standards from the American Hotel and Lodging Association, National Restaurant Association, and National Retail Federation into greater use within the WorkNet Chicago system.

“they are helping to create a more integrated training pipeline linking employer demand to the skill training opportunities for jobseekers”
III. Challenges

With the new approach to workforce development taken by the Sector Centers have come a number of challenges that have been encountered as part of the initiative's implementation. In this section we present some of these challenges, particularly those that flow from the differences between how the Sector Centers operate.

- Reconciling internal tensions between employer versus jobseeker goals, and more broadly, between "performance" and "development" imperatives

Although sector-based workforce strategies ultimately offer the prospect of a "win-win" proposition in serving employers and jobseekers, the daily reality of the Sector Centers was one in which these goals were not always easily reconciled. Many within the centers recognized that employers were unwilling to tolerate poor performance, and felt that it was absolutely critical to present employers with the best candidates - even though this often meant passing over potentially qualified but less experienced WIA-registered jobseekers. However, some within the Sector Centers and elsewhere in the WorkNet system expressed concern that doing so violated the social goal of the public workforce development system to help disadvantaged populations. This presented a tradeoff between the short-term goal of meeting the needs of employers, and the longer-term goal of building the capacity within existing publicly-funded training and referral networks. Balancing this tradeoff has required a longer-term process of engagement with both employers and with providers. Another instance of where this tension emerged was around the choice of contractors and training providers. With MW, for example, there was controversy over the decision to select a local community college as the lead training vendor because the center's staff determined it to be the best-performing provider, even though other (publicly-funded) training providers existed that could have benefited - and improved their capabilities - in partnership with MW. The broader point, as it pertains to the Sector Center initiative and the shift toward an employer-oriented model of service delivery in workforce development, was that concern over the fragile nature of employer engagement in the system caused program staff and managers to lean toward the side of a "performance" orientation. Although this was arguably justified, reconciling this against the longer-term developmental goals of access and systems change is an ongoing project.

- Ensuring quality, not just quantity - focusing on more than "hitting the numbers"

Because funding for the two Sector Centers was drawn primarily from formula-based WIA monies that had previously been used to directly serve disadvantaged and dislocated workers, there was concern for minimizing the net loss of job placements resulting from the shift to employer-based service delivery. To incent Workforce Centers and Community Affiliate referrals to the Sector Centers, MOWD allowed providers to count placements made through MW and SW against their goals, with the hope that they would ultimately add to their overall capacity by alleviating some of their job development functions. As a result there was some pressure on the Sector Centers and MOWD, the funding agency - to ensure that they produced a sufficient number of job placements to justify the initiative both within the agency and to external stakeholders. This had the potential of incenting the centers to focus their energies disproportionately on companies offering consistent, large-scale hiring opportunities, regardless of the quality of the jobs. Unfortunately, to some extent, this occurred with both MW and SW. The "opportunity cost" of these mass recruitment efforts was significant, in that they drew staff time and resources away from more intensive interactions with businesses that could have had a greater impact on those firms, their workforce practices, and the sector as a whole. To their credit, MOWD, CWIB, and the CWIB Sector Planning Committee looked at more than the top-level job placement figures in assessing the Sector Centers' progress - they looked at placement wage, job retention figures, WIA placement shares, as well as qualitative evidence of employer satisfaction and impact. However, some feel that WIA's emphasis on
performance measurement, accountability, and financial incentives has fostered a culture of “hitting the numbers” that has been internalized by providers and agency officials alike. This poses a challenge in efforts like the Sector Center initiative that disrupt the system’s operating logic and emphasize harder-to-measure goals and outcomes.

● Using WIA funds a double-edged sword

One of the unique aspects of the Sector Center initiative is that Chicago funded a significant share of the effort by redirecting formula-based WIA Title I Adult Disadvantaged (1A), Dislocated Worker (1D) and Youth (1Y) funds towards the two centers. The use of this funding source was definitely a “double-edged sword” in that it had both positive and negative consequences for the implementation of the program. As mentioned, the primary drawbacks of using WIA funds were that it resulted in an emphasis on job placements as the key outcome measure, but it also increased reporting requirements for contractors and employers, and fueled concerns that the Sector Centers were drawing increasingly scarce resources away from the WorkNet system. However, there were also distinct advantages to using WIA. In particular, the use of WIA funds placed healthy pressure on MOWD and the Sector Centers to integrate their activities with the rest of the WorkNet system, rather than allowing them to operate on their own as some sector-based initiatives do. And without WIA monies there would be less imperative to ensure that WIA-registered disadvantaged and dislocated workers were a priority for jobs developed through MW and SW. But the use of city general fund revenues was also critical in that it provided the Sector Centers with added flexibility to meet the needs of their business customers, allowing them to leverage the WIA monies more effectively.

● Building the systems so that disadvantaged workers get opportunities

To the extent that the Sector Centers have managed to bring higher-quality jobs and employers into the public workforce system, ensuring that disadvantaged workers get access to those jobs has been a challenge. This was true for both MW and SW, with only a relatively small share of total job placements going to WIA disadvantaged adult clients. And while they drew jobseeker referrals from many other publicly-funded agencies, the extent to which those “universal” clients were low-income and/or disadvantaged is not known. As mentioned, the imperative to provide employers with the best available candidates meant that the Sector Centers needed to “put their best foot forward” in the form of the most experienced, job-ready candidates. To a greater extent, these opportunities accrued to more experienced dislocated workers, who accounted for a higher share of total MW and SW placements during this time. Overcoming these barriers for disadvantaged workers required two types of responses on the part of the centers. One, the centers developed innovative systems for helping individuals get both the training and the experience sought by employers. MW’s internship initiative in partnership with local pre-employment training programs is a good example of this. However, this required a commitment on the part of MOWD to increase the amount of training going to the manufacturing sector, which had seen its share of training funds decline significantly under WIA. Second, the centers worked with the employers with whom they have developed a trusting relationship to mold their preferences to open up opportunities for qualified candidates they had not previously considered, such as ex-offenders. The challenge with both of these approaches is to ensure that the quality of candidates remains high. Incentives like the Business Hiring Incentive Program (BHIP),

12 Only ServiceWorks currently receives WIA Youth funds via the Chicago Department of Family and Support Services (formerly Children & Youth Services), which administers Title 1Y. As of program years 2006 and 2007, 15 percent of jobseekers placed through ServiceWorks were either 1Y registrants or other youth.

13 Both centers tracked individuals referred from other agencies, such as those funded by Community Development Block Grant or the state Job Training & Economic Development (JTED) program, which target low-income/disadvantaged populations; however, they do not collect data on the socioeconomic status, ex-offender status, etc. of referrals. In some cases, MW and SW made “reverse referrals” of walk-in jobseeker customers who met WIA eligibility criteria to Workforce Centers or Community Affiliates for registration purposes.

14 WIA’s voucher-based training system makes it extremely difficult for localities to target training resources to key industries and occupations. In attempting to increase training voucher utilization in manufacturing programs, as MOWD did, it needed to ensure that it was not undermining “customer choice,” a core design principle of WIA. Localities do have some discretion to engage in contract-based training, but it is highly circumscribed.
an incentive offered by the City to employers hiring and retaining certain categories of disadvantaged workers, can be helpful in this regard, but should not be a substitute for having candidates who are adequately prepared and qualified for available positions.

- **Ensuring system coordination around case management & referral processes**

Because the Sector Centers serve as “hubs” to which individuals from throughout the WorkNet system are referred for job opportunities, significant challenges have arisen in terms of coordination around case management and referral status. Workforce Centers and Community Affiliates initially struggled to understand what the Sector Centers were looking for in prospective candidates, and protocols for job order postings, status reports and feedback were constantly changing and sometimes unclear, leading to miscommunication and frustration. These breakdowns were most acute around major hiring events, when Sector Center staff often experienced difficulty keeping providers updated about the status of WIA-registered clients referred for available openings. Ultimately, overcoming these challenges has required a combination of relationship building, i.e., building trust and familiarity between the Sector Centers and other WorkNet providers; logistical changes, such as increased use of on-site and collaborative recruiting at other WorkNet providers for major job orders; and increased use of information technology, such as the case notes feature in the state’s WIA case management database, to strengthen coordination and information sharing among providers. Still, a major challenge of this “hub” model lies in getting to know jobseekers referred from other providers well enough to make good assessments of that individual’s fit for a particular employment opportunity. In this regard, efforts to develop an effective “co-case management” approach between providers are a work in progress.

- **Collecting new and different kinds of data to measure progress**

One of the biggest challenges of the Sector Center initiative has been developing good indicators to measure their progress. The traditional goals of the WIA system - job placements, placement wages, employment retention, earnings change - relate, by and large, to jobseekers and not employers. For this reason MOWD has had to work with the centers to develop and refine appropriate measures of program activity and key outcomes for employer customers. Some of these measures, such interview-to-hire ratios and repeat customer shares, are imperfect in nature, but represent a good starting point. WIA protocols for tracking employer satisfaction have proven difficult to adapt to the different nature of the Sector Centers’ activities. And other outcomes - such as long-term retention, career advancement, changes in employer HR practices, and improved competitive position of employers - have not been captured on a systematic, ongoing basis. This represents an area of future progress for the Sector Center initiative, so that it can demonstrate its benefit to the public workforce development system more effectively.
Fostering cooperation and learning between the centers

Because there were two Sector Centers funded through the initiative, it offered the potential to learn from each other about what was working well and what could be improved. Although MOWD recognized and understood the respective strengths and weaknesses of each center’s operations and attempted to draw lessons from them, they were never particularly successful in efforts to promote direct exchange and “peer learning” between the two. One barrier in this regard was a perception of competition. Because there were only two Sector Centers, there was a tendency on the part of some to draw direct comparisons between them in ways that fueled this perception. Another was the notion that the differences between the manufacturing and hospitality sectors were too great for there to be meaningful exchange. Going forward, building systems for more direct dialogue and exchange between MW, SW and future sectoral projects, such as the Transportation, Distribution and Logistics (TDL) initiatives of Chicago LEADS, will need to be a priority.

Building a brand that is distinct from the provider(s)

A key goal of the Sector Center initiative was to help build a new, distinctive “brand” for the public workforce development system that was valued by employers and other stakeholders within the sector, and at the same time belonged to the WorkNet Chicago system, i.e., was not necessarily synonymous with the operator of the center. Accomplishing this would require the program managers, MOWD and CWIB, to make investments in brand development (e.g., marketing materials), but also for the contractors to utilize the brand when engaging with employers and others. Of the two centers, MW has been more successful than SW in building its brand, an outcome that can be traced in part to the difference in contractor structure between the centers. MW operated with a network of partner organizations, while SW was operated by a single provider, making the distinction between SW and its operator somewhat difficult to discern at times. In a competitive context where workforce providers work very hard to build and maintain their brand with employers, funders and, to a certain extent, jobseekers, asking them to help build a brand that they do not ultimately “own” as contractors is a major challenge to be overcome. For its part, however, MW’s lead operator, Instituto del Progreso Latino, has made considerable investment in the MW brand.
IV. Sector Center Profiles

ManufacturingWorks

Instituto del Progreso Latino (Instituto), a non-profit organization based in Chicago's Pilsen neighborhood on the near West Side, has operated MW since its creation in 2005. Founded in 1977, Instituto provides a range of services, including adult education, youth development and education, citizenship preparation, and workforce development. As the organization's name suggests, Instituto is grounded primarily in the city's Latino community, but many of its services are available to individuals of all racial and ethnic backgrounds.

Instituto has been active in workforce development since the 1990s, when it began operating occupational training programs in manufacturing for low-income and dislocated workers. In more recent years, they have obtained affiliate contracts under WIA, both within Chicago and greater Cook County, to serve adult dislocated workers. And beginning in 2003 Instituto made a significant push into "bridge" training for Latino workers in the healthcare field through their Carerras en Salud (Careers in Health) initiative in partnership with Wilbur Wright College's Humboldt Park Vocational Educational Center. Instituto also operates a Center for Working Families, with support from the Annie E. Casey Foundation and Local Initiatives Support Corporation (LISC), which provides career assistance and financial literacy to Latino families.

The coalition of partners involved in MW has evolved since its establishment in 2005. The original partnership included several affiliates of the City of Chicago's Local Industrial Retention Initiative (LIRI), whose role was to help connect MW to local manufacturing companies, which was particularly important at the outset in making connections throughout the city. Original partners such as Chicago Federation of Labor's Workers Assistance Committee (also a WIA dislocated worker affiliate to MOWD) transitioned out, while others like the Jane Addams Resource Corporation have seen their role shift over time. As of 2008, the following organizations served as partners/subcontractors to Instituto as part of MW:

- Educational Data Systems Inc. (skills gap analysis)
- Chicago Manufacturing Center ("Lean" simulation seminars)
- Truman College Business & Industry Services (training resource manager)
- Jane Addams Resource Corporation (advanced skills consultant)
- Alliance for Illinois Manufacturing (business liaison)
- Thornton Pfleger Inc. (management consulting)

Since late 2005, MW has been located at the nearby Arturo Velazquez West Side Technical Institute, which is affiliated with Richard J. Daley College. This location on the near Southwest places it in good proximity to the City's industrial corridors on the South and West sides as well as to jobseekers from throughout Chicago.

MW has been affiliated with the Chicago Manufacturing Renaissance Council (CMRC), a partnership organization that includes representatives of business, organized labor, government, education and community groups, which is dedicated to enhancing the competitiveness of manufacturing in Chicago. Although MW maintains its own employer advisory committee, it relies heavily on CMRC for input on the Center's overall strategic direction and alignment with other manufacturing-related initiatives in Chicago.

As of 2008, MW's annual operating budget was just over $1 million, with approximately 85 percent drawn from WIA ($600,000 dislocated, $250,000 adult disadvantaged), and the remainder funded through the City of Chicago general revenue funds.

Data on outcomes for MW/SW in Program Year 2007 (July 2007-June 2008) are provided in Figures 4 and 5.
Re-working Workforce Development—Chicago’s Sector-Based Workforce Centers

ManufacturingWorks Outcomes (Program Year 2007, July 07-June 08)

- **166 COMPANIES SERVED**
  - 132 (80%) with assessments
  - 94 (57%) recruitment projects
  - 65 (39%) with job placements
  - 42 (25%) with Lean simulation seminars
  - 38 (23%) with skill analysis

- **456 JOB PLACEMENTS**: Average starting wage of $12.49
  - 25% Suburbs
  - 75% City of Chicago
  - 42% Food Manufacturing
  - 27% Metal & Machinery
  - 15% Other Durable Goods
  - 16% Other
  - 6% Transportation & Material Moving
  - 68% Production
ManufacturingWorks Outcomes (Program Year 2007, July 07-June 08)

- **437 JOBSEEKERS PLACED**

  - **Female** 31%
  - **Male** 69%

  - **WIA clients** (24% Dislocated; 5% Adult Disadvantaged; 1% Youth)
  - **Universal** 70%
  - **70%**

  - **2%** Other
  - **7%** White non-Hispanic
  - **49%** Hispanic
  - **42%** African-American

  - **80%**

  - **20%**

  - **Suburban Residents**
  - **Chicago Residents**

  - **76% retention rate (90-day) for jobseekers placed**

*Figure 4 continued*
IV. Sector Center Profiles (Continued)

ServiceWorks

Pyramid Partnership, Inc. (Pyramid), a training and workforce development organization located on Chicago’s North Side, was the operator for SW from its inception in 2005 through December 2008. Pyramid was established in 1985 by two individuals with extensive experience in education and human resource management, and in 1993 they founded the Pyramid Career Institute to offer occupational training in computers and customer service. Throughout the 1990s, they served as a training contractor under JTPA and were active in welfare-to-work partnerships in the late 1990s with companies like Hyatt, TJX, and Bank of America. Under WIA, Pyramid has served as a Community Affiliate for core and intensive services to Adult Disadvantaged, Dislocated Worker, and Out-of-School Youth populations.

The original concept for SW was based on the idea that customer service skills represent a common foundation for a wide variety of career paths - from entry-level positions in retail and food service to more highly-skilled positions as customer service representatives in the financial sector, utilities and telecommunications, and hotels. The National Retail Federation Foundation (NRFF) developed foundational skill standards for customer service that led to the establishment of their own certification, and inspired the concept of “Retail Skill Centers”. Retail Skill Centers are workforce centers, mostly based in malls, which prepare individuals for jobs and careers in retail and other service sectors, and help employers recruit for customer service-related positions. SW is one of 23 NRFF-sponsored Retail Skill Centers in the United States, and serves as a testing site for its customer service certification. NRFF, along with the education foundations of the Illinois Hotel & Lodging Association and Illinois Restaurant Association, have been key industry partners for SW since its establishment.

In 2006, SW opened an office in the River North neighborhood not far from the “Magnificent Mile” in the heart of the city’s hotel, restaurant and destination retail district, which serves as a site for screening, counseling and certification testing. In contrast to MW with its web of organizational partners, SW was operated by Pyramid on its own, to a large extent. However, SW worked on a collaborative basis with other organizations and initiatives in the hospitality sector, such as the Harold Washington College Hospitality Bridge Training Program and National Able Network, which was targeting the hospitality sector as part of the City’s Opportunity Chicago initiative for Chicago Housing Authority residents.

Since 2008, SW has undergone a major shift in focus as part of its incorporation into the Chicago LEADS Hospitality Sector initiative, which was being coordinated by the Chicago Workforce Investment Board. As part of this shift, SW focused its job development and employer outreach efforts toward the hotel sector, with an increased emphasis on services like incumbent worker training and career ladder development. And as of January 2009, Educational Data Systems, Inc. (EDSI), which operates WIA-funded workforce centers in several states and are partners in MW, took over as the SW’s primary operator.

In 2008, the annual operating budget for SW was $700,000, of which $500,000 (82%) was drawn from WIA Adult ($250,000) and Dislocated ($250,000) Worker Core and Intensive funds, as well as $88,000 from WIA Youth funds administered by the Department of Children and Youth Services (now Department of Family and Support Services). The remaining amount was drawn from general fund revenues.
ServiceWorks Outcomes (Program Year 2007, July 07-June 08)

- **149 COMPANIES SERVED***
  - 116 (78%) with assessments
  - 105 (70%) with job orders & recruitment projects
  - 90 (60%) with job placements
  - 9 (6%) with Business Hiring Incentive Program

- **422 JOB PLACEMENTS** Average starting wage of $10.89
  - Retail***: 116 (78%)
  - Restaurants/Food Service: 105 (70%)
  - Hotels: 90 (60%)
  - Customer Service**: 12% with assessments
  - 105 (70%) with job orders & recruitment projects
  - 90 (60%) with job placements
  - 9 (6%) with Business Hiring Incentive Program

*includes multiple establishments of same company if separate job order
**includes all establishments not falling into retail, restaurants & hotels
***sums may add to greater than 100% due to rounding

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*Figure 5*

- Suburbs: 7%
- City of Chicago (70% in the Loop, 11% O'Hare, 12% rest of city)
- Other: 11%
- Personal Care: 6%
- Sales: 6%
- Building, Cleaning & Maintenance (e.g., Hotel Room Attendants): 28%
- Food Prep. & Serving: 28%
- Office & Administrative: 20%

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*Figure 5*

- *includes multiple establishments of same company if separate job order
- **includes all establishments not falling into retail, restaurants & hotels
- ***sums may add to greater than 100% due to rounding*
ServiceWorks Outcomes (Program Year 2007, July 07-June 08)

- 412 jobseekers placed

  - 65% Female
  - 35% Male

  - 10% Universal Youth
  - 26% WIA clients (10% Adult, Disadvantaged, 9% Displaced; 7% Youth)
  - 64% Universal Adult

- 94% Chicago residents
- 6% Suburban residents

- 76% job retention through 90 days
What can be learned from Chicago’s experience in implementing the Sector Center initiative? As cities, regions and states look to this effort for ideas on how to make their own workforce development programs more demand-driven and sector-focused, four broad lessons can be gleaned.

- **A more business-focused approach is important but should not be an end in itself.**

  By offering employers a set of services that is broader than what is generally found within the public workforce development system, Chicago’s Sector Centers play an important role in making the WIA-funded system more of a mainstream resource for their human resource needs. Jobseekers ultimately benefit from access to a wider array of employers than the system has historically attracted, augmenting their own personal networks and giving them alternatives to staffing agencies and job boards. But it should be recognized that these and other efforts to make the public workforce system more market-driven do not represent an end in themselves, but rather a means toward accomplishing a set of broader workforce and economic development goals. These include encouraging public and private investment in skills and other human resource practices that help to secure the longer-term competitiveness and viability of the industry and the local economy; and helping to enhance opportunities for individual career and community economic development. Such goals are generally absent from private-sector resources for addressing firms’ workforce needs, and serve to justify public investments in the workforce system.
● Sectors aren’t everything, but they are a valuable tool for aligning resources toward strategic goals.

Chicago’s efforts add to a growing consensus within the workforce development field that sector-based strategies represent the most effective way to organize and deliver services, because they facilitate efforts to connect entry-level jobs and training to career pathways and advancement. To some, this suggests that the entire public workforce development system could be re-organized around key industry sectors. A more modest interpretation is that sector-based approaches are most valuable for their ability to help policy makers bring together existing resources and stakeholders - such as community colleges, trade associations, community-based organizations, businesses and other business entities, and unions - in ways that allow for easier recognition of the gaps and partnership opportunities between those resources. In this respect, initiatives like MW and SW help to focus the workforce system around the strategic needs of those particular sectors and the regional economy as a whole, and allow for the development of education and training infrastructure to serve the common needs of employers and jobseekers.

● If you do not build equity and job quality into the vision from the beginning, it will never be there.

Leveraging stronger employer engagement through efforts like the Sector Centers to help address systematic problems of job quality, equity and access is a long-term proposition, but it needs to be part of the vision from the beginning. The bottom line is that you cannot get there right away - you need to lay the foundation with employers, building trust and credibility for the quality and value of services being delivered. Getting to the next step of shaping demand-side practices requires practitioners on the ground who understand and care about these issues, and are capable of developing creative ways for communicating the benefits of progressive human resource practices to employers. But it also requires oversight and participation from outside stakeholders and advocates to ensure that meeting the needs of businesses is not the initiative’s only goal.

● Public funding is important but it cannot - and probably should not - be the only source.

In Chicago’s case, public funding allowed MOWD to explore new approaches to service delivery that engaged employers and organized resources in a fundamentally different way. But ultimately, if the Sector Centers are to demonstrate their value to employers, they need to shift successfully toward a mixed-funding model where public funding from WIA, and other more flexible sources, is supplemented by fees paid by employers, reflecting the value they are creating. While this is liable to cause some employers to pass on the Sector Centers in favor of other service providers, for others it could make their services more attractive, and raise the expected standard of service in ways that drive performance. The Manufacturing Extension Partnership, which provides low-cost technical assistance and consulting services to small and mid-sized manufacturing companies, is a potential model for a publicly-funded program that has shifted from “free to fee” as a way of demonstrating value to employers and enhancing its sustainability.

For more information about these programs:

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