



COLUMBIA | SIPA

School of International and Public Affairs

November 5, 2008

Ester R. Fuchs

Rachel Hare

Hannah Nudell

## **Innovations in City Government: The Case of New York City's Workforce Development System**

### **I. Introduction**

What is workforce development policy? In the United States, it is national policy legislated by the Workforce Investment Act (WIA) of 1998, with programs administered by the U.S. Department of Labor (DOL), Employment and Training Administration. WIA provides the funding for and regulates the workforce development system which is implemented and managed by the states and local governments. At the core of the workforce system are programs and services that evaluate the skills and capacity of the unemployed or underemployed and match them with employment opportunities or training that bridge the gap between their education and skills and what is needed to meet the economic development goals of the local economy. On the supply side, workforce development offers individuals the necessary occupational preparation for employment (Grubb, 1999). This may include activities ranging from teaching technical, basic, and academic skills to counseling, job recruitment and placement (Harrison & Weiss, 1998). On the demand side, workforce

Ester R. Fuchs is a Professor of Public Affairs and Political Science at Columbia University's School of International and Public Affairs. Professor Fuchs prepared this case study with the assistance of graduate students Rachel Hare and Hannah Nudell. This case study was supported by Columbia University's School of International and Public Affairs and a grant from the New York Association of Training and Employment Professionals (NYATEP).

Special thanks to NYATEP Executive Director John Twomey, Commissioner Robert W. Walsh, Commissioner Jeanne B. Mullgrav, the NYC Workforce Investment Board Staff and the other key stakeholders who provided insight through interviews and planning documents to inform this case study.

Columbia University School of International and Public Affairs: Case Study Series in Global Public Policy: 2008, Volume 1, Case 1

focuses on the needs of employers and aims to provide education, job training and work supports designed to help employers access the skilled workforce they need to profit and grow (The National Governors Association, n.d.). For workforce development policy to succeed government must identify the strengths and weaknesses of the local economy and target workforce dollars to support worker training and business capacity in the growing sectors of the economy. Government must hold workforce providers accountable for real outcomes, so that the number and quality of job placements must be the primary measures of effective workforce development policy.

Workforce development policy does not fall neatly into one traditional policy arena. It has been at times claimed by education, labor, social service and economic development policymakers. This has often confused the mission of workforce development providers and weakened their hand in the competition for scarce government resources. As America finally recognizes that its workers are in a global competition for jobs, one thing has become clear, any successful workforce development initiatives must be linked to economic development policy. This means partnering with business to educate and train a 21<sup>st</sup> century workforce. Technological innovations have led to the elimination of jobs not simply the transfer of jobs overseas, so that the new economy requires a highly skilled labor force. As a consequence of both rapidly changing technology and the failure of our traditional education system the workforce development system now has multiple challenges -- training displaced workers for jobs that require higher level skills that are sustainable in the 21<sup>st</sup> century economy; training the poorly educated and unskilled for entry level jobs; and career ladder training that assists the working poor to reach economic self-sufficiency.

There is no question that creating a workforce that is competitive in the global economy is one of the major challenges America is facing. Yet, the real policy story is not in Washington but in our nation's cities, where a handful of mayors have produced some extraordinary innovations in the nation's workforce system. This case study focuses on New York City workforce development policy and the successful restructuring that began during Mayor Michael R. Bloomberg's first administration. Since 2003, New York City has turned a system that was out-of-compliance with federal regulations and deemed one of the worst in the country into a national model for workforce development. The successful restructuring, however, was not without political and operational conflict. To understand this transformation, this case study examines the conditions that led to the dissolution of the agency that was in charge of implementing WIA, the Department of Employment (DOE), the restoration of

the Workforce Investment Board (WIB), and the transfer of policy responsibility and federal workforce funds to the Department of Small Business Services (SBS) and the Department of Youth and Community Development (DYCD). Our primary focus is the adult workforce system and the new policy, programs, and operating technologies that were developed by SBS. Our purpose is to offer insight into how political support for innovative policy is developed; how the necessary organizational change is implemented; and how a performance-based outcomes driven system is operationalized. We conclude by focusing on continuing challenges and opportunities for workforce development policymakers and providers in New York City and recommendations for improving the system. The case of New York is a story of local workforce and economic development innovations, but it is also a story of how cities can leverage public and private resources through policy innovations in order to remain competitive in a global economy.

While reading this case study students should be thinking about how the lessons from New York City can be generally applied to develop and implement innovative public policy.

## **II. Historical Overview of Workforce Development Policy**

In the United States, the federal government has historically been the originator of workforce development policy, while it has left the design and implementation of programs to the states and local governments. Workforce development policy has its origins in the Emergency Relief Appropriation Act of 1935, the New Deal era legislation which created the Works Progress Administration (WPA). The WPA created public employment for Americans who lost their jobs during the Depression. With its early emphasis on immediate employment, vocational training did not become a real concern of the WPA until 1940. By that time World War II effectively put an end to America's earliest foray into national workforce development policy by virtually eliminating the unemployment problem. The WPA was terminated in 1943 and the national government did not take up workforce development policy in any serious way until President Lyndon Johnson proposed the Comprehensive Employment and Training Act (CETA), which was passed by Congress in 1973, as part of the Great Society. Urban unrest, concentrated poverty and a growing unemployment problem in America's central cities generated the political energy in Washington to once again focus on developing employment policy. Like the WPA, CETA's mission was to train workers for public service employment. To that end, CETA offered work to those with low-incomes and long-term

unemployment, as well as summer jobs to low-income high school students. Full-time jobs were provided for a period of 12 to 24 months in public agencies or private not-for-profit organizations. The intent was to impart a marketable skill that would allow participants to move to an unsubsidized job. As the "Reagan Revolution" took hold of the country and national policy began to rely on supply-side economics, CETA was replaced by the Jobs Training Partnership Act of 1982 (JTPA). Unlike CETA which focused on public employment, JTPA was designed to improve the employment status of disadvantaged young adults, dislocated workers, and individuals facing barriers to employment (Weir, 1992). Seriously underfunded and without a strong political constituency, JTPA went the way of its predecessor workforce programs and was replaced in 1998 by the Workforce Investment Act (WIA) with programs administered by the U.S. Department of Labor (DOL), Employment and Training Administration. WIA provides funding for workforce development and regulations for how the workforce system should operate at the local and state level. Both CETA and JTPA focused on job training and not job placement, while WIA changed this paradigm by requiring job placements signifying a major shift in American labor market policy.

The U.S. Department of Labor (DOL) states that the key principles of WIA are: streamlining services, empowering individuals, providing universal access, increasing accountability, mandating a strong role for local boards and the private sector, state and local flexibility, and improving youth programs. To reach these goals, WIA requires the creation of State and Local Workforce Investment Boards (WIB). The WIB concept distinguishes WIA from previous federal workforce development legislation by focusing on the needs of business customers, rather than exclusively on those who are looking for work or career advancement.

The Workforce Investment Act establishes over 600 Local Workforce Investment Areas (LWIAs) across the United States to provide employment and training services to communities. The legislation mandates that within each LWIA a business-led WIB is appointed to oversee and develop policies for workforce services, tailored to meet the needs of their local economies. The WIB is intended to act as an intermediary between local business needs and those of jobseekers. To this end, membership of the WIB is expected to include representatives of businesses (which must be the majority of members), local education institutions, labor organizations, community-based organizations, economic development agencies, and all One-Stop partners. The WIB is also expected to establish a Youth Council to be responsible for local youth workforce policy.

The major function of the WIB is to oversee the federally-funded One-Stop system, which is required by WIA. The purpose of the One-Stop system is to allow jobseekers to find employment and training information in one central location. The One-Stop system is expected to include at least one physical “full service” center where partners provide core services. Through the One-Stop system, individuals can also receive training through an Individual Training Account (ITA)<sup>1</sup>, which must be in a demand occupation that is based on job growth and volume of openings within the occupation.

WIA requires all levels of government (federal, state, and local) share the responsibility of implementing the legislation but it is expected that, with guidance from the WIB, local government partners will take the lead in formulating and implementing workforce policy. The five boroughs of New York City represent a single LWIA, and it is the largest in the country in terms of population and budget. The total allocation nationwide for WIA programs in its first year (FY2001) was \$5.635 billion, while New York City received \$114,602,551. In FY2007 the federal budget for WIA was \$5.133 billion, while New York City received \$78,096,030 for its programs.<sup>2</sup>

### **III. The Giuliani Years: The Disappearing Workforce Development System, an Economic Downturn and September 11<sup>th</sup>**

For most of the Giuliani years the City’s workforce system operated under federal JTPA guidelines. The administration simply had no interest in workforce development, leaving the Department of Employment (DOE), the City agency responsible for workforce development, with weak leadership, no direction, and no policy vision. DOE remained nominally in charge of JTPA programs and gradually became nothing more than a pass-through agency concerned with spending down federal dollars, procurement and contract management. When the Workforce Investment Act was passed by Congress, the Giuliani administration was resistant to the new federal policy from the outset. The transition from JTPA to WIA required the City to appoint a Workforce Investment Board (WIB) and develop a five-year plan by July 1, 2000, in order to receive funding. Marilyn Shea, the

---

<sup>1</sup> The Individual Training Account (ITA) voucher program is financed by the federal government to cover the costs of training and related fees for individuals seeking employment. The voucher can be used for a range of services including tuition, registration fees, testing fees, software, uniforms, tools, and books.

<sup>2</sup> WIA national budget data are from the National Workforce Association (2007) and the New York City data are from the New York State Department of Labor (2001, 2007).

regional administrator of the DOL's Employment and Training Administration with federal responsibility for New York, testified at a City Council hearing in May 2000 that the City was far behind in its application for the federal funds. *The New York Times* reported that the City was in jeopardy of "losing millions from the first installment of annual federal aid [WIA]" (Lueck, 2000). The City nearly missed this deadline.

In the initial articulation of the City's WIA plan, DOE was responsible for all WIA programs; the One-Stop Centers, the ITA voucher program, Adult and Dislocated Workers (DW)<sup>3</sup>, special populations, and Youth services. In early 2001, however, Adult WIA funds were transferred to the Human Resources Administration (HRA), the City agency responsible for social services, to support its "Work First" programs for welfare recipients.<sup>4</sup> With this transfer of funds to HRA, the City's workforce development system effectively became part of the City's welfare system, leaving DOE with only a small part of its original WIA portfolio. The administration's main goal was to reduce the welfare rolls quickly through immediate job placement or city jobs. HRA's general antipathy toward careful screening of clients and job training put them in direct opposition to the WIA guidelines and invariably meant that individuals looking for employment but not receiving welfare would be less likely to receive services. Because the administration's main objective was to use WIA funds to serve the welfare population there was no reason to set up an extensive One-Stop system. Instead, HRA's Commissioner, Jason Turner, used one of the existing welfare-to-work contractors to also double as the only One-Stop in the entire city. The Consortium for Worker Education (CWE) operated the lone One-Stop in Jamaica, Queens. *The New York Times* reported in November of 2001 that CWE was circumventing the WIA guidelines by focusing primarily on offering jobs to welfare recipients rather than the entire population of jobseekers. In the period between July 2000 and June 2001 the City's only One-Stop had placed no more than 35 non-welfare recipients into jobs (Cardwell, November 2001). While much of the negative media focus was on CWE, in reality, CWE was merely a contractor with HRA and DOE and in some sense saved the City from being completely out-of-compliance with WIA guidelines. It was Giuliani's HRA Commissioner who was instructing CWE to provide its services primarily to welfare recipients, which supported HRA's mission and was technically within WIA's

---

<sup>3</sup> The U.S. Department of Labor defines dislocated workers "as persons 20 years of age and older who lost or left jobs because their plant or company closed or moved, there was insufficient work for them to do, or their position or shift was abolished." (U.S. Department of Labor, Bureau of Labor Statistics, 2008)

<sup>4</sup> "Work First" was the Giuliani administration program to reduce the welfare rolls by moving participants into employment as quickly as possible through and short-term job readiness training and work experience activities. (Brown, 1997)

mandate. When HRA controlled the Adult WIA funds it became apparent that DOE lacked the infrastructure to effectively address workforce development policy. In fact, the agency had no standards in place to document processes, customer flow; a database to track the number of people in the system; or job placement information to ensure accountability. DOE and HRA worked within WIA guidelines in the most minimal way possible by matching the social security numbers of jobseekers that showed up at the Job Centers with New York State's Department of Labor (DOL) central database of those legally employed (Interview, July 2008). The workforce providers were not accountable for offering services that actually placed clients in jobs; they were merely responsible for counting people who walked through their doors, which enabled the State and City to continue to draw down federal funds.

Frustrated with the City's compliance problems and lack of accountability the State actually stopped the transfer of WIA funds to the City. This went unnoticed by the City for ten months, until the Office of Management and Budget (OMB) found a shortfall in the budget and realized that the City had not received State funds for its WIA programs (Interview, July 2008). OMB went to Albany to resolve the problem and was informed by the State DOL that they would not provide any additional WIA funds until the City improved its accounting system. DOE was unable to provide accurate financial records to OMB or the State, and as a consequence OMB actually sent its employees to DOE to clean up the mess. OMB worked with DOE employees reorganizing the accounting system to produce the required State reports to ensure that the City could draw down federal funds (Interview, July 2008).

The DOE was equally ineffective in managing its Youth WIA funds, which remained under their domain. Instead of initiating a new Request For Proposal, the competitively bid contracting process for WIA Out-of-School Youth contracts in 2001, the DOE awarded the funds to those service providers that had received funding under JTPA. Similarly, DOE continued to serve In-School-Youth through its Summer Youth Employment Program (Interview, July 2008).

The WIB, as the local workforce development oversight entity, was also barely functional in the Giuliani years. Its members were primarily representatives from social service contractors and government agencies. There were very few business representatives on the Board and their role in planning policy was virtually non-existent. It has also been suggested that having so many provider

organizations on the WIB created a conflict of interest, since the WIB was supposed to oversee the dollars these organizations and agencies received (Center for an Urban Future, August 2002). Furthermore, Board meetings were poorly attended which led to an inability to get a quorum to conduct regular business, let alone to develop a workforce strategy for the City.

The ineffectiveness of DOE/HRA workforce development policy during the Giuliani years was further exacerbated by an economic downturn, but its major flaws came into focus after the September 11, 2001 terrorist attack on New York City. With New York City in the midst of an economic and budget crisis, it looked as if DOE was sitting on unspent WIA funds that would have been recaptured by the state if spending policies did not change (Interview, July 2008). At the time, it was not clear how much money was unspent and how much money had actually been diverted and spent by HRA contractors. It appeared that tens of millions of dollars had been left unspent by the DOE.<sup>5</sup> This was incomprehensible in the aftermath September 11<sup>th</sup> when the City was experiencing a sharp increase in the number of high-skilled Dislocated Workers. As mentioned earlier, the Adult WIA funds had been given to HRA to help move welfare recipients off the rolls and were therefore unavailable to meet the immediate workforce needs resulting from the attack. While DOE had limited funds, their system also had limited capacity since it had never been built to comply with the WIA mandate.

Philanthropic foundations initially stepped into the void created by City government. The September 11<sup>th</sup> Fund, created by The New York Community Trust and United Way of New York City, raised more than \$503 million from more than two million individuals, 30,000 foundations and nonprofits, and 35,000 businesses and their workers. The September 11<sup>th</sup> Fund brought public attention to the City's workforce system and called for increased transparency and accountability. Ultimately, the September 11<sup>th</sup> Fund had little confidence that DOE could expand its services to meet the enormous needs of the City and regional workforce displaced by the terrorist attacks. Consequently the Fund contracted with the John J. Heldrich Center for Workforce Development at Rutgers, the State University of New Jersey to assess the situation, determine the most efficient and effective way to assist displaced workers who lost their jobs, and design and manage the implementation of an

---

<sup>5</sup> Estimated to be \$97 million by The Center for an Urban Future Report (2001).

employment assistance program based on parameters established by the September 11<sup>th</sup> Fund board<sup>6</sup> (Interview, September 2008).

The State DOL which had already stepped in once to hold up the City's WIA funds had also decided that the City could not manage the increased demand for workforce services. Under the leadership of Margaret Moree, Director of Workforce Development and Training for the New York State DOL, the State received a record \$25 million in new funds from the federal government, which it gave directly to community based organizations (CBOs) who were already set up to do the work, completely bypassing City government. CWE, the City's only One-Stop contractor also received a direct allocation from Congress of \$32.5 million and an additional \$1 million from the State DOL. As the only One-Stop contractor providing workforce development services in the City through WIA, CWE operated in the absence of competition and accountability within the system.

#### **IV. Bloomberg is Elected: Setting the Stage for Change and Restructuring the Workforce System**

In every American city, the election of a new mayor brings the promise of change and hope for the future. Yet it is not until after the mayor offers his first budget that the public gets a real sense of what the administration's policy priorities will be; what innovative programs will be introduced; and how the work will actually get done. In January 2002, Michael R. Bloomberg began his first term as mayor of New York City with a remarkable number of challenges to confront. The City's economy was spiraling downward as a consequence of a national recession and the September 11<sup>th</sup> terrorist attack. Whatever the Mayor's policy priorities might have been, he had to deal immediately with the new challenges to public's safety, balance the City's budget, and restore business and worker confidence in the economy.

Among the many problems created by the September 11<sup>th</sup> attack were significant numbers of both educated and unskilled workers displaced from jobs that had literally disappeared from New York City's landscape. As part of the broad efforts to serve the needs of these displaced workers, the Bloomberg administration looked to the City's workforce development system. It quickly became clear that not only did New York City *not* have a workforce development system capable of dealing

---

<sup>6</sup> The Employment Assistance Program cost approximately \$78 million and ran from September 2002 to September 2005. The Heldrich Center received approximately \$1.5 million to oversee and manage the program. The remainder of the funds was spent on income supports and services (Interview, July 2008).

with the enormous needs of workers displaced by the September 11<sup>th</sup> attack, but the agency responsible for administering the system, the DOE, had been dysfunctional for years. As we mentioned earlier, under Mayor Giuliani New York's federal workforce dollars had been largely ceded to the Human Resources Administration so that capacity at DOE was weak. The post September 11<sup>th</sup> economic conditions exacerbated the problems at the DOE just when demand for their services had increased

Michael R. Bloomberg ran on a platform of making government more accountable and efficient. The workforce policy status quo was simply unacceptable to him. At a minimum, Mayor Bloomberg expected all City agencies to have the capacity to account for program dollars and be in compliance with federal regulations. It was clear that real change in workforce policy required restoring the legitimate role of job training and education while linking that training to employment. The disconnect between workforce development providers and the business community was also incomprehensible to the Mayor's team because it seemed like common sense that people should be trained for jobs that actually existed and that businesses actually needed. City Hall's new vision for workforce development rejected the welfare model and instead realigned workforce development policy to support the needs of the business community and made it a part of the City's larger economic development plans.

The Mayor appointed a new commissioner to DOE whose previous experience was in the business sector. Commissioner Betty Wu was intent on changing the mission of the Agency and turning the system around. Although there was some hesitation, in May 2002 Adult WIA funds were returned to DOE from HRA; City Hall viewed it as the only way DOE had a chance of linking workforce policy to economic development and complying with state and federal regulations. DOE quickly opened One-Stop Centers in Harlem and in the Bronx expanding the total number of city One-Stops to three. Not quite a citywide system and certainly not close to the 18 Centers and 40 satellite centers that served displaced workers in Los Angeles, it was surely a respectable start to reforming the system (New York Times, February 2002). The Commissioner also hired talented staff that was committed to her economic development vision. While staff began to take a close look at the system and make much-and-long-needed changes to programs and operations, the immediate need was to bring the Agency into compliance and improve operations. However, this detracted from the ability of DOE to create a coherent implementation strategy to improve programs and services. DOE was in a

challenging position. Since it did not have the time to procure new contracts, DOE's only realistic option was to try and improve existing programs (*Ibid*)<sup>7</sup>. The agency was in such disrepair and so overextended that even though it was able to begin the change process, it was still viewed as a "contracts-mill" without a larger vision for the system.

The New York State Department of Labor also began to pressure the City to use its WIA dollars for their intended purpose, or return the funds to the state. Both US DOL and NYS DOL continued to make reasonable demands that the City to comply with WIA, threatening to take the unspent money back unless reforms were made to the system (Interview, July, 2008). Similarly, the New York City Council held hearings to address why the City had not spent its WIA allocation. The Council was concerned that the City could lose the funds at a time of fiscal crisis. In December 2002, the City still had not spent more than \$96 million allocated for the 2002 program year because it was still spending funds from the 2001 program year (Cardwell, December 2002).

If the external pressure on DOE wasn't enough of a challenge, the agency had to deal with an unenthusiastic HRA and the apprehensions and misgivings of the City's Office of Management and Budget. While DOE was given formal responsibility for all of WIA's budget in the early part of the Bloomberg administration, it was not easy to extricate HRA from its earlier involvement with WIA. In fact, HRA's Commissioner Verna Eggleston was not convinced that DOE could get the work done and made compelling arguments for creating an integrated workforce system under her agency's umbrella. City Hall made the decision to return the WIA funds from HRA to DOE; however, OMB remained skeptical from the outset that DOE could manage these revenues effectively, knowing how weak the agency became during the Giuliani administration. While OMB agreed to give DOE a chance to develop a new workforce policy its primary concern was making sure the City did not lose the federal WIA funds. Moreover, the City's finances had been severely strained in the aftermath of September 11<sup>th</sup> and OMB was looking for savings to close a \$5 billion deficit for fiscal year 2003 (Page, April 17, 2002). Even though DOE used federal funds for administration and programs, OMB saw the opportunity for significant savings if WIA programs and funding were transferred completely to another agency and DOE was eliminated. OMB thought HRA should absorb workforce development. OMB explained that the City was spending money in HRA on employment services for

---

<sup>7</sup> NYC Procurement process is structured so that it generally takes a minimum of 9 months to procure contracts with new vendors.

individuals on public assistance. Since HRA already had contractors in place to service WIA clients and the systems to draw down federal funds. OMB saw this as a perfect opportunity to put all employment services within HRA and save money by consolidating administration (Interview, September 2008).

Even with new leadership at DOE, the obstacles to building a new workforce system were daunting. The Commissioner was so preoccupied with making sure that the City spent down federal WIA funds and did not jeopardize future allocations that she had very little time to rebuild the infrastructure of her agency and develop a plan for linking workforce development policy to the City's economic development strategy. By early 2003, City Hall understood that the workforce system was not working and that DOE was not making sufficient progress in implementing operational or strategic changes. At the same time, OMB saw an opportunity to save money in the City's cash strapped budget by completely eliminating DOE. With the support of OMB and Deputy Mayor Mark Shaw, the Mayor approved eliminating DOE in the Fiscal Year 2004 budget. The budget document, however, did not immediately identify which agencies would receive DOE's federal WIA funds and employees. There were several options under consideration at City Hall. HRA and OMB supported moving everything to HRA. While this was extremely compelling from a budgetary perspective, it would have been difficult to fulfill the mayor's vision of linking workforce policy with economic development policy at HRA. Moreover, earlier experiences at HRA indicated that it would be difficult to provide services to the unemployed and displaced worker at Centers which were geared toward clients in the welfare system. There would also be some difficulty in attracting the business community into a true partnership with a social service agency. While businesses worked with HRA, they tended to view their activity as part of their philanthropic mission. Once the decision to eliminate DOE was made, Special Advisor to the Mayor Ester R. Fuchs was determined to see the Adult WIA funds move to one of the City's business agencies and for youth funds move to the Department of Youth and Community Development (DYCD).

The new commissioner for DYCD, Jeanne B. Mullgrav, was both innovative and dynamic. She had already demonstrated masterful administrative skills, cleaned up the agency's contract management systems, and developed a new plan for non-WIA youth job training programs. The only thing she was missing was the federal dollars to expand her program model. Commissioner Mullgrav

was both interested and ready to take over the WIA youth funds. OMB, City Hall and the City Council quickly agreed to the transfer.

The Department of Small Business became the clear choice for fulfilling the Mayor's vision of integrating workforce programs into the City's economic development policy. Initially, SBS was not interested in absorbing the workforce system into its agency. SBS' own internal assessment expressed concern that their strength was business services and that they did not have the experience or capacity to provide services to unemployed and displaced adult workers (Interview, July 2008). SBS had been consolidated in 2002 as a mixture of quasi-economic development services for small businesses without a coherent mission or a strong management infrastructure. Under the energetic and creative leadership of the newly appointed commissioner, Robert W. Walsh, SBS had just completed a strategic planning process. SBS was focused on "providing small business owners a clear and consistent means to access a full range of business services throughout the City" (Interview, July 2008). Moreover, SBS received its funding from City tax levy dollars; therefore, it did not have an infrastructure in place to draw down the federal funds. This remained of great concern to OMB. With some cajoling from City Hall, SBS began to see the larger policy picture and agreed that it should take the WIA funds and become the lead agency in transforming NYC's Adult workforce development system.

In the final analysis, City Hall determined that it made sense for SBS to take over Adult workforce development programming because it was most capable of implementing the Bloomberg agenda. SBS was already engaged in working with the City's business community, a required partner in a successful workforce development system. Moving Adult WIA funding to SBS would also place the program in an agency that reported to Daniel Doctoroff, the Deputy Mayor for Economic Development and Rebuilding. This would signal to the business community that City Hall was serious about changing the policy direction with new leadership dedicated to approaching workforce development as an economic development strategy. Yet, no other city in the country had located its WIA funds in a business services agency, so clearly the choice of SBS would have risks. Moreover, the splitting up of WIA funds between two agencies was also controversial in the workforce development provider community. It also made policy sense to give DYCD the youth WIA portfolio. As one DYCD staffer explains, "The youth portfolio came over here for a good reason. There is a crucial difference between youth and adult development. We do not want to lose sight that youth

have different maturity levels than adults and that we cannot and should not expect the same things from youth as we do from adults” (Interview, July 2008). To that same effect, an SBS official comments, “It doesn’t have to be under one roof to be coordinated” (Interview, 2008).

In July 2003, the City Council approved the Bloomberg administration’s plan for dismantling the DOE, and placed adult workforce services in SBS and youth workforce services in DYCD. The combination of an economic and City budget crisis, as well as increased pressure on the workforce development system to perform beyond its capacity led to the elimination of the DOE. It was also a symbolic move for City Hall, because “dissolving it [DOE] sends the signal that it isn’t business as usual and helped to create credibility that the City could do workforce development” (Interview, July 2008). While restructuring the agencies responsible for workforce development is critical to this case study of government innovation, it is only the beginning of New York’s workforce development turn around story.

## **V. SBS Takes the Lead in Adult Workforce Policy: Developing the New Policy, Creating New Programs and Implementing New Integrated Systems**

Dismantling an agency, dividing its assets and absorbing it into an existing agency, let alone two agencies, is an extremely difficult task. Not only was this SBS’ challenge, but at the same time they were charged with developing a new policy and a new infrastructure for the workforce system, while they were continuing to operate the existing programs. To transition DOE’s responsibilities and staff to SBS and design the new system, Commissioner Walsh assembled a dynamic leadership team,<sup>8</sup> built a culture that valued hard work and innovation, and brought in outside consultants to help SBS assess the existing workforce development infrastructure and redesign it into an efficient and effective system. He appointed a new Executive Director of the WIB, Marilyn Shea former regional administrator of the DOL’s Employment and Training Administration, whose wealth of knowledge and experience in workforce development signaled to the business community that the City was really changing its policy. SBS was also assisted in this task by DOE Commissioner Wu’s strong support for the restructuring and her commitment to help make the transition go as smooth as possible.

---

<sup>8</sup> See Appendix I for a chart of SBS’ Integration Task Force Structure including the Steering Committee and Transition Team.

**Leadership.** SBS' initial challenge was to fundamentally transform DOE's service delivery model from a stand-alone case management social service model into an innovative demand-driven customer service model tied to the City's economic growth. The leadership at SBS recognized the need for a coherent economic development vision that was supported by programmatic, operational, and technological innovations. At the same time it was critical to the success of the restructuring for the leadership at SBS to have both political and policy ingenuity. Commissioner Walsh had the background and experience in City government as well as a track record of working with businesses to help redevelop neighborhoods. He successfully led the transformation while balancing the interests of different workforce development stakeholders. "The Commissioner came to work every day and made people realize that the world had changed. It [the Commissioner's role] went from decision-making that was exclusively politics, to decision-making that was a holistic combination of good politics, information, programs, and policy" (Interview, July 2008).

Commissioner Walsh could not successfully transform his agency alone. He created a Task Force with representatives from all the critical City agencies including the Mayor's Office, the Deputy Mayor for Economic Development and OMB (See Appendix I). He appointed a dynamic and talented implementation team consisting of existing staff at SBS, staff moving from DOE and new hires who would question the conventional wisdom about workforce development. The implementation team had complementary skills and strengths that worked to their advantage in creating a coherent strategy for a new workforce development system, while also figuring out what operations and technologies were necessary for implementing the new system (Interview, July 2008). Commissioner Walsh played an important role in insuring that the Agency had the political support for the innovations to take place; he cleared the path for the implementation team to do the systems redesign work; and empowered them to make decisions quickly (Interview, July 2008). The leadership, implementation team, and overall work environment at SBS facilitated and resulted in the development of a clearly articulated and coherent vision for workforce development that began with a plan for assessing existing resources and defining success.

**Assessing Capacity.** One of the early challenges for the implementation team was assessing the infrastructure inherited from DOE, as well, SBS' own capacity. SBS had to decide what could be salvaged and integrated into their own systems, eliminate duplicative functions, and determine what needed to be built from the ground up. Commissioner Walsh hired Parthenon, a private consulting

group, to support the work of the transition team, which proved to be critical in the assessment of internal capacity and planning the merger. SBS quickly set up working groups that were tasked with creating a strategic plan, developing the business model, assessing human capital needs, determining the budget, and indentifying technology needs. All of these working groups reported to a transition committee, led by Carl Hum, Chief of Staff and Special Counsel for Intergovernmental Affairs at SBS. The formation of working groups helped SBS absorb DOE resources efficiently while designing a new workforce development strategy, and continuing to operate the DOE workforce system. This way, there was a concerted effort to address specific policy, practice, systems, and technology issues.

***Defining Success.*** At the most fundamental level, SBS and the WIB had to define success for the new workforce system. This had not been done in the past, because the Giuliani administration had simply folded most of the workforce resources into the welfare system. SBS understood early on what any good manager knows, without a definition of success, there was no way to identify the elements of a successful system. SBS started from the basic premise that the goal of the City's workforce development system was to get people jobs. In fact, early on in the merger, when DOE staff was asked what their position entailed, "nobody mentioned that 'we get people jobs'" (Interview, July 2008). Starting from a macro level strategy, SBS focused on identifying the drivers of finding employment for jobseekers and reengineering programs with job placement as the ultimate goal. While this might seem obvious, the system SBS inherited simply assumed that if a client's employment could be verified on the State DOL's database that employment could be attributed to interaction with the service provider. This was not necessarily correct because service providers did not collect any data on their clients that would enable them to determine if their services actually helped clients secure employment.

### ***Developing New Policy and Creating New Programs***

SBS' strategy sought to align workforce development policy to support the needs of the business community, as part of the City's larger economic development policy. In this way, the workforce system became focused on the needs of two customers: jobseekers and businesses. As one senior member of the SBS transition team explains, the new strategic goal was intended "to enable the hiring of labor where there is strategic importance to the economy and where labor is a barrier to company growth. You want to get people jobs that align with where jobs are going" (Interview, July

2008). The strategy was “demand-driven;” training individuals for jobs that business needs since they are the ones doing the hiring. By creating a suite of business services intended to support business growth and economic development, this demand-driven customer service model went beyond the WIA mandate to “consider” business in planning service delivery.

Prior to the transition, workforce development was seen more as a social service that emphasized case management and support services for jobseeker clients. When SBS took over the existing WIA program portfolio, there were many contractors and sub-contractors who did not provide sophisticated job preparation services and generally operated in an unprofessional environment. Moreover, jobseekers primarily visited centers to pick up ITA vouchers (Interview, July 2008). SBS considered it important to change the service delivery model before they issued a new RFP to expand the City’s One-Stop system. The social service model only focused on the jobseeker as the customer, the new model simultaneously focused on both jobseekers and businesses as customers of the workforce development system. As an economic development strategy, workforce policy had the clearly defined goal of getting people jobs and helping businesses grow by matching business needs with qualified workers. In order to do this kind of proactive sophisticated matching of needs, providers had to fundamentally change their own business model. It required shifting from the “rolodex” approach to job development, which depends on the personal network of individuals to a system wide sector specific approach. The rolodex strategy was especially limited because staff would guard these relationships with businesses to make one or two job placements at a time. This shift was particularly difficult because it required changing the mind set of service providers to think of themselves as part of a system instead of as stand-alone vendors. This system-wide approach involved vendors’ appropriately screening and training clients for jobs at-scale, which enabled jobseekers to know that employment was available after successful completion of the program. “We [SBS] started to flip the dynamic. Rather than looking at ‘what does the State want, we began to look at what is the right thing to do, how can we create the most value for New York City?” (Interview, July 2008). This was a fundamental change from an opportunistic, reactionary approach to job placement to a more proactive strategy that identified business demand, and prepared jobseekers to meet that need in growing industries with the possibility for career mobility (Interview, July 2008).

When SBS received Adult WIA funds in 2003, the Agency's budget increased from \$10 to \$100 million. This gave SBS the financial resources to develop their new program model, create a system of accountability for the contractors and build up the infrastructure for an expanded network of Workforce1 Career Centers (One-Stop centers). A vendor explained, "At the time NYC was under-spending its federal allocation so when the Adult funds were given to SBS, it was a time of great flexibility and a resource-rich environment leading to strategic and creative innovation" (Interview, August 2008). The Workforce1 Career Centers were and remain essential to the SBS demand-driven policy. SBS decided to build-out the existing Workforce1 Career Centers in order to provide continuity within the system, despite some opposition from existing vendors. To determine vendor capacity to develop new programs and to determine future investment SBS visited and assessed the existing Workforce1 Career Centers and engaged stakeholders in the design of the new system.

As Workforce1 Career Centers built their infrastructure, there was also increased focus on developing a new approach to job training. Historically when City government invested in job training it was as a social service for welfare recipients. The City served as an intermediary passing job training dollars to non-profits, community colleges and unions who designed and implemented training programs (Center for an Urban Future, August 2002). With a new strategy in place driven by economic development goals, job training was reinvented with rigorous screening of clients; a focus on career advancement matched with the needs of employers; and was tailored to anticipate need in growing sectors in the economy or existing economic development projects. As SBS began to bring the Workforce1 system to scale to serve the thousands of jobseekers and businesses in NYC, it simultaneously created agreed upon standards for evaluation and measurable outcomes by developing the operating systems and technology necessary to run the system efficiently and effectively.

In addition to Workforce1 Career Centers, SBS managed 14 other contracts for Adult, Dislocated Workers, and populations such as jobseekers with limited English or criminal convictions and other barriers to work. The number and range of contracts with Community-Based Organizations (CBOs) presented a challenge in ensuring high quality services and accountability for job placements. Initially, SBS chose to support the unique work of CBOs, and recognized their expertise in case management of jobseekers with special needs. In the ongoing effort to efficiently manage the adult WIA portfolio, these contracts ended in June 2007 when funding was cut by the federal government.

In the wake of these cuts, the City has used WIA funds to support core workforce development services: today, about 60% of the City's Adult and Dislocated Worker WIA funding directly supports six Workforce1 Career Centers and the issuance of vouchers to customers for occupational skills training

***Implementing New Integrated Systems.*** Any successful policy must align strategy, programs, and operations to support and reinforce the system's goals. With a clear vision and an emerging strategy, SBS had the added challenge of making sure that its operations could support its workforce development vision (Interview, July 2008). For successful restructuring, SBS had to determine how to get programs and daily operations started quickly, in a way that was coherent and incorporated transparency and accountability. Workforce1 Career Center infrastructure and programs were expanded at the same time, because "the real change had to happen at the point where transactions took place. Unless you invest in how things get done, how you deliver services, a robust set of operations, then all the policies in the world don't mean anything because of all the problems that legacy services bring with them" (Interview, July 2008).

SBS had neither an internal or external operating infrastructure that could meet the demands of the new system. SBS had the dual challenge of simultaneously building its own internal capacity and assisting Workforce1 and Business Solutions Center vendors in building their capacity to operate effectively. SBS staff realized their system would only be as good as their vendors (Interview, July 2008). The vendors in the system that SBS inherited had a mixed performance history. The workforce group was generally thought to be one of the weakest group of contractors in the City, with few exceptions (Interview, July 2008). To be fair, since accountability system that the City had in place when SBS took over was virtually non-existent, it was difficult to evaluate the quality of the work the contractors were actually doing. Never the less, SBS was faced with the challenge of having to rely on these vendors as service providers, while also helping them build capacity to implement the new system. Each vendor had operated mostly independently and without a new system for reporting information back to SBS it would be impossible to create a system of standards.

SBS also built transparency into the financial system on both the expenditure and revenue side. A transparent system was developed to show how services offered connected to job placements reported. SBS can now keep track of who is being served, and developed performance metrics to evaluate the ITA voucher program. During the transition, SBS sought to create an environment where

transparency was rewarded through consistent leadership and an understanding that as long as the vendors communicated the problem, there would be a plan in place to fix it. They would not be penalized SBS for not meeting a goal to encourage honest communications (Interview, July 2008).

In order to run effective services and programs, the necessary technology needed to be in place. The DOE technology was not capable of supporting the new system. SBS inherited Automate Case Management System (ACMS) technology that was designed for jobseeker case management as a means to record transactions for federal- and state-mandated monitoring. ACMS was not a flexible, interactive tool able to develop reports for management purposes and it did not support transparency and accountability among different stakeholders. It could not be used in daily operations to produce current data. The system only produced reports so that NYC and the State could claim federal WIA funds. The data were generally several quarters old preventing the ability to use them for corrective real-time operations (Interview, July 2008).

Not only did SBS have to develop new technology to make data-driven decisions, it also had to bring the system to scale, opening four more Workforce1 Career Centers, in the first year, to provide services in all five boroughs of the City. Explaining the importance of technology SBS staff commented that “You can’t have a system at-scale without appropriate technological infrastructure, where you can gain efficiencies, getting the biggest return on investment for both businesses and jobseekers” (Interview, July 2008).

To this end, SBS created Worksource1, a jobseeker database that has the flexibility to be used for business customer accounts management, keeping track of evaluation and accountability measures, and enabling the use of strong performance metrics. Worksource1 also links all Workforce1 Career Centers to each other so they can communicate and act as a system. Each Center can also see how other Centers are performing, ensuring transparency and accountability across the system. Worksource1 also integrated a swipe card system to quickly enable tracking of the thousands of jobseekers who visit the Centers regularly, and it generated records of individualized services provided to update jobseeker files. Worksource1 has also allowed SBS to standardize operations, tools, and forms across the system of eight Workforce1 Career Centers. Worksource1 is a tool that can also support innovative new programs. As one SBS staffer explained, “[It] is an ever-evolving and dynamic technology solution that has helped keep track of services delivered, outcomes we’re

trying to achieve, tracking across the system what we're doing. We can't engage a new program until we can see what success looks like and how it can be captured" (Interview, July 2008).

Beginning in 2006, SBS required each vendor to develop their own Strategic Operating Plan (SOP) for the Workforce1 Centers and later the Business Solutions Centers to ensure transparency and accountability. SBS created a construct of key goals in the SOP outline and then supported the vendors in developing individual SOPs specific to their Centers. The SOPs allowed SBS to determine what services vendors provided, how they provided services, and what outcome measures were used to evaluate services (Interview, July 2008). Vendor SOPs now have specific standards such as documenting processes, customer flow, and a system to keep track of the number of people in the system. Each Center has to complete a standard SOP template (See Appendix III), which is a key component supporting a performance-based management system. It is updated annually, and outcomes are collected and reported quarterly.

After years of the City being out of compliance with federal WIA regulations, SBS had to create operations with sound oversight and accounting capacity. They needed to create a system of accountability and transparency. When SBS inherited the public workforce development system, they did not even know how many people were placed in jobs because there were no internal tracking mechanisms in place (Interview, July 2008)). In the absence of a formal tracking system, "people walked through the door, but we didn't know if they got anything for walking through the door, if they got a job" (Interview, July 2008). Before SBS made its changes, vendors were not asked by the City to be accountable for their services or for job placement. They only had to prove that someone had visited their Center. The SOPs, therefore, included accountability measures that focused on outcomes as well as inputs and emphasized how performance had changed over time by tracking results against goals set in the SOPs on a quarterly basis. SBS tracking includes quarterly outcome goals, but also reports on process. For example, vendors are asked if they communicated with the other Centers within the specified time frame (Interview, July 2008). "Originally, we had to force that communication, but over time it has become procedural" (Interview, July 2008).

The Workforce Investment Board (WIB) also underwent significant changes as a result of the restructuring. Although the WIB is mandated by federal law to act as an oversight body, it had a minimal role in the workforce system under the Giuliani administration. The WIB retained its chair,

Stuart Saft, who provided sustained and supportive leadership, an important asset during the transition. SBS was intent on having significant representation from the business community on the WIB and involving them in developing the City's workforce development plan. Convincing the business community that government could do anything meaningful in job training and placement was a tall order. After all, there was no evidence from the previous administration that the City would be serious about their involvement. Critical to the success of the transition and improved relations with the City's business community was the appointment of Marilyn Shea as its new Executive Director. She had extensive experience with federal workforce development policy through her work at the U.S. Department of Labor and had been one of the City's critics during the Giuliani years. Her knowledge and expertise was instrumental in transforming New York City workforce development policy and its current success. Shea helped SBS work with federal and state workforce agencies to accomplish their own goals (Interview, July 2008). To this effect, Shea worked closely with SBS to develop a Board structure, functioning committees, and a strategic planning process (Interview, July 2008). The strategic plan defined the Board's role in the City's workforce system and identified initiatives that the Board could undertake to support the new mission. Furthermore, the WIB worked to refine its mission to specifically tie its work to the Mayor's economic development plan through a demand-driven approach responsive to the economic development goals of the City. Significantly, the WIB was also able to attract more private-sector business representatives after the transition.

## **VI. Innovative Programs and Practices**

The years following the transition enabled SBS to further their mission and expand programs and practices to better meet the needs of businesses and jobseekers. They are continually in the process of building on their successes and learning from their mistakes. Overall, SBS has been successful in expanding the number of Workforce1 Centers from two to eight, over the past six years; increasing placements from 127 per quarter in 2003 to over 4,000 per quarter in 2008 (See Appendix II). Workforce1 Centers<sup>9</sup> now provide direct services that include assessment, job training, career counseling, and career advancement. The vendors continually meet and work with SBS on an

---

<sup>9</sup> Current vendors are: DB Grant Associates (Queens and NYC Transportation Centers); Goodwill Industries of Greater NY and Northern NJ (Brooklyn Center); Seedco (Upper Manhattan Center); Wildcat Service Corporation (Bronx Center); LaGuardia Community College (LaGuardia Center); VIP Community Services (Hunts Point Center); and Arbor E&T (Staten Island Center).

ongoing basis to review and revise their SOP, a key component that supports the performance-based management system of the Centers. These program management processes coupled with new Worksource1 technology, helps vendors manage their operations and outcomes and has improved city-wide system coordination (Interview, July 2008).

In keeping with the goal of aligning workforce development with economic development, Workforce1 Centers were incorporated with SBS NYC Business Solutions Centers (BSCs), which were designed to help the NYC small business community find efficient solutions to common business problems. BSCs are focused on small businesses because there are over 200,000 located in the City and constitute a major source of employment opportunities. Yet, because of their size they often need basic services to support their growth. Services provided by BSCs include information and training about business planning, business courses, financing, hiring and training, and navigating government. Four Workforce1 Centers now house Business Solutions Centers, with a physical space where jobseekers and business owners can meet. This relationship is important because Workforce1 Centers can only succeed if they understand the work force needs of business. SBS staff helps Centers with business development and relationship management; to select a neighborhood where there is a demand for services, and employment opportunities to fill while a hiring unit provides marketing analysis, and helps identify leads for business development and pitch to those needs. To this end, SBS works with Workforce1 Center Managers and Account Managers on a weekly basis in part to help businesses market their opportunities across the system and to help Centers fulfill job orders when they are not able to do it on their own. (Interview, August 2008). Additionally, in an effort to meet hiring needs, SBS developed an SOP measure for the account management teams and recruitment services that improve placements in targeted locations.

SBS also designed the Account Management Team (AMT) model to handle large job orders that are too big for any individual Workforce1 Career Center to fill. One Workforce1 Center takes the lead and works with SBS and other Centers to handle the order. In this way, the AMT model provides major citywide employers a single point of contact where they can place larger job orders. Thus, through a coordinated network, Account Managers based at the Workforce1 Centers work with City businesses in key economic sectors to hire and train workers in areas of need (Center for an Urban Future, 2007).

The NYC Business Solution Centers also offer Training Funds, providing New York City employers with funding to ensure that their employees gain the skills they need for the available job. Businesses can apply for up to \$400,000 to provide entry-level workers with occupational or work readiness training. Applications are collected quarterly and reviewed competitively, with staff measuring outcomes such as productivity increases and wage gains. This initiative was designed to leverage funds to support training for workers already on the job as well as to create pilot projects focusing on specific training for career advancement (Center for an Urban Future, 2007). Similar to the ITA voucher program, the Training Funds are provided for under WIA; however, they differ in that SBS now uses each training program to support higher level training that is linked with business needs and overall economic development in the City. This added capacity to the program was made possible by leveraging State and City tax dollars and allowed for innovation and expansion within the program that was not prescribed under WIA regulations.

Most recently, SBS rolled out The New York City Sectors Initiative (NYCSI)<sup>10</sup>, a new model of workforce development that links workforce development services to emerging economic and labor market trends and that serves both employers and jobseekers. The initiative serves as a model for other SBS sectoral and intermediary strategies to build capacity in key economic sectors. The initiative has the dual purpose of creating career advancement opportunities for New York City residents while meeting the needs of employers. The NYCSI has projects with two organizations the Metropolitan Council on Jewish Poverty SUNY (State University of New York) Downstate.

The Met Council project focuses on the health care sector. It was funded in September 2005 with \$1.5 million over three years. The project provides innovative, customized training, support, and employment services to participants who are placed in high-demand target occupations: state-certified emergency medical technician, state-certified paramedic, and radiology technician. The project's three-year goal is to place 104 participants in health care positions.

The SUNY Downstate project focuses on the biotechnology sector. It was funded with \$860,000 over three years. The goals are to increase the capacity of the biotechnology lab technician workshop at City University of New York's Hunter College, interest new people in the field through a scholar's community, and create a pipeline of students that links CUNY's two-year and four-year programs in

---

<sup>10</sup> Information on the SBS sector initiatives relies on National Fund for Workforce Solutions (n.d.).

biotechnology. Specifically, the project will support the creation of a Biotechnology Scholars Community for laboratory technicians that includes participants recruited from four-year schools and community colleges from within the CUNY system. Project funds will support the recruitment of students, new curricula and internship design, increased capacity of an existing biotechnology workshop at Hunter College and an existing internship program, and a job placement component. The three-year goal is to place 127 participants in biotechnology positions.

Since the transition, the WIB has also been working to be a forward-thinking strategic player in New York City. In 2008, the WIB created a new strategic plan to guide their work until 2010. This second strategic plan aims to align the Board's work with the evolving needs of the City's workforce systems over the next two years. They have identified six key priorities. First, advance the performance of the City's workforce services and conduct effective oversight of the WIA-supported system to ensure high functioning workforce services; Second, increase business participation, awareness, and use of the WIA-workforce system to support a demand-driven approach that meets business need and creates new job opportunities; Third, evaluate and drive prioritize for the City's workforce policy agenda to focus on areas where the most impact can be made on connecting more businesses with workers and enabling workers to advance; Fourth, encourage the City to adopt innovative best practices and respond to important workforce issues occurring at the state and national levels—making NYC a workforce development leader; Fifth, provide local labor market information and analysis of important industry and workforce trends to generate a blueprint for effective program development; and Sixth, promote and publicize New York City's workforce initiatives and gains to diverse groups to increase profile among thought leaders, learning from these groups and attracting more resources.<sup>11</sup>

## **VI. Conclusion: Evaluating the Opportunities and Challenges of New York City's Workforce System Going Forward**

When Mayor Bloomberg came to office, he was faced with a number of challenges including an inefficient workforce development system. When the DOE failed to make sufficient progress, City Hall made the strategic decision to transfer workforce development to SBS and DYCD. The strong leadership at SBS, DYCD, and the WIB, and a substantially increased budget enabled the NYC workforce development system to undergo an impressive transformation that supports the overall

---

<sup>11</sup> New York City Workforce Investment Board (March 12, 2008)

economic development strategy of the City. There is no question that New York City's workforce development system is a success story.

Since the 2003 restructuring, New York City has turned a system that was out-of-compliance with federal regulations and deemed one of the worst in the country into a national model for workforce development. Beginning with a vision that workforce development could function as a demand-driven system, SBS developed programmatic, operational, and technological innovations that all work toward the same strategic goals of matching jobseeker needs with existing employment opportunities – with a particular focus on growing sectors of the economy. The structural and operational successes include an effective Workforce Investment Board (WIB) that not only meets the federal requirements, with majority representation from the business community, but it also works closely with SBS and is involved in shaping the City's workplace strategic plan. Instead of a lone One-Stop Career Center in the City, there are now eight Workforce1 Career Centers. Workforce development vendors meet and work with SBS on an ongoing basis to review and revise their Strategic Operating Plan, which is the comprehensive process that focuses on operations *and* outcomes measures. Vendors are also expected to target sectors, and success is tied to whether the vendor is able to develop a strategy to find businesses, training, and employment opportunities within that sector.

At Workforce1 Career Centers jobseekers can receive a range of direct services that go well beyond the minimal guidelines mandated by WIA. These include assessment, career counseling, access to job listings, job and skills training, and career advancement workshops, and training vouchers. Worksource1, SBS' new web-based customer case management system, has created efficiency and transparency in the system. Data can be shared across Centers and it allows for results driven reporting and oversight. Most compelling, the City placed over 4,000 New Yorkers in jobs in the first quarter of 2008 as compared to 127 reported placements when SBS first took over the system in 2003 (See Appendix II). New York City now has an integrated workforce development system that is proactive and coordinated, with a customer service focus that has integrated workforce development into the City's comprehensive economic development policy. More jobseekers and businesses than ever before are served by Workforce1 Career Centers. Moreover, SBS established a strong relationship between Workforce1 Centers and the business community, making the Centers a vital intermediary for promoting economic development in the City.

While this case study has focused on SBS, it is important to note some of the extraordinary changes in the WIA youth programs that took place at DYCD under Commissioner Mullgrav's leadership. DYCD working in collaboration with the New York City Youth Board, the WIB Youth Council and the WIB transformed youth workforce development program models and leveraged resources from multiple funding streams to serve the most eligible young people through the Summer Youth Employment Program (SYEP), the Out of School Youth Program (OSY) and In-School Youth Program (ISY). For example, in 2002, SYEP had a budget of \$40.5 million (City Tax Levy \$15.9 million; State \$17.3 million; and federal WIA \$7.3 million) and served 36,598 participants, while in 2008, 43,113 youth were enrolled in the program under a budget of \$54 million (City Tax Levy \$30.9; State FFS \$19.7 million; and federal WIA \$3.4 million). Meanwhile, during this time period the minimum wage grew from \$5.15 per hour to \$7.15 an hour. In Program Year 2008, youth worked at almost 7,000 worksites with 23 percent in the private sector. DYCD developed new technology that enabled participants in the program to submit applications online and be paid with a logo debit card that they use at bank ATMs or Retail vendors. The program also required that at least 10 % of program time be devoted to an educational component on the following topics: Work Readiness; Financial Literacy; Career Exploration; College and post-secondary; education opportunities; Health Education (HIV/AIDS awareness, domestic violence issues, nutrition, substance abuse). The increase in the number of youth served was coupled with a greater emphasis on youth development principles and moving the program from paper to an electronically-based administration (Interview, September 2008). Through the WIB, DYCD and SBS have ensured alignment of City workforce programming in a way that compliments the unique needs and services of both the Adult and Youth WIA populations.

***Challenges for the Next stage of Workforce Development.*** Although the present workforce system represents extraordinary progress from the Giuliani years, the system still faces challenges as it continues to grow and innovate.

*Scaling Up and the Need for Alternative Funding Streams:* SBS and DYCD have developed models that can be brought to scale, but the funds are simply insufficient to serve the City's large numbers of displaced workers and disconnected youth. The WIB and SBS have been successful in bringing in additional funds to the system by leveraging workforce intermediaries and funding collaborative like

the Workforce Development Funders Group,<sup>12</sup> and getting additional City tax levy dollars through the Center for Economic Opportunity<sup>13</sup> (CEO) and several new SBS workforce programs (Interview, July 2008).

Increasing the City's collaborations with business and philanthropy are critical for expanding existing programs and supporting innovation. New York City's workforce system must work to engage the City's large employers, especially those in the Fortune 500. As the name of the agency implies, Small Business Services primarily focuses on meeting the needs of the City's small businesses. The City's economic development model includes large and small businesses and the workforce component must have capacity to better engage the City's largest employers. The City must also do more to demonstrate to the private sector that workforce programs are not social services, but an economic development tool. This means bolstering outreach and developing a public relations campaign targeted to both the City's large and small businesses.

Business must also contribute more directly to this system with increased support for job training programs. When companies receive tax incentives or contracts from the City, a workforce component should be routinely part of the process.

The major problem the City faces in the near term is the federal government's lukewarm commitment to the nation's workforce system. Federal WIA funding has not just decreased in New York City. Since the beginning of the program in 2001 total federal funding for WIA declined from \$5.635 billion to the current funding level of \$5.133 billion, an 8.9 percent decline. New York City cannot realistically retrain the large numbers of displaced workers and disconnected youth without increased funding from the State and federal governments. New York City needs to lead a national advocacy campaign for increased federal investment in a business-driven workforce development system.

*Quantity vs. Quality in Job Placements.* SBS has successfully achieved about 18,500 job placements per year. The system has the infrastructure to handle more placements. Both job retention and career advancement must become more significant goals in the workforce system with the

---

<sup>12</sup> A consortium of foundations and private philanthropies.

<sup>13</sup> The CEO is a stand-alone government entity created and funded by Mayor Bloomberg.

appropriate incentives built into the funding of contractors. Equally important is to strike a balance between the quality and quantity of placements. Low wage jobs usually do not offer career ladders and usually provide no professional opportunity for advancement. This is not just a problem for low wage workers. The current job loss in the financial service sector is affecting the City's educated workforce. If SBS does not assist these workers in finding opportunities in other sectors of the economy they will simply leave the City. The out migration of technologically skilled and educated workers could severely impact New York City's future economic growth.

*Sectoral Approach.* Initially, SBS developed a sectoral focus for all Workforce1 Career Centers through the SOP process. SBS has also invested programming in stand-alone sector-based Career Centers tailored to the specific needs of businesses in high-growth sectors. Three sector-based Centers will be open by 2009 that will help low-income individuals obtain good jobs with career advancement opportunities with companies in those sectors and make businesses more competitive. SBS opened the first sector-based Center in June 2008, the NYC Workforce1 Transportation Center. This Center is based in Queens and focused on four transportation sub-sectors: aviation, ground passenger transit, truck transportation, and support services for air transportation sub-sectors. The second and third Centers are scheduled to launch in spring 2009.

*Workforce Development Contractors.* SBS must continue funding capacity building among workforce development contractors and encourage growth among this group of providers. Given the increasing demand for quality workforce services, it is in the City's interest to have the appropriate incentive structures in place to encourage growth in this sector. Without growth of both for-profit and not-for-profit providers and competition it will be difficult for the City to increase its placement numbers and retain quality in its programs as the demand for services increases.

*Integrating and Coordinating Workforce Development Across City Agencies.* SBS is not the only City agency that provides workforce development services. We have pointed out that SBS and DYCD split the federal WIA funds. There are also workforce programs in HRA targeting the welfare population and in the Department of Education focusing on youth at risk for dropping out of high school and high school dropouts. Also, many of the City University's two year colleges provide job training programs. It is clear that there are many different populations which require workforce services and it is not easy for them to navigate the current system. It is especially difficult for individuals with multiple

barriers to work who may need social services to help them retain employment. Businesses find the same problems when they want to work with the City's workforce agencies. They really have no way of knowing which agency's programs will best suit their needs. Right now City agencies compete with each other for philanthropic dollars and business partners. City Hall must take the lead on coordinating the entire workforce system so that access to the system is easier and duplication of effort is avoided.

*Meeting the Global Challenge.* The Bloomberg administration developed the right policy for workforce development, but the past five years must be viewed as the first stage in transforming the City's system. Workforce development must continue to grow as a cohesive, efficient system that is part of the City's economic development strategy. The City must persist in implementing innovative programs giving vendors sufficient autonomy to meet the needs of displaced workers in our current economic crisis. Furthermore, the system needs to grow on a more macro-level and face the challenges of the 21<sup>st</sup> century economy head on. Education and training must evolve to meet the needs of the information economy. The workforce and education system must allow jobseekers to find employment that can lift them out of poverty and not leave them in dead-end low wage jobs. Moreover, the system must adjust to the fundamental changes in the global economy. Many jobs are not just leaving the City and going overseas, but they are being eliminated by automated technology. Jobs once held by low skilled workers are quickly being replaced with automated machines such as ATMs and self-check out at the supermarket. This problem will only be resolved by more closely aligning the educational and workforce systems. Post-secondary institutions, especially community colleges, need to play a larger role in helping train and educate workers for higher skilled positions. If the United States does not drastically increase the skill of our workforce we will lose our competitive edge in the global economy. To meet these needs funding for workforce development must become a national priority. The only way this nation will meet the challenge of economic globalization is by committing the necessary resources to make it's the American workforce competitive in the global economy. While the broad policy design and funding must come from Washington, the real solutions will be in our nation's cities. New York City is already leading the movement.

## Key Case Study Questions for Students

---

### *The Politics of Policymaking*

- What were the roles of the legislature, executive, and interest groups during the restructuring?
- If you were a key decision maker in the Mayor's Office during this time what institutions would you focus on for a restructuring at this magnitude?
- The process of restructuring started in the crisis of September 11<sup>th</sup>. What are the pros and cons of developing policy in a crisis period?
- How has globalization impacted American workforce development policy?

### *Policy Innovation*

- What lessons does this case study provide about innovating?
- What is the role of political leadership in policy innovation?
- What role do public-private partnerships have in jumpstarting innovation in government?
- How does the availability of funds affect the ability of government to innovate?

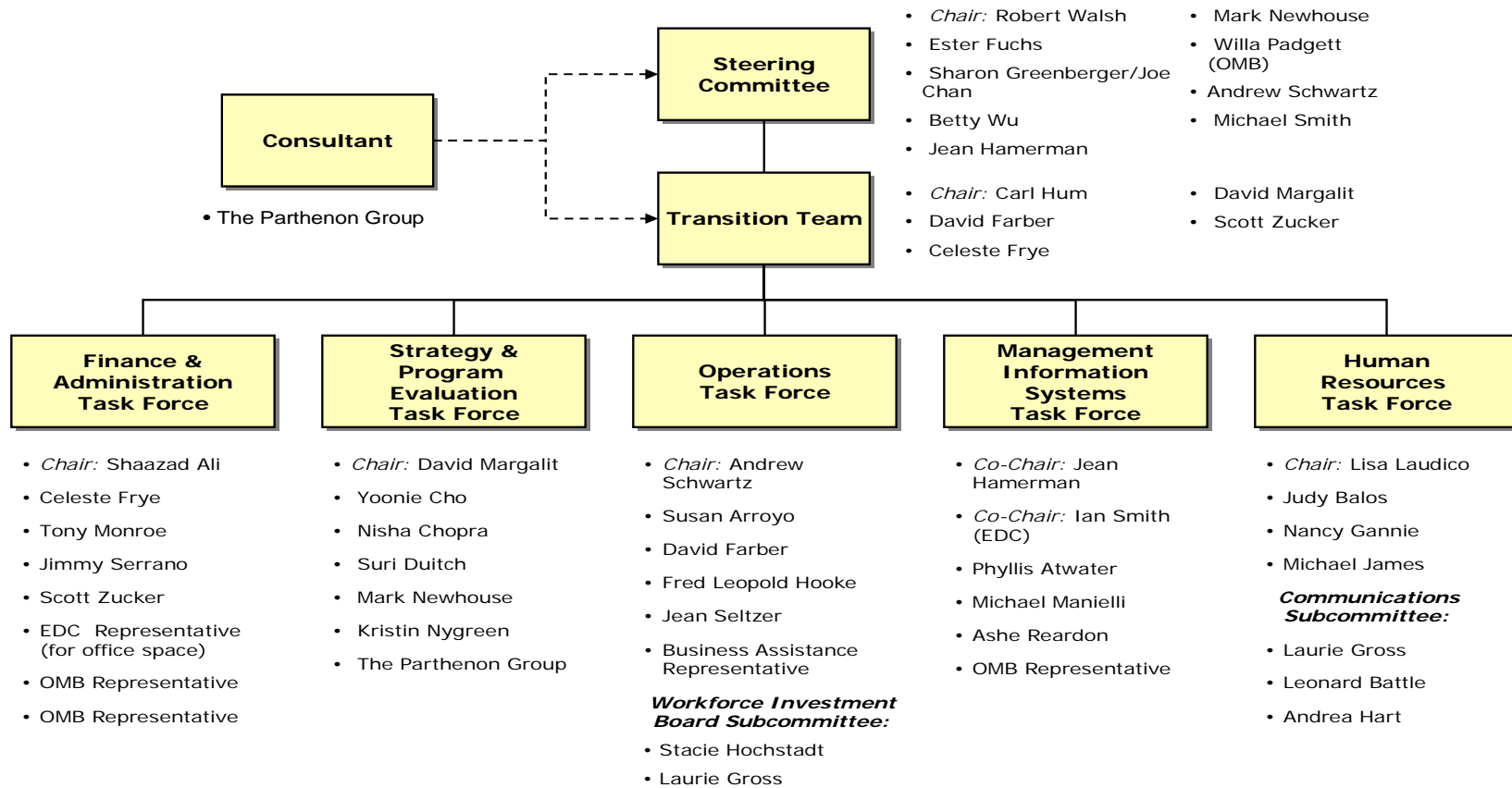
### *Intergovernmental Issues*

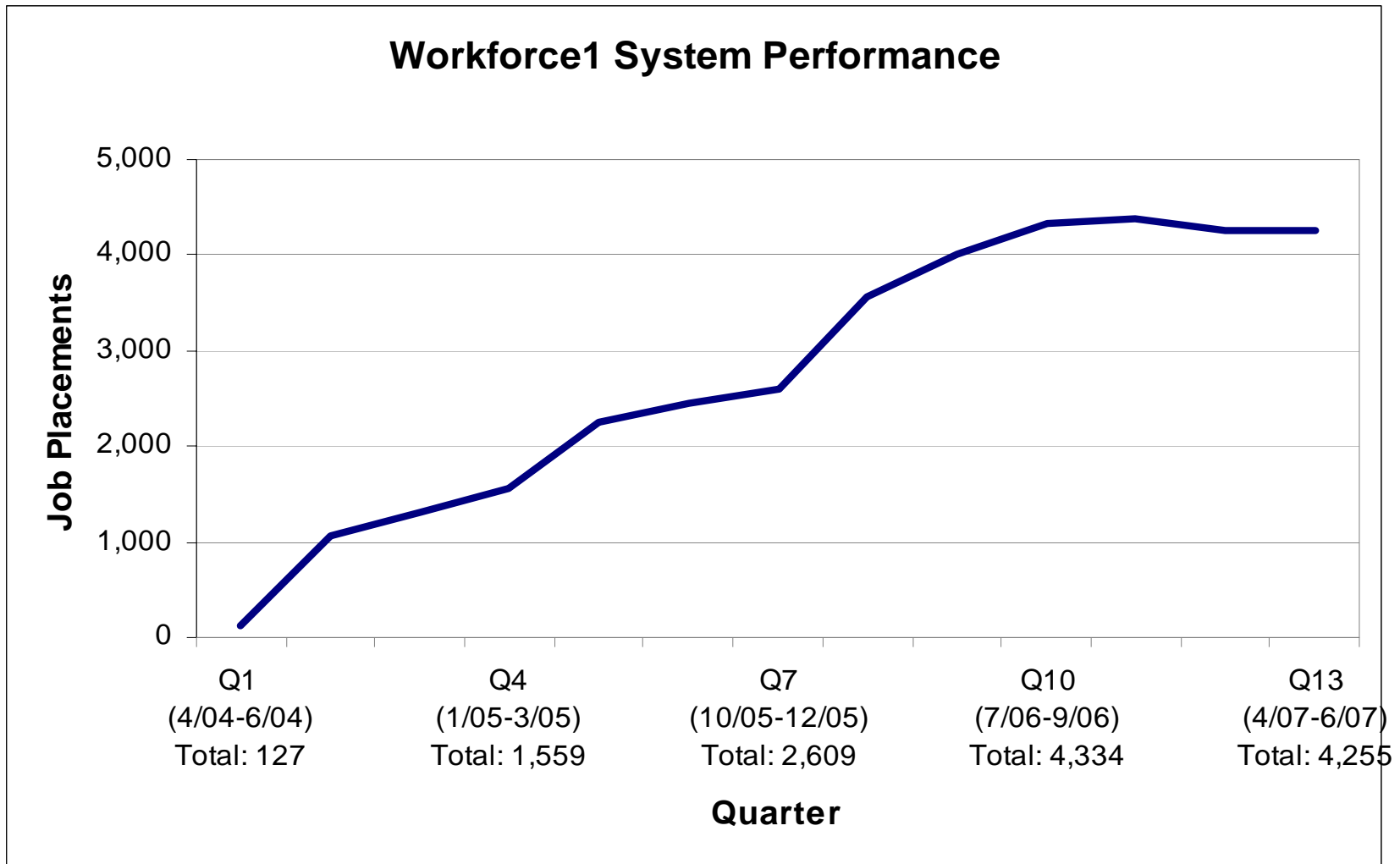
- How do state-city relations affect New York City's work force policy?
- What role does the federal government play in workforce policy?
- Would you recommend a change in the regulatory framework or the federal guidelines in workforce development policy?

### *Lessons for Workforce Development Policy*

- Could the successes in New York City's workforce development system have been achieved without the radical restructuring of the system, specifically the dissolution of the Department of Employment?
- In the decision to dissolve the Department of Employment, should Adult workforce development services have gone to SBS or HRA? What are the arguments for each case?
- Should youth and adult workforce development services be more integrated? Should social services be more integrated into the system?
- Should the City provide workforce development services in-house or is a system of competitive bidding with multiple vendors the best way to deliver services?
- What should the role of the WIB be in workforce development?
- What role should business have in the development of workforce policy moving forward?

# Integration Task Force Structure





### **Appendix III: Strategic Operating Plan Rating Guide Summary**

---

See the following document.

**Appendix IV: Monthly Performance Report (Example: Page One)**

---

See the Following document.

## Interview List

---

Betty Wu Adams, *Former Commissioner, Department of Employment, September 17, 2008*

Miguel A. Almodovar, *Assistant Commissioner Youth Employment, Department of Youth and Community Development, July 18, 2008*

P.V. Ananthram, *Deputy Director, Office of Management and Budget, September 18, 2008*

Chris Cesarani, *Senior Policy Manager, Department of Youth and Community Development, July 18, 2008*

Bill Chong, *Commissioner for Youth Services, Department of Youth and Community Development, July 18, 2008*

Suri Duitch, *University Director of Adult and Continuing Education. City University of New York, July 23, 2008*

Tim Ford, *Executive Director, New York City Employment and Training Coalition, July 25, 2008*

Dale Grant, *President, DB Grant Associates, July 16, 2008*

Shanna Gumaer, *Assistant Commissioner Workforce 1 Career Center System Performance, Department of Small Business Services, July 9, 2008*

Patricia Jenny, *Program Director New York City Funders Group, New York Community Trust, July 17, 2008*

Angie Kamath, *Deputy Commissioner Workforce Development, Department of Small Business Services, July 2, 2008*

Kevin Kelly, *Assistant Commissioner Business Express, Department of Small Business Services, July 14, 2008*

Kathy Krepcio, *Executive Director, John J. Heldrich Center for Workforce Development, Rutgers University, July 18, 2008*

Suzanne M. Lynn, *Deputy Commissioner, Department of Youth and Community Development, July 18, 2008*

David Margalit, *Deputy Commissioner Business Development, Department of Small Business Services, July 16, 2008*

Joseph McDermott, *President, Consortium for Workforce Education, August 18, 2008*

Lou Miceli, *Executive Director, Workforce Professionals Training Institute, July 18, 2008*

John Mogulescu, *Senior University Dean for Academic Affairs, City University of New York, July 16, 2008*

Margaret Moree, *Director of Federal Affairs, The Business Council and former Director of Workforce Development and Training, New York State Department of Labor, July 11, 2008*

Jeanne B. Mullgrav, *Commissioner, Department of Youth and Community Development, August 19, 2008*

Martin Oesterreich, *Director of Policy and Planning, Consortium for Workforce Education, August 18, 2008*

Stuart Saft, *Chair Workforce Investment Board and Partner, Dewey & LeBoeuf LLP, August 18, 2008*

Cristina Shapiro, *Assistant Commissioner NYC Business Solutions, Department of Small Business Services, August 18, 2008*

Marilyn K. Shea, *Former Executive Director, New York City Workforce Investment Board, July 23, 2008*

John Twomey, *Executive Director, New York Association of Training and Employment Professionals, September 11, 2008*

Robert W. Walsh, *Commissioner, Department of Small Business Services, July 24, 2008*

Melissa Wavelet, *Former Assistant Commissioner, Workforce1 Career Center Program Management, Department of Small Business Services, July 10, 2008*

Scott Zucker, *Former Deputy Commissioner Workforce Development, Department of Small Business Services, July 14, 2008*

## Bibliography

---

- Bloom, H. S., Orr, L., Bell, S. H., Doolittle, F., & Lin, W. (1996). "The benefits and costs of JTPA Title II-A Programs." *The Journal of Human Resources*, 12(3), 549-576.
- Brown, A. (1997). *Work First: How to Implement an Employment-Focused Approach to Welfare Reform*. New York: MDRC. Retrieved August 9, 2008, from <http://www.mdrc.org/publications/129/abstract.html>
- Cardwell, D. (2001, November 1). "Warning on funds for employment centers." *The New York Times*.
- Cardwell, D. (2002, May 11). "Signaling Shift, City Reassigns Work Program to Jobs Agency." *The New York Times*.
- Cheney, S., & Troppe, M. (June 2007). Case Study-New York City, Department of Small Business Services. In *Under one roof: New governance structures for aligning local economic and workforce development* (Vol. III, pp. 63-77): National Center on Education and the Economy, Workforce Development Strategies Group.
- Fischer, D.J & Kleiman, N.S. (August 2002). *Rebuilding Job Training From the Ground Up: Workforce System Reform after 9/11*. New York: Center for an Urban Future.
- Fischer, D.J. (June 2007). *Work in Progress*. New York: Center for an Urban Future.
- Fischer, D.J. (November 2001). *Under the mattress: Why NYC's jobs system remains a work in progress*. New York: Center for an Urban Future.
- Gregory Acs, & Loprest, P. (2008). *Understanding the Demand Side of the Low-Wage Labor Market*. Washington, DC: The Urban Institute.
- Grubb, W. N. (1999). From isolation to integration: Occupational education and the emerging systems of workforce development. *Centerpoint* 3.
- Harrison, B., & Weiss, M. (1998). *Workforce development networks: Community-based organizations and regional alliances*. Thousand Oaks, CA: SAGE Publications.
- Katz, A. (September/October 2003). Help Wanted. *City Limits*.
- Lueck, T. J. (2000, May 31). "Late to qualify, City may lose millions in U.S. aid some say." *The New York Times*.
- National Fund for Workforce Solutions (n.d.). New York City Sectors Initiative. Retrieved August 28, 2008, from <http://www.nfwsolutions.org/downloads/publications/Newyork.pdf>
- National Workforce Association (2007). Key WIA and ES Program Funding Levels FY01-FY08. Retrieved November 3, 2008 from <http://www.nwaonline.org/SiteAssets/documents/KeyFundChart.pdf>
- New York City Office of Management and Budget (April 17, 2002). *The City of New York Executive Budget for Fiscal Year 2003*. New York City: Author. Retrieved August 4, 2008, from [http://www.nyc.gov/html/omb/html/finplan04\\_02.html](http://www.nyc.gov/html/omb/html/finplan04_02.html)
- New York City Workforce Investment Board (March 12, 2008). *New York City Workforce Investment Board 2008-2010 Strategic Plan*. Retrieved October 17, 2008, from <http://www.nyc.gov/html/sbs/wib/downloads/pdf/wibstrategicplan1.pdf>
- New York State Department of Labor. (2001). *Workforce Investment Act allocations: Adult, youth and dislocated worker formula funds*. Retrieved September 5, 2008, from <http://www.labor.state.ny.us/workforcenypartners/ta/ta01-7atta.html>
- New York State Department of Labor. (2007). *Total WIA allocations by LWIA: Adult, youth and dislocated workers*. Retrieved September 5, 2008, from <http://www.labor.state.ny.us/workforcenypartners/alloc/totalalloc0607.htm>
- The National Governors Association (n.d.). *Workforce development best practices*. Retrieved September 11, 2008, from <http://www.nga.org>
- The New York Times. (2002, February 11). "New York's displaced workers." *The New York Times*

- Orr, L, Bloom, H. S., Bell, S. H., Doolittle, F., & Lin, W. (1996). *Does Training for the Disadvantaged Work? Evidence from the National JTPA Study*. Washington, DC: The Urban Institute.
- Saft, S. M., & Foote, B. (2008). New York City Workforce Investment Board. New York: New York City Workforce Investment Board.
- U.S. Department of Labor Bureau of Labor Statistics. (August 20, 2008). Worker Displacement 2005-2007. Press Release. Retrieved August 22, 2008, from <http://www.bls.gov/news.release/pdf/disp.pdf>
- U.S. Department of Labor Employment and Training Administration. (1999). WIA 101: An introduction to the new workforce investment system. Retrieved September 5, 2008, from <http://www.doleta.gov/USWORKFORCE/training/introduction/index.html>
- Weir, M. (1992). *Politics and Jobs: The Boundaries of Employment Policy in the United States*. Princeton, New Jersey: Princeton University Press.
- Woodruff-Bolte, S., & Spaulding, S. (August 2007). Collaborating to innovate: Achievements and challenges in the New York City sectors initiative planning phase. Philadelphia: Public/Private Ventures.