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## PHILADELPHIA'S WORKFORCE DEVELOPMENT CHALLENGE

Serving Employers, Helping Job Seekers and Fixing the System

*January 18, 2012*

### EXECUTIVE SUMMARY

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Over the last four years, half a billion dollars in public funds were spent in Philadelphia in the name of workforce development—helping residents get jobs or skills and employers find workers to sustain or expand their businesses.

These services, which include training for workers and recruiting for employers, were funded largely by federal and state dollars at an annual cost that ranged from \$118 million to \$134 million. All of these services were free of charge to workers; most were free to employers. Had these efforts been part of city government last year, and they were not, they would have constituted its fifth biggest department, surpassed only by police, fire, prisons, and human services. Roughly 1 in 10 working-age Philadelphians have sought help at a workforce development center on an annual basis.

Behind this system have been two nonprofit organizations, the Philadelphia Workforce Development Corporation, which allocates most of the money, and the Philadelphia Workforce Investment Board Inc., which sets general strategy. Both are led by city appointees and are accountable to state funding agencies. For years, the performance of the two organizations received little attention from local elected officials, and their complicated division of roles sometimes led to confusion and impasses. In recent years, unpublicized state audits have found isolated problems with their financial controls.

That structure is now being changed, and a new strategy is being implemented. The development corporation and most functions of the investment board are to be combined under a single agency, Philadelphia Works Inc., which will formally take over by June 2012.

This report examines the workforce development system's performance, operations and challenges over the past several years—hard economic times in which increasing numbers of Philadelphians were looking for work. It is based on extensive interviews, a review of internal audits and reports, and a statistical comparison of the system's performance with that of similar, federally mandated programs in other regions.

Among the study's key findings are:

- Just 12 percent of the city's employers—half the average elsewhere in Pennsylvania—are registered to use this multimillion-dollar system, and many appeared to be unaware of its services. Some heavy users expressed satisfaction with the results. But others were unhappy with them, citing poor screening of job candidates and uncoordinated or unreliable service. A third of the system's own private-sector board members in recent years have not used it for their own businesses' hiring, with one of them stating: "It does not work." Officials promise a new emphasis on serving employers.
- Some job seekers said the system has lacked communication and follow-through with job seekers to help them make choices or find services. Some officials have agreed. At the same time, more job seekers have come to the workforce development system seeking help in recent years. The system's biggest programs—the Employment Advancement Retention Network (EARN) for public-assistance recipients and CareerLink for job seekers at large—reported a combined 107,800 people coming through their doors or logging in to their online career services in Fiscal 2011, which ended June 30, an increase of 19 percent from Fiscal 2008. Roughly 26,300 of them, mostly welfare recipients, received hands-on training or other intensive career support, an increase of 21 percent.
- Through Philadelphia's EARN Centers, the largest and most costly workforce development program in the state, 4,160 welfare recipients found jobs in Fiscal 2011. They represented a small fraction of this struggling population in the city. Through the EARN Centers, job seekers found paid employment just 25 percent of the time they went through an employment or training program in Fiscal 2011. The average in the rest of Pennsylvania was 31 percent. Philadelphia welfare recipients retained those jobs 52 percent of the time, compared with 55 percent elsewhere in Pennsylvania.
- Through the CareerLink network, Philadelphia job seekers not on welfare also found work at a rate below the average of other areas around the state. Among those who received workforce services in the city, 59 percent—about 2,500 people—got jobs in the 12 months ending September 30, 2010, compared with 72 percent in other parts of Pennsylvania. The six-month job-retention rates were 83 percent in Philadelphia and 87 percent elsewhere in the state. In relation to comparable big cities and regions around the country, Philadelphia's performance was below average in some measures, average or slightly above in others. Workers who had been laid off or faced layoff were less likely to get jobs after going through programs in Philadelphia than they were in the cities of Baltimore, Chicago and St. Louis. But laid-off workers retained their new jobs at roughly the same rate in Philadelphia as in those other cities. Compared to their peers elsewhere, Philadelphia adults who lacked skills or long work histories—not those laid off—had average or slightly higher-than-average job placement rates but slightly lower retention rates.
- For the four fiscal years ending June 30, 2011, the combined annual budgets of the Workforce Investment Board, the Workforce Development Corporation, and a third organization responsible for youth programs, the Philadelphia Youth Network, totaled \$493 million. The size of their combined full-time staffs ranged from 245 to 289 positions over those four years. In the current fiscal year, 2012, cuts in federal and state funds, on top of the expiration of federal stimulus funds, are expected to reduce their combined budgets by about 50 percent and positions by about 43 percent.

- After many years of inaction by elected leaders, officials are now restructuring the system—partly at the initiative of Mayor Michael Nutter—and say they intend to work to improve performance. Among the changes underway are a merger of the two nonprofit organizations, the contracting out of CareerLink services, and a new strategy to serve employers.

The other areas studied in this report were those including the cities of Baltimore, Chicago, Cincinnati, Cleveland, Kansas City, Mo., St. Louis, San Diego and Tucson, chosen mostly because of their similarity to the Philadelphia area in unemployment rate, educational attainment and occupational profile.

Any workforce development program, no matter how well run, would struggle in Philadelphia and most of the core cities in the comparison areas due to a fundamental mismatch between the education and skills of workers and the demands of local employers. Philadelphia has far more low-educated job seekers than it has low-skill jobs suitable or available for them. The job situation is not as bad for better-educated workers.

In Philadelphia and across the country, the public workforce development system provides a large, if sometimes overlooked, service to the local economy. Some experts have termed it a “second chance” educational system, picking up the pieces from struggling local schools. In a period of high unemployment, the performance of the Philadelphia system takes on added importance—as the system undergoes a restructuring designed to make it more efficient in meeting the needs of job seekers and employers alike. With steep budget cuts now taking effect, officials will get to find out how much difference these services make.

This report begins by describing the concept of workforce development and the mismatch between workers and jobs in Philadelphia. It then explains the structure and cost of the local workforce development system, and compares Philadelphia and several comparable metropolitan areas as to how well they actually helped people get and keep jobs in recent years. It then takes a closer look at the nature of the job seekers and employers who use the Philadelphia system, how that system is being restructured, and the challenges it faces.

## WHAT IS WORKFORCE DEVELOPMENT?

Three years of high unemployment have left Philadelphia residents, officials and community leaders clamoring for more jobs. It's a refrain heard in cities and states nationwide.

But what exactly can the public sector do to affect the city's labor market, especially during a recession? City officials can adjust business regulations or tax rates that might affect labor costs and hiring. They can use tax credits or financing to attract new businesses or keep existing ones from leaving. These tools all operate on the demand side of the labor market: the employers and companies that do the hiring.

Another element in job creation is the supply side: the workers themselves. The city's human capital is a key factor in producing jobs; employers want to set up shop where they can find the appropriate talent pool. Having the right labor force at the right price can mean the difference between growth and contraction for a business—and for a city's economy.

Preparing Philadelphia's current and future labor force for occupations likely to grow and connecting job seekers with existing jobs are economic functions that city officials can influence. The system at

their disposal is called “workforce development.” Broadly speaking, workforce development refers to activities that increase the skills, work competency, employment, job retention, and earnings of both employed and unemployed workers.<sup>1</sup>

The workforce development system is supposed to focus on both individuals and employers. While sometimes seen as a “human services” agency, the system is expected to perform economic-development, educational and social-service functions.

For example, the system helps working mothers find child care, coaches laid-off workers on rewriting their resumes, solicits job openings from employers, pays trainers and employers to teach workers new skills, and strategizes with industry executives on future labor needs.

On the job seeker side, customers include individuals voluntarily seeking help in finding jobs and recipients of public assistance required to seek help as a condition of receiving aid. On the employer side, customers range from hotels and hospitals to home-care providers and security firms—some of whom are required to post their openings publicly in return for tax credits or government grants. Most receive the services free of charge, although employers pay part of the cost of certain training programs.

## THE TALENT MISMATCH

To understand the city’s workforce development challenge, it is necessary to break down the supply of workers and the demand for them by education level and occupation.

According to Census Bureau surveys from 2008 to 2010, the average annual unemployment rate was 11 percent in Philadelphia and 7.3 percent in the 11-county metropolitan region.<sup>2</sup> The unemployment rate for people with high school degrees or less was 15.4 percent in the city and 11 percent across the region. Among those with bachelor’s degrees or higher, the rate was just 5.1 percent citywide and 3.9 percent across the region.<sup>3</sup>

A driving factor behind these differences is a mismatch between the skills of the unemployed and those demanded by employers; economists call this “structural unemployment.” The city, in particular, has a relatively high percentage of residents who do not qualify for many of the available jobs in the region based on their education or skill level. In the city, only about 23 percent of adults over the age of 25 have bachelor’s degrees or higher, a figure that is well below the national average.

In the current, sluggish job market, the mismatch has been quite evident. In the first three months of 2011, service-sector employers—who often can use workers with relatively little education—hired 3,400 fewer people than they did a year earlier in the five counties of Southeastern Pennsylvania. At the same time, professional-sector employers hired 700 more people, and employers in the educational sector hired 200 more.<sup>4</sup>

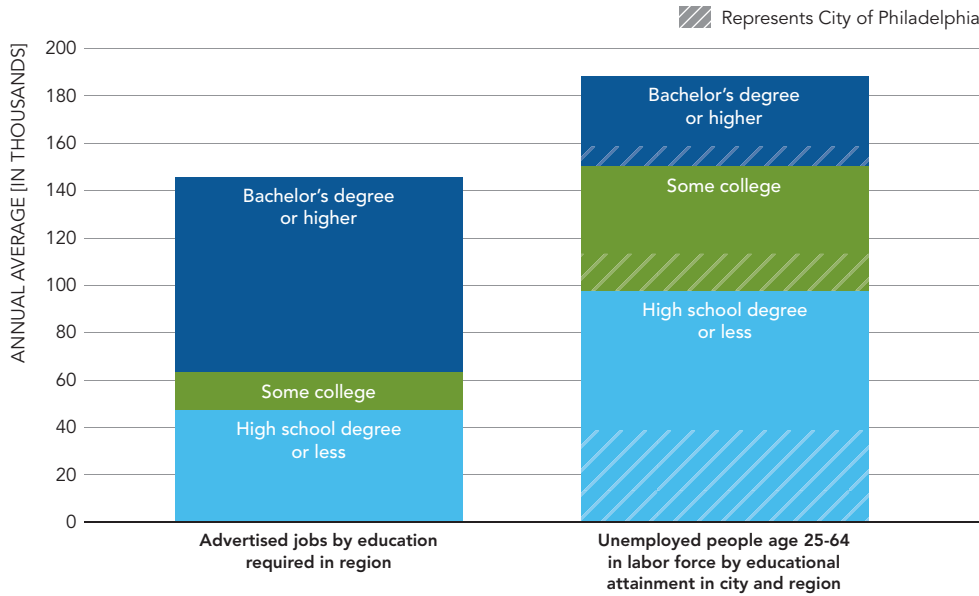
Online “help wanted” advertisements offer another insight into the mismatch problem. As Figure 1 shows, from 2008 through 2010, the average number of advertised jobs open to individuals with a bachelor’s degree or higher in the Philadelphia region was larger than the number of unemployed workers with such a background. But for people with a high-school degree or less, the number of advertised jobs was significantly smaller than the supply of unemployed workers. While job advertisements do not capture all the actual open jobs, they do illustrate the talent mismatch.

FIGURE 1

**MISMATCH BETWEEN JOB ADVERTISEMENTS AND JOB SEEKERS**

PHILADELPHIA REGION, ANNUAL AVERAGE 2008-2010

The mismatch between jobs and the skills needed to qualify for them can be seen by comparing the advertised job openings to the number of unemployed job seekers by educational attainment in the 11-county Philadelphia region. The box on top of the right-side column represents the estimated number of higher-educated job seekers who might be candidates for the advertised openings shown in the top box on the left-side column.



NOTE: This chart shows only the number of job openings advertised online, not the actual number of open jobs. Many low-skilled jobs are not advertised, and the actual number of job seekers may include employed as well as unemployed workers. The Philadelphia area includes Bucks, Chester, Delaware, Montgomery and Philadelphia counties in Pennsylvania; Burlington, Camden, Gloucester and Salem in New Jersey; New Castle in Delaware; and Cecil in Maryland.

SOURCES: Economic Modeling Specialists Inc.; Pennsylvania Center for Workforce Information and Analysis; American Community Survey 2008-2010.

The job-advertisement data also illustrate the mismatch by specific occupations. Across the Philadelphia region on average in recent years, there were roughly four unemployed sales people for each advertised sales job, and more than 10 job seekers for every advertised education-related job. In contrast, the number of health-care workers, such as physician assistants and medical-record technicians, roughly matched the number of jobs advertised. Unemployed computer workers, such as software engineers, also had a lot of job postings to choose from.

The job picture for Philadelphians with limited education and occupational skills should improve when the economy gets better, but only to a point, because the mismatch is not likely to go away soon. Although economists do not have a standard measure for local structural unemployment, recent studies by the International Monetary Fund (IMF) and the U.S. Federal Reserve have estimated that it may account for 1.5 to 2.5 percentage points of the national jobless rate. The IMF last year called structural unemployment a worsening problem and recommended, among other things, a greater public investment in "retraining ... employment services and job search assistance."<sup>5</sup>



## SYSTEM STRUCTURE AND COST

The public system to address workforce development in Philadelphia and many other places is a befuddling patchwork of federal, state, city and private agencies. It involves public and private funding streams and numerous programs run by separate staffs with distinct rules and sometimes overlapping services.<sup>6</sup> A Temple University sociologist once likened the system to a “bowl of spaghetti.”<sup>7</sup>

Two organizations dominate the system and spend most of the money designated for Philadelphia residents and businesses that might employ them across the region: the Philadelphia Workforce Investment Board Inc. and the Philadelphia Workforce Development Corporation. These organizations are in the process of being merged, with the goal of eliminating duplicative functions, centralizing control over their strategy and operations, and improving services for employers. The next section of our report describes their operations leading up to the restructuring. The changes underway are discussed on pages 27-29.

### Philadelphia's Workforce System Before Restructuring

Under the U.S. Workforce Investment Act of 1998, the country is divided into 640 “local workforce investment areas,” including one for the city of Philadelphia, eight others that cover most of the metropolitan region, and 23 across Pennsylvania. Each local area has to have an unpaid oversight board in order to receive funds from the U.S. Department of Labor—one of several funding streams.

The Philadelphia Workforce Investment Board (PWIB) was formed in 1999 with members appointed by the mayor. Its mandate is to review and approve local employment or training programs for three categories of individuals: adults over age 18 with little in the way of marketable skills or steady work history; dislocated workers who have been recently laid-off or face layoff; and youth aged 14 to 21 who lack the skills, education or opportunities to get jobs. The PWIB has 29 unpaid members and is chaired by David Donald, president of a private human resources firm.

PWIB has had its own nonprofit company, the Philadelphia Workforce Investment Board Inc. (PWIB Inc.), with a paid staff to analyze the labor market, help craft strategy, manage the board's activities, and support new workforce initiatives, such as the Graduate Philadelphia! campaign to encourage students to finish college. The same board members have overseen both organizations. These functions and some other elements will shift in the current restructuring process. The director of PWIB Inc. from 1998 until 2010 was Sallie A. Glickman. Its interim director is Meg Shope Koppel.

Under federal law, the local workforce investment area—in this case, the city of Philadelphia—also must have a fiscal agent to distribute money to programs and to account for the spending to state and federal agencies. In many other places in Pennsylvania and nationwide, this responsibility has been assigned to the local government or to an arm of the oversight board. Philadelphia instead gave this role to a separate nonprofit agency, the Philadelphia Workforce Development Corporation (PWDC). While PWDC's president has been appointed by the mayor, the corporation's board appointed its own members. Ernest E. Jones, who served as president from 1999 until his retirement in 2010, was an appointee of then-Mayor Edward Rendell. Mark Edwards, former executive director of the community-development philanthropy Local Initiatives Support Corporation, was named to succeed Jones by the current mayor, Michael Nutter.

## OTHER WORKFORCE PROGRAMS IN PHILADELPHIA

Apart from PWDC and PWIB, at least 10 other agencies and organizations—including some city offices—run workforce-related programs in Philadelphia using a mix of public and philanthropic funds. While not the focus of this report, these programs are part of the workforce development story in the city.

Among them are the Mayor's Office of Community Services' programs for hard-to-serve recipients of Temporary Assistance for Needy Families (TANF); the School District of Philadelphia's career programs; Community College of Philadelphia; the Philadelphia Housing Authority's basic skills training for public-housing residents; the Philadelphia Corporation for Aging's job-placement service for people 55 and older; the Philadelphia Prison System's GED preparation programs for inmates; and the Free Library of Philadelphia's career services and workshops, which provide computers and staff assistance to many city job seekers.

In addition, some federal workforce development programs, such as the Job Corps and the Brownfield Job Training Cooperative, operate in Philadelphia without any city or state involvement.<sup>8</sup>

On the employer side, the Philadelphia Industrial Development Corporation, a quasi-public agency, helps corporations that are considering a move into Philadelphia find job-training and hiring programs, which often include tax credits. The city's Commerce Department, led by Deputy Mayor Alan Greenberger, says it incorporates workforce development into its economic-development activities by making workforce issues part of its monthly "economic" strategy meeting for local agency heads.

In 2012, the new voter-approved Philadelphia Jobs Commission, initiated by City Council, is supposed to begin monitoring and issuing reports on the city's agencies, organizations and policies as they affect job creation.

The Philadelphia Youth Network Inc., an independent nonprofit organization, oversees career programs for people under 18, serving both as adviser to PWIB and manager of employment programs funded through PWDC. The network's board appoints its own members and its president, currently Stacy Holland. This report includes the Philadelphia Youth Network's budget in the overall cost figures for the workforce system but does not examine the network's programs, which face different challenges than those of programs for adults and dislocated workers.

The workforce program operators—the people who do the worker training and interact with employers—come in many forms. Federal guidelines encourage the fiscal agent, PWDC in Philadelphia, to hire outside companies or agencies to do the work rather than operate programs itself. But in some cases, PWDC has done just that; its own staff has helped run the city's CareerLink program over the past decade.

Here are some of the programs and functions run by PWDC, by PWIB Inc., or by subcontractors operating on their behalf:

**CareerLink:** As of mid-2011, PWDC operated four “one-stop” CareerLink offices responsible for specific neighborhoods, and it partnered with a fifth center that also specializes in serving Spanish speakers. At each office, job seekers can walk in and get help to write resumes, search Internet job listings, apply for jobs, attend employer presentations, apply for training slots or vouchers, or get referrals for other services ranging from literacy classes to help buying proper work attire. The one-stop office also provides “employer services” in its assigned neighborhoods, which include soliciting employers to post jobs and screening candidates for openings. Each facility has state employees working alongside PWDC employees. The one-stop locations are part of a state-run CareerLink network and Internet-based jobs service ([www.cwds.state.pa.us](http://www.cwds.state.pa.us)).<sup>9</sup>

**Business Services:** In coordination with each CareerLink office, a small staff at PWDC’s main office identifies businesses that have staffing needs, solicits job orders for the CareerLinks to fill, and negotiates and arranges on-the-job training contracts with companies. Besides filling jobs, PWDC helps employers, including companies thinking about moving into the city, with job-creation tax credits, immigrant-labor regulations, and labor market data.

**Industry Partnerships:** Also known as “sector-based” programs, Industry Partnerships give private employers more resources and control over talent development. In these programs, executives from companies in particular sectors across the metropolitan region take the lead in designing their own training regimens. Then, with a combination of corporate and state funds, training is provided for current employees as well as unemployed workers to meet the specific labor needs in that sector. In recent years, 11 Industry Partnerships have operated in the Philadelphia region and 67 statewide, organized around sectors such as health care and advanced manufacturing. The program, designed and supported by state agencies, has been hailed as one of the most innovative of its kind nationwide.

**Rapid Response:** This unit at PWDC provides training and job-placement services quickly to employees of a particular company that has signaled it will be laying them off.

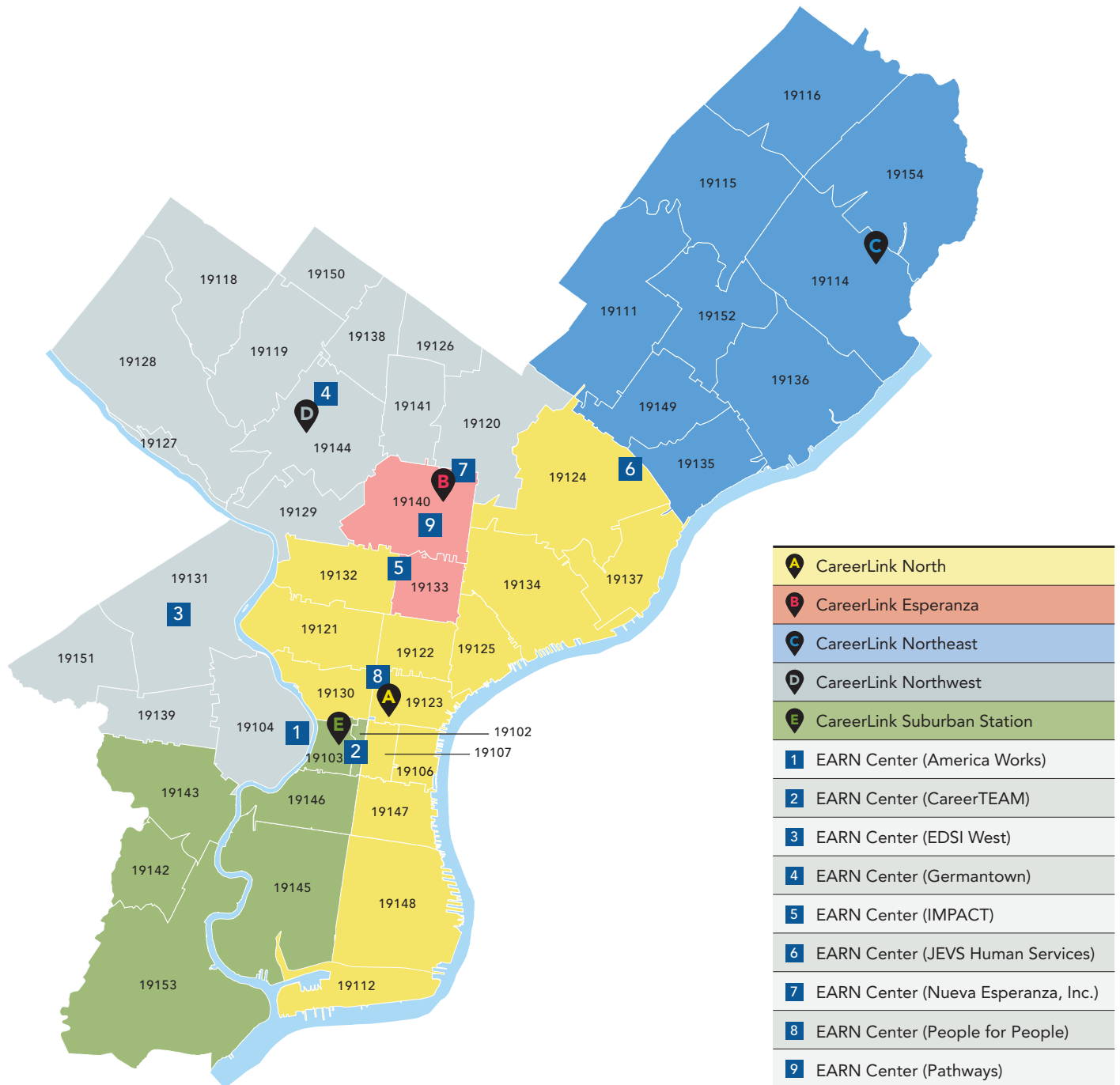
**EARN:** The Employment Advancement Retention Network program, PWDC’s largest, serves recipients of the federal welfare program, TANF, and has served recipients of Supplemental Nutrition Assistance Program (SNAP), commonly known as food stamps.<sup>10</sup> Tailored to unskilled and uneducated job seekers, EARN’s services include child-care and health-care support for working mothers, basic literacy and work-readiness courses, and entry-level job training programs. Philadelphia had nine EARN Centers and 23 satellite training locations as of mid-2011. The EARN Centers are not staffed with PWDC employees; the centers have been run by private contractors under PWDC’s management and funded by the state Department of Public Welfare.



FIGURE 2

CAREERLINK AND EARN CENTER LOCATIONS IN PHILADELPHIA

As of September 2011, the Philadelphia Workforce Development Corp. (PWDC) operated five CareerLink offices, each serving a different region of the city. In the map, the locations of the centers are designated by the letters A through E; the catchment areas served are shown by color. Separately, PWDC and the Pennsylvania Department of Public Welfare contract with private operators to run nine Employment Advancement Retention Network (EARN) centers. Those centers, which primarily serve welfare recipients, are designated here by the numbers 1 through 9 and are associated with public-assistance districts not shown on the map.



SOURCE: PWDC.

### Budgets and Staff Size

The combined annual budgets of the workforce investment board and the development corporation, plus the youth network, ranged from \$118 million to \$134 million in the four years ending June 30, 2011. See Figure 3.

The funding picture is complicated because the budgets of the three organizations overlap. PWIB Inc., for instance, spent a total of \$4.5 million in Fiscal 2011. But more than half of it came through PWDC's budget. Likewise, about two-thirds of PYN's \$33 million in funding in Fiscal 2011 came through PWDC and only about half in Fiscal 2012.

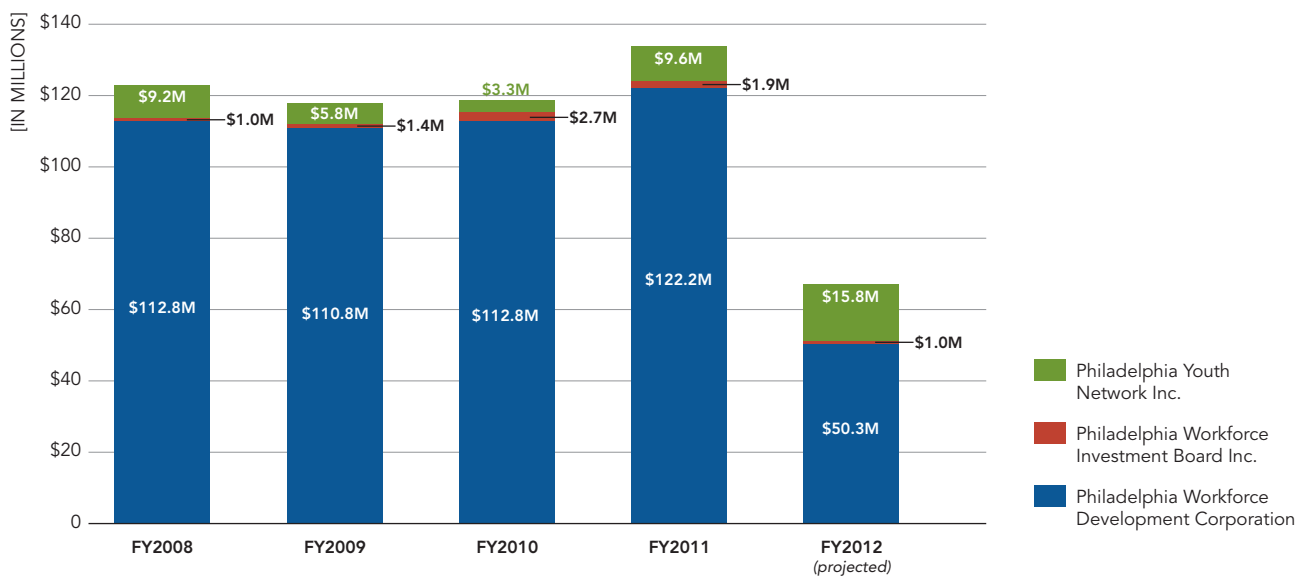
For Fiscal 2012, which began July 1, 2011, the combined spending was projected to fall 50 percent to an estimated \$67 million, due to deep budget cuts and expiration of federal stimulus funding.

FIGURE 3

#### ANNUAL PUBLIC FUNDING OF WORKFORCE DEVELOPMENT IN PHILADELPHIA

FISCAL YEARS 2008-2012

The vast majority of public funds spent on workforce development in Philadelphia goes through the Philadelphia Workforce Development Corporation (PWDC), the Philadelphia Workforce Investment Board Inc. (PWIB Inc.), and Philadelphia Youth Network, Inc. (PYN). Federal stimulus funds began in Fiscal 2010 and ended in Fiscal 2011, and projected Fiscal 2012 spending will drop sharply due to further federal and state budget cuts. In the figures used here, all public funds that initially came to PWDC are counted as part of PWDC's budget, even though some of that money was passed on to the other organizations. These totals exclude private donations from corporations or foundations, which accrue mostly to PWIB Inc. Figures also exclude programs not directly focused on employment or workforce, such as student academic programs at PYN.



SOURCES: Organization budgets.

The system's combined \$134 million spending in Fiscal 2011 exceeded the budgets of the Philadelphia Health Department (\$114 million) and Streets Department (\$110 million), which is responsible for picking up the trash and maintaining city streets. If it had been a city department, workforce development would have been the fifth largest behind police, fire, prisons and human services.<sup>11</sup>

In an average year, about 13 percent of this money is spent on salaries and administrative expenses to run the organizations. Another 11 percent goes directly to local employers or schools that hire or train job seekers. The remaining 76 percent goes to the program operators, trainers, and other organizations that provide direct services to individuals and employers.<sup>12</sup>

Services for welfare and food stamp recipients through its EARN Centers account for about three-quarters of the cost of Philadelphia's workforce development system. These individuals have the most extreme mismatch of skills to available jobs, the lowest job-placement rates and lowest average wages when they do get jobs.

Philadelphia spends about 20 percent of its workforce funds on all other job seekers, much of it through the CareerLink network. Once registered at CareerLink, a job seeker is asked to fill out a career plan. A specialist then assesses the individual's interests and skills, advises which jobs are plentiful or not, and decides whether the person merits an investment in training. Among the options are on-the-job training, in which employers are reimbursed for training new hires for up to six months, and Individual Training Account vouchers of up to \$6,000 for trainees to use on tuition. In deciding who gets the vouchers, specialists are instructed to look at job seekers not just in terms of aptitude and career path but also motivation: Are those job seekers likely to complete their training and not drop out or change their minds, thereby wasting the money?<sup>13</sup>

It was not possible to do a cost-benefit analysis of how much the programs pay off in higher long-term earnings and employability for participants. But the data indicate that Philadelphia has spent more per person on training and employment services than other areas in Pennsylvania. Among dislocated workers at CareerLink in Fiscal 2011, Philadelphia's cost was \$3,037 for each person who ultimately got a job, compared with the statewide average of \$1,386. In the adult category, the cost was \$2,664 per person in Philadelphia, compared with \$2,465 per person statewide.<sup>14</sup>

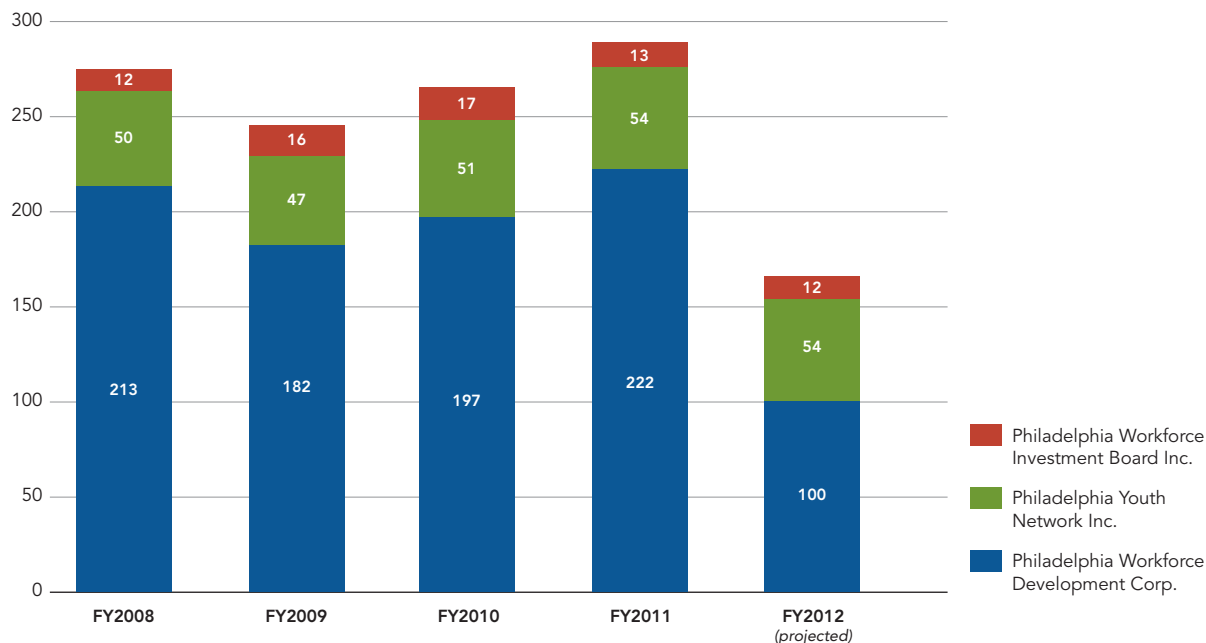
PWDC, PWIB Inc. and the youth network combined employed 289 full-time public employees in Fiscal 2011, a figure that also has fluctuated with changes in funding over the years. See Figure 4. In Fiscal 2012, officials projected the combined staffs would shrink by about 43 percent, due both to budget cuts and expiration of stimulus funds.

FIGURE 4

**FULL-TIME PAID POSITIONS IN PHILADELPHIA'S WORKFORCE DEVELOPMENT SYSTEM**

FISCAL YEARS 2008-2012

The number of full-time positions at the Philadelphia Workforce Development Corp. (PWDC), Philadelphia Youth Network Inc. (PYN) and Philadelphia Workforce Investment Board Inc. (PWIB Inc.) has fluctuated in recent years along with the budgets. These figures include paid staff positions that were funded with private funds or were part of non-workforce programs. Figures do not include contract employees at the EARN Centers or employees of state agencies working alongside PWDC employees in the CareerLink and EARN Centers. The figures exclude 29 unpaid board members at PWIB.



SOURCES: Organization budgets.

## OUTCOMES

How well have the system's employment and training programs helped Philadelphia adults get and hold jobs? Part of the answer can be found by comparing Philadelphia to the rest of Pennsylvania and to comparable metropolitan regions on two key measures:

- **Job placement:** For the EARN Centers, which serve welfare recipients, this is the percentage of unemployed people who got a job while enrolled in an employment or training program. For CareerLink, it is the percentage who got a job within a three-month period of finishing a program. The rate indicates how well the system connects job seekers with employers.
- **Job retention:** For EARN Centers, this is the percentage of employed enrollees still working after six months. For CareerLink, it is the percentage of all participants—unemployed, or employed but struggling or facing layoff—still employed within six or nine months of finishing a program. This measures how well the system guides or prepares workers for sustainable employment.

The federal and state governments use these measures, plus others looking at average earnings, to gauge the outcomes of workforce development programs. The numbers are generally used to determine whether a local system needs extra guidance or oversight, not whether it should continue to receive funds.<sup>15</sup>

Based on these data, we found that the Philadelphia system's largest program—its EARN Centers mostly for TANF recipients—has performed below the rest of the state in job placement but closer to the average in job retention. The Philadelphia CareerLinks, compared with counterparts in Pennsylvania and similar urban areas across the country, have been above average in some measurements, below average in others.

### EARN Customers

The mission of Philadelphia's EARN Centers is to take the most-employable adults among thousands of uneducated low-income people, most of whom have been receiving TANF, and help them make transitions to "economic self-sufficiency" and employment.

Federal and state laws define employment fairly broadly for TANF recipients. "Work activity," according to the regulations, can include paid positions with subsidized wages, "paid-work experience" positions akin to on-the-job training, and traditional paid jobs. Qualifying work activity also includes participating in programs that offer basic education, workplace readiness, community service or work-study through an EARN Center. For our study, we focused on paid jobs.

As Figure 5 shows, individuals enrolled at Philadelphia EARN Centers landed paid jobs about 25 percent of the time that they went through an EARN Center in Fiscal 2011 (from July 2010 to June 2011), which some did more than once. That amounted to 4,160 people, more than in any other Pennsylvania workforce area. But the city's placement rate trailed the 31 percent average among all other Pennsylvania counties, and the gap between Philadelphia and the rest of the state has grown in the last three years.<sup>16</sup> Throughout the period, placement rates in both the city and state fell as the economy struggled to create new jobs.

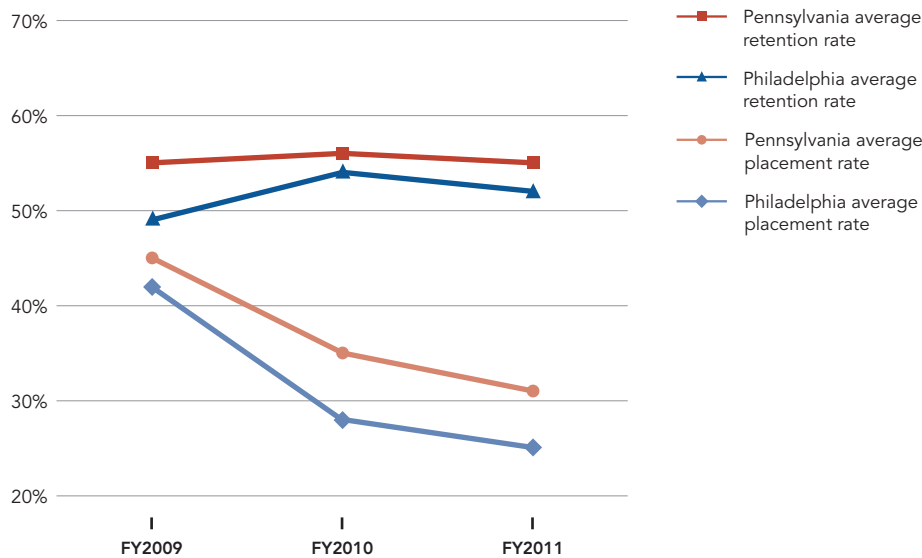


FIGURE 5

**JOB-PLACEMENT AND JOB-RETENTION RATES THROUGH EARN CENTERS**

PHILADELPHIA AND PENNSYLVANIA, FISCAL YEARS 2009-2011

Philadelphia's EARN Centers, which provide employment and training services primarily for TANF (Temporary Aid to Needy Families) recipients, had lower job-placement and job retention rates than the average in the state's other workforce areas. In total numbers, Philadelphia, which serves about half of the state's TANF population, placed 4,160 individuals in jobs in Fiscal 2011, the largest number of all local workforce programs in the city or state. The Pennsylvania statistics in the graphic do not include Philadelphia. Rates are for career-development programs at neighborhood EARN Centers and exclude work-support and human-service programs.



SOURCE: Pennsylvania Department of Public Welfare's Bureau of Employment and Training Programs.

Figure 5 also shows that roughly half of those workers—52 percent in Philadelphia and 55 percent elsewhere in Pennsylvania—retained their jobs for at least six months. Those job-retention rates remained mostly flat through the recent recession.

On both measures, though, the city and other counties have failed to meet the state's target of 70 percent. The city, which serves roughly half of Pennsylvania's TANF recipients and has the highest unemployment rate among the state's 23 workforce areas, also has fallen short on the broader work-activity target rates. That has prompted closer state oversight of its operations. The Philadelphia system's director, Mark Edwards, called the state's target rate unrealistically high and said the city's rate matches or exceeds most other states' targets.

Training paid off initially for EARN enrollees who learned new skills or got certifications for jobs in demand, such as certified nurse assistant. The trainees had markedly higher job placement rates—64 percent in Fiscal 2011—than enrollees overall. However, their 52 percent job-retention rate was the same as for other enrollees. Comparable figures for other areas were not available.<sup>17</sup>

The outcome of one Philadelphia program illustrates the challenge of trying to raise both job placement and retention during hard economic times. In May 2010, city and state officials created a program called “Way to Work Philadelphia!” using federal stimulus funds for TANF recipients and other low-income job seekers. The mission was to pay local employers to hire people, on the theory that it was better in a downturn to give money to employers to create jobs rather than to the unemployed to find jobs.

The staffs of the CareerLink and EARN Centers signed up employers and placed about 13,000 people into jobs with wages paid by stimulus funds. But most of the employers had told system officials in advance that they had no intention of keeping the workers permanently. After funding ran out in September 2010, nearly all were laid off.<sup>18</sup>

### CareerLink Customers

Philadelphia’s CareerLink centers, like all such centers around the country, are required under federal law to serve anybody who enters their doors.

When registering for services, each job seeker is classified into one of three groups: youth who lack job prospects; dislocated workers who have been laid off or face layoff; and adults who lack marketable skills or basic competency to get or keep a job.

In the 12 months ending September 30, 2010, 59 percent of the individuals in both the adult and dislocated worker categories—about 2,500 people—found jobs after getting training or career services in Philadelphia. That compared with 72 percent in all other areas statewide.

About 83 percent of these laid-off and adult job seekers in the Philadelphia system were still employed six months after finishing a program, compared with 87 percent elsewhere in the state. Their average monthly earnings were \$2,209 in Philadelphia; the statewide average was \$2,300, according to state data.<sup>19</sup> For each of those measures, the city met the target rates as negotiated between local and state workforce officials each year.

### COMPARISON AREAS

In order to select the local workforce-development systems that would provide the fairest comparison to Philadelphia’s, the Philadelphia Research Initiative compiled several key economic variables—educational attainment, unemployment rates, labor participation, and occupational mix—for the 60 biggest U.S. metropolitan regions. Then we ranked all metros according to these variables. The regions that ranked closest to Philadelphia were (in alphabetical order) Baltimore, Chicago, Cincinnati, Cleveland, Kansas City, Mo., St. Louis and Tucson. We added San Diego after learning that its workforce system was to be the model for Philadelphia’s restructured system. We identified 25 federally designated local workforce investment areas (WIA’s) within these regions, including nine in the Philadelphia area. Using U.S. Department of Labor local WIA data for 2006-2009, we then compared the performance of all of the WIAs to the Philadelphia city WIA for this report. The analysis was performed by Chris Kingsley, a researcher who is now senior associate for data initiatives at the National League of Cities.

However, compared with other cities and metropolitan areas around the country, based on federal data, Philadelphia's workforce development system has had a mixed record. For instance, in the 12 months ending September 30, 2009, the last year that we reviewed for comparison purposes, the average laid-off worker coming through Philadelphia's CareerLinks had less success finding a job than did dislocated workers in most of the other areas.<sup>20</sup>

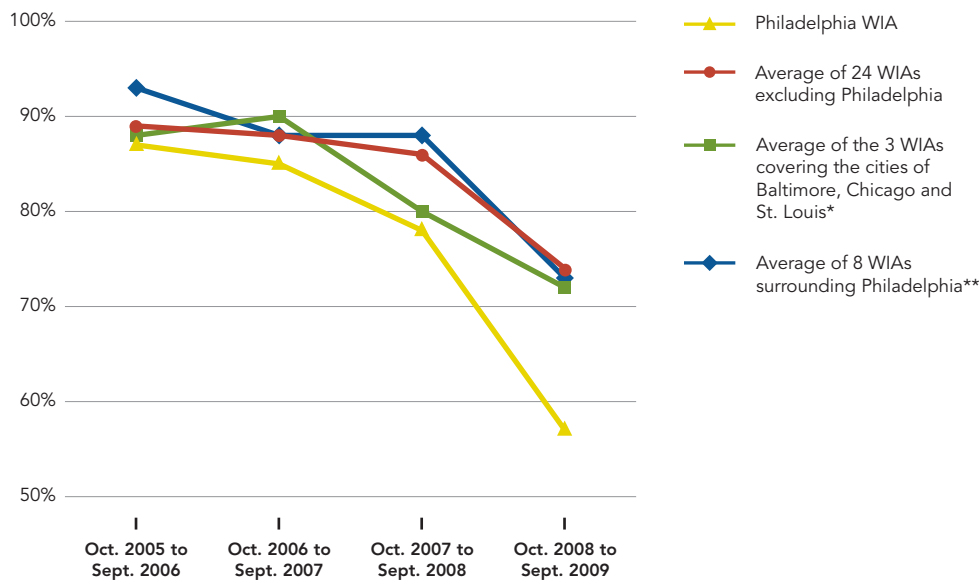
As Figure 6 shows, dislocated workers in Philadelphia had a lower job-placement rate than those in Baltimore, Chicago and St. Louis—the other cities for which rates could be isolated in the federal data. Philadelphia's job-placement rate also fell more rapidly than in most of those areas between 2006 and 2009. And its rates consistently trailed those of neighboring counties in the Philadelphia region.<sup>21</sup>

FIGURE 6

**DISLOCATED WORKER JOB-PLACEMENT RATES**

**PHILADELPHIA VS. OTHER AREAS, 2006-2009**

From 2006 through 2009, dislocated workers in Philadelphia got jobs through CareerLink at a rate below the average rates of three other major cities and 24 other workforce investment areas (WIAs) studied in this report. Dislocated workers are defined as job seekers who have been laid off or face layoffs. Job placement reflects the percentage of people who were unemployed at the start of an unemployment or training program and who got a job within the three-month period after they finished the program.



\* The three WIAs from core areas are the Baltimore Mayor's Office of Employment Development, the Chicago Workforce Investment Council, and the St. Louis Agency on Training and Employment. Like Philadelphia, they do not serve suburban job seekers. In certain years, one or more of the three comparison cities performed worse than Philadelphia. But each one performed better than Philadelphia overall.

\*\* Bucks, Delaware, Chester and Montgomery counties in Pennsylvania; Camden, Gloucester, Burlington and Salem/Cumberland in New Jersey.

NOTE: WIAs typically match the borders of one or more counties in a metropolitan region.

SOURCE: U.S. Department of Labor WIASRD public files.

Philadelphia officials attributed the falloff in job placements for dislocated workers primarily to the effects of the recession and a spike in laid-off job seekers coming in to CareerLink after their unemployment benefits expired in 2009. "It's certainly something we struggled with, placement during a recession," said Meg Shope Koppel, the interim PWIB director.

The Philadelphia region and all of the comparison areas suffered drops in the total number of jobs over the four years for which data was analyzed. The declines ranged from 8 percent in the Cleveland area to 1 percent in metropolitan Kansas City, according to the federal Bureau of Labor Statistics. The Philadelphia area's 4 percent drop was about average for the group.

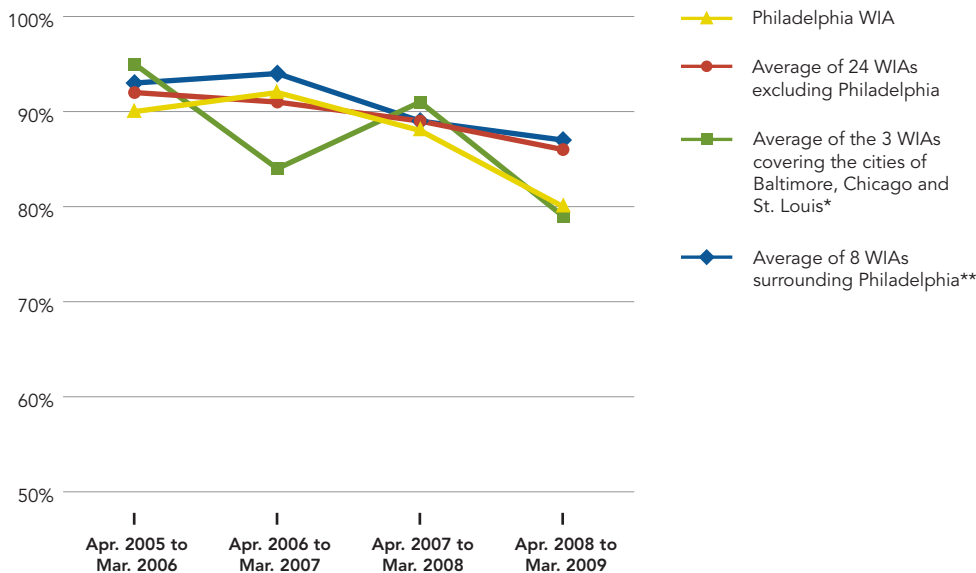
On job retention for dislocated workers, Philadelphia's performance was better. As shown in Figure 7, a dislocated worker in Philadelphia had almost the same chance of holding onto his or her job for up to nine months as did workers in other urban areas. On the whole, the job-retention rates for the 25 areas in this study did not vary greatly from each other during the period studied.

FIGURE 7

**DISLOCATED WORKER JOB-RETENTION RATES**

**PHILADELPHIA VS. OTHER AREA AVERAGES, 2006-2009**

From 2006 to 2009, dislocated workers in Philadelphia held onto jobs at roughly the same rate as the average for the 24 other workforce investment areas (WIAs) studied. Dislocated workers are defined as job seekers over age 18 who have been laid off or face layoffs. Job retention reflects the percentage of all people—unemployed or not—who registered for a program and were reported working six to nine months after finishing a program.



\* The three WIAs from core areas are the Baltimore Mayor's Office of Employment Development, the Chicago Workforce Investment Council, and the St. Louis Agency on Training and Employment.

\*\* Bucks, Delaware, Chester and Montgomery counties in Pennsylvania; Camden, Gloucester, Burlington and Salem/Cumberland in New Jersey.

NOTE: WIAs typically match the borders of one or more counties in a metropolitan region.

SOURCE: U.S. Department of Labor WIASRD public files.

Higher-performing areas for dislocated workers included those covering Baltimore, Cleveland and Kansas City, Mo. Among other distinguishing factors, those workforce systems attracted and served more job seekers with bachelor's degrees and fewer with only high-school degrees.

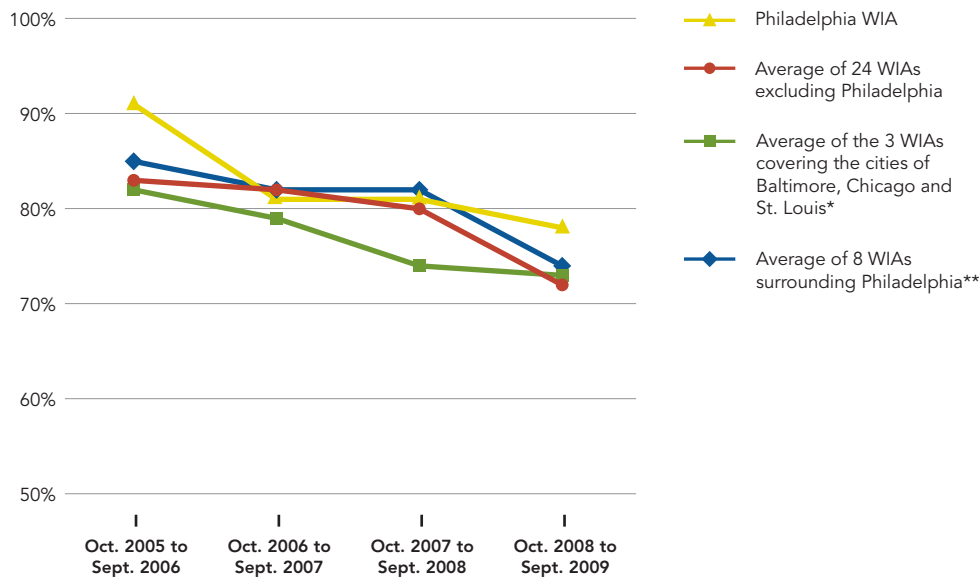
In the other adult category, there was a different story. These mostly low-skilled Philadelphia adults had relatively high success in getting jobs but less success in holding on to the positions. As shown in Figure 8, about 78 percent of unemployed adults in the city got jobs after going through CareerLink in 2008-2009, compared with 72 percent in the other areas of the country studied for this report. But as shown in Figure 9, only 74 percent of the Philadelphia system's enrollees were still employed within nine months, below the 80 percent level in the other areas.<sup>22</sup>

FIGURE 8

ADULT JOB-PLACEMENT RATES

PHILADELPHIA VS. OTHER AREA AVERAGES, 2006-2009

In the years 2006 through 2009, people in the adult category in Philadelphia got jobs at a rate above or near the average rate of the three other major cities studied and the averages of all 24 other workforce investment areas (WIAs). Adults are defined as people over age 18 who lack marketable skills or steady job histories. Job placement reflects the percentage of people who were unemployed at the start of an unemployment or training program and who got a job within the three-month period after they finished the program.



\* The three WIAs from core areas are the Baltimore Mayor's Office of Employment Development, the Chicago Workforce Investment Council, and the St. Louis Agency on Training and Employment.

\*\* Bucks, Delaware, Chester and Montgomery counties in Pennsylvania; Camden, Gloucester, Burlington and Salem/Cumberland in New Jersey.

NOTE: WIAs typically match the borders of one or more counties in a metropolitan region.

SOURCE: U.S. Department of Labor WIASRD public files.



OUTCOMES FOR ALL 25 WORKFORCE INVESTMENT AREAS STUDIED, SHOWN IN AN ONLINE INTERACTIVE CHART, CAN BE FOUND AT [www.pewtrusts.org/philaresearch](http://www.pewtrusts.org/philaresearch).

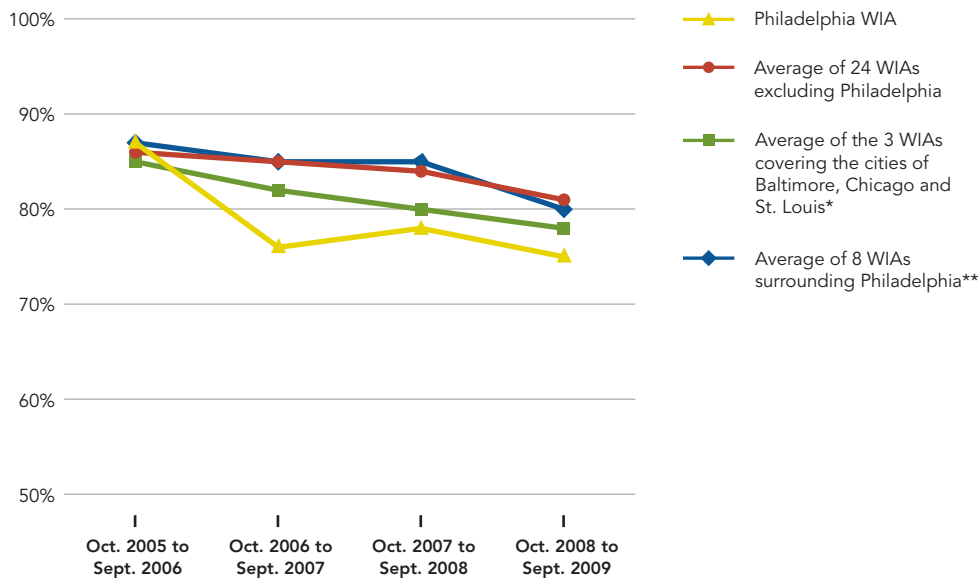
CareerLink officials said the pattern reflects “job jumping,” in which adult job seekers take a succession of short-time jobs and sometimes end up back in need of help. Officials said the pattern stemmed partly from their own concerted push in 2009 to put as many people as possible into jobs, with less emphasis on retention. The Philadelphia system also has struggled in providing sufficient training for these individuals to improve their long-term job prospects, rather than to take low-end jobs.

FIGURE 9

**ADULT JOB-RETENTION RATES**

PHILADELPHIA VS. OTHER AREA AVERAGES, 2006-2009

In the years 2006 through 2009, people in the adult category in Philadelphia generally held onto jobs at a rate below the average rate of the three other major cities studied, although Chicago’s rate was about the same as Philadelphia’s. The Philadelphia rate also was below the average of the 24 workforce investment areas (WIAs) studied. Adults are defined as job seekers who lack marketable skills or steady work histories. Job retention reflects the percentage of all people—unemployed or not—who registered for an unemployment or training program and were reported working six to nine months after finishing it.



\* The three WIAs from core areas are the Baltimore Mayor’s Office of Employment Development, the Chicago Workforce Investment Council, and the St. Louis Agency on Training and Employment.

\*\* Bucks, Delaware, Chester and Montgomery counties in Pennsylvania; Camden, Gloucester, Burlington and Salem/Cumberland in New Jersey.

NOTE: WIAs typically match the borders of one or more counties in a metropolitan region.

SOURCE: U.S. Department of Labor WIASRD public files.

CareerLink staff are allowed to be selective about who receives the limited training vouchers or on-the-job training slots, based on their assessment of an individual's aptitude and motivation. Training is supposed to be for occupations that are stable or expanding, as determined by the Industry Partnerships or state-generated "hot jobs" data. According to PWDC data, in the past three years, 36 percent of enrollees got training in health care fields and 16 percent in transportation or warehousing, both labeled as growth sectors. On the other hand, about 6 percent of Philadelphia training was in the construction field, despite a dearth of jobs there.<sup>23</sup>

Federal data show that laid-off workers in Philadelphia who got any kind of training or upgrading of skills—classes to learn a new trade, a certificate in a skill, or placement with an employer teaching new skills on the job—tended to do better than those who did not get training. They had higher job placement, retention and average earnings over the years studied. In 2009, when placement rates for most workers were going down, the rate for dislocated workers who got training held steady, although their job retention rate was slightly lower.

In contrast, trainees in the adult category still had less success getting jobs than did people who did not get any training, although the retention rates were roughly the same for both. Officials said the pattern reflects the fact that adults with some skills can skip training and still get low-end jobs, if only for a short time, while those with no marketable skills and low literacy struggle to find work even with training.

## THE JOB SEEKERS

Behind these job-placement and job-retention statistics were laid-off teachers, struggling single mothers, factory workers about to lose their jobs, returning Iraq and Afghan war veterans, and high-school dropouts, among many others. In all, nearly 107,800 Philadelphia adults received some level of public-funded employment service under the mantle of workforce development in Fiscal 2011. That was an increase of 19 percent since Fiscal 2008.<sup>24</sup>

Nearly a quarter of them, 26,267, were enrolled at EARN Centers or registered through CareerLink to receive intensive or hands-on services, such as career counseling or specialized training. That was an increase of 21 percent from Fiscal 2008.<sup>25</sup> The rest used CareerLink to check online job listings or get general job information, without registering for more intensive services. The figures do not include people served by youth programs.

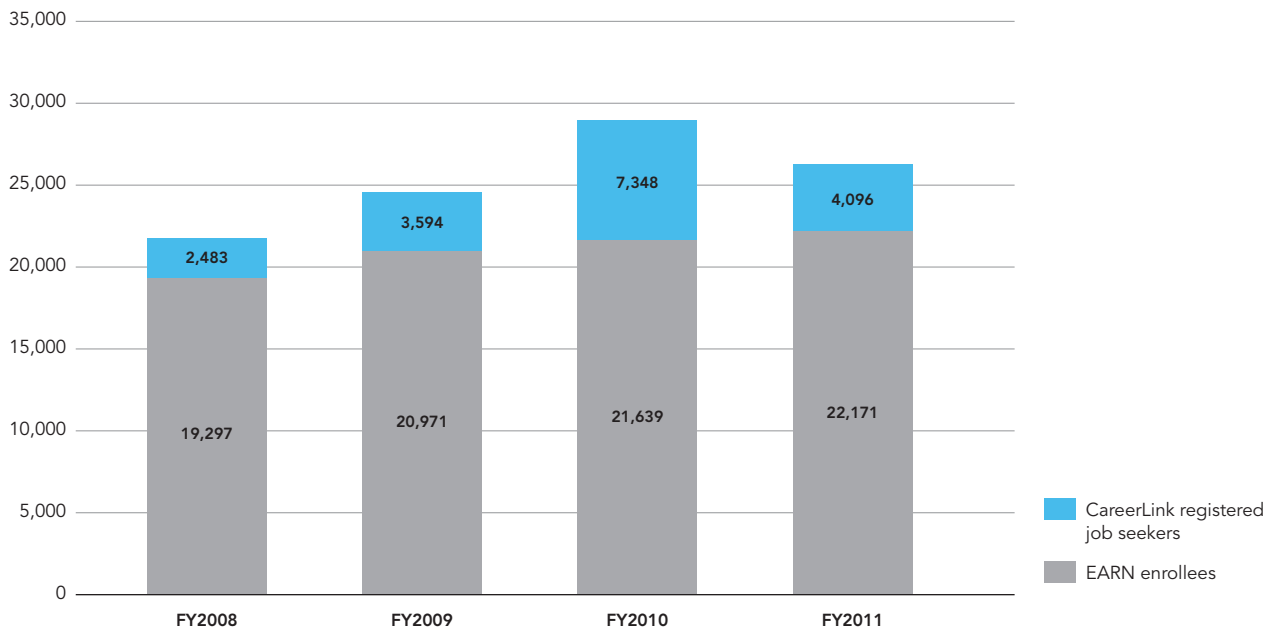
As Figure 10 shows, the vast majority of adults receiving hands-on services in recent years have been the TANF or food stamp recipients who go to EARN Centers. Federal law requires TANF recipients to engage in a "work activity" in return for receiving assistance. A TANF recipient typically is assigned by the state's Department of Public Welfare to an EARN Center for a specific kind of support or training. In Fiscal 2011, the department sent 22,171 Philadelphia residents to the centers for job-readiness and support services, the highest number in the four years studied. The remaining 4,096 were registered for services through CareerLink.

FIGURE 10

INDIVIDUALS RECEIVING INTENSIVE SERVICES AT EARN AND CAREERLINK CENTERS

FISCAL YEARS 2008-2011

The number of people enrolled in employment and training programs at the city's EARN Centers and registered for intensive services through CareerLinks grew steadily in recent years, due to the recession, extra stimulus funds, and an effort to register more people who come to the CareerLink centers. The figures shown here exclude many people seeking less-intensive, basic services at the CareerLink centers or at the state-run CareerLink website ([www.cwds.state.pa.us](http://www.cwds.state.pa.us)).



SOURCE: PWDC.

Dislocated workers—those who had been laid off or were about to lose their jobs—constituted the biggest group of people registered for intensive services through Philadelphia’s CareerLink offices in Fiscal 2010.<sup>26</sup> In previous years, the biggest group had been the adults who lack skills or substantial job histories. Officials attributed the shift to the recession and to their concerted efforts starting in 2009 to register more of the people walking into the CareerLinks.

A new Pennsylvania law taking effect in 2012 will bring even more laid-off workers into the system if unemployment rates remain high, posing an additional challenge.

At the same time, compared to the other workforce-investment areas around the country, Philadelphia’s registered job seekers have been slightly less educated. Roughly 7 in 10 job seekers at the CareerLinks reported having only high school degrees or less, compared with an average 6 in 10 in the other areas studied. Nearly all the enrollees at the EARN Centers had only high school degrees or less. In both programs, the job seekers were more poorly educated than the city labor force as a whole.<sup>27</sup>

### LINKING UNEMPLOYMENT BENEFITS TO WORKFORCE DEVELOPMENT

Starting in 2012, jobless workers in Pennsylvania, after registering for unemployment benefits, must go to CareerLink in 30 days unless they can prove they are actively looking for work. If they do not go, they risk losing their unemployment checks. The state was one of the last in the nation to adopt such a requirement.

Workforce development officials said planning was underway for how to deal with the additional job seekers. It is not clear how many there will be, or their skill and educational levels.

Veteran Careerlink directors said they welcomed the new law as a way to get more jobless people into training and employment programs who, for a variety of reasons, were not doing so before. "You have to force people to do something sometimes," said Joseph P. West Jr., administrator of CareerLink Northwest in the city's Germantown section.

Said Nicki Woods, administrator of CareerLink North, the city's busiest: "When there are no parameters put on people, some of them may collect until the week that their benefits expire. I believe a required work search will send a message of urgency to all claimants to seek services that can help connect them to job and training opportunities."

Basic competency is part of the problem. Among the job seekers getting intensive services or training at CareerLink in recent years, about one out of three—nearly 1,200 people in Fiscal 2011—were referred to city-run adult literacy courses to get the rudimentary reading, writing, math and learning skills that employers require even for low-skill jobs. Comparable figures were not available for the EARN Centers, and their target population has lower education levels. Comparable figures also were not available for other regions in this study. Philadelphia's workforce board has deemed the problem of low literacy to be so severe that it helped fund a campaign to highlight the issue.<sup>28</sup>

CareerLink also serves two other groups with distinctive needs; 3,446 veterans and 869 released prisoners sought assistance in Fiscal 2011.<sup>29</sup>

Fifty-four percent of CareerLink job seekers were women, and about a third of the job seekers were between age 30 and 44—the largest single age group. This pattern mostly matched those in the comparable areas studied.<sup>30</sup> The demographic profile of EARN Center enrollees in Philadelphia was not available, although most TANF recipients are women.

### Job Seeker Challenges

In preparing this report, we interviewed numerous job seekers and system officials. Many of them faulted CareerLink for a lack of communication and individual follow-through with job seekers to help them make choices or find services. In addition, an officially-commissioned consultant's report cited complaints from job seekers about "poor overall customer service, a lack of support in addressing their needs, little follow-up/poor communication, [and] difficulty navigating and finding services."<sup>31</sup>

Officials acknowledged the problems and said they intend to address them. One weakness cited by CareerLink directors themselves was their inability to give job seekers more individualized attention, due to staff layoffs. Facing further budget cuts, one director said he has been trying to recruit volunteers to handle job seekers' Internet questions, freeing staff members to spend time with individuals discussing training options and career plans.

Another issue at CareerLink in Philadelphia is its desire to attract a greater number of better-educated and better-skilled job seekers, and tailor services both for them and the employers who might want them. Even though it was created to work with the entire community, the system mostly has served poorly educated or low-skilled workers. The mix could change now that a lot of people receiving unemployment benefits will be compelled to register for services. Some top officials and advocates said that targeting more of the system's training dollars to people with stronger job prospects would raise the system's success rates and, in turn, raise its value to employers and workers alike.

"The fact is that laid-off skilled people don't come in to the CareerLinks," said Eric Nelson, who served briefly as PWIB Inc.'s executive director before leaving in 2011. "They don't become part of the pool of workers that we can offer to a business. ... What we want is a mixed-use, mixed-income community. That's what I think we need, so we can meet a broader need of the business community."

This notion, sometimes known as "creaming" job seekers with the best prospects, is controversial because it differs from the traditional approach of focusing primarily on the neediest people who often have lower job prospects.

PWDC's Edwards agreed that the system's performance might improve if it served more such workers and added: "We're a public system and we have to achieve a balance."

## THE EMPLOYERS

Under the 1998 federal workforce-investment law, Congress mandated that programs such as CareerLink serve employers as well as job seekers, helping them find the workers they need. It required that the chair and a majority of the local workforce investment board come from private-sector companies that hire locally.<sup>32</sup>

However, the system in Philadelphia has struggled to attract the vast majority of city employers to use its services, and some employers have shunned the system. The consultant's study called the system's business services operation "underdeveloped and inconsistent" and stated that "many employers have turned elsewhere to find workers with needed skills and experience."<sup>33</sup>

In the year ending June 30, 2011, 3,974 city-based employers were registered to use the city's CareerLink system for hiring or other business services. That was an increase from previous years. However, the number represented just 12 percent of all city employers, according to our calculations, and only a fraction of them actually hired from the system. By comparison, the average employer-registration rate for all other Pennsylvania workforce areas was about 25 percent.<sup>34</sup> Although em-



employers can get advice without registering for services, employer registration is a key indicator of the system's responsiveness to businesses and its ability to deliver the workers they need. (A comparable employer rate for Philadelphia's EARN Centers was not available, although the centers appeared to serve at least as many employers in the city as did the CareerLink network.)

Among the employers using CareerLink in each of the four years studied were the Center City District, SEPTA, Bayada Nurses, Verizon, Kraft Foods Inc., Aramark and Walmart. The employers hiring regularly from the EARN Centers also included Aramark and Bayada Nurses, plus ShopRite, McDonald's, Fresh Grocer and Allied Barton Security Services. Most of the employers who used the system regularly were looking to fill lower-skilled positions that often have high turnover.<sup>35</sup>

Thousands of other employers did not use the system. Many appear to have been unaware of the system's training services for employers, or believed all services were for low-income job seekers, according to our interviews. The consultant's study and a PWIB-commissioned survey of local businesses in 2010 reached similar conclusions. The latter reported: "The work of the workforce system is known by very few of the [employers] we talked to. It's still a best-kept secret; after sharing information from the CareerLink website, interest began to build in each group."<sup>36</sup>

In interviews, several of the system's frequent users gave it high marks. Brown's Super Stores, which operates 10 ShopRite groceries in the region, said it filled a variety of store positions with EARN Center enrollees trained by Abo Haven Inc., a contractor to PWDC. "It almost pre-screens them, they show up every day, and they do what they're supposed to do, unlike people off the street," said Marie Wagner, the company's human resources director.

Aramark's senior director of talent acquisition, Christine Bond, said CareerLink "has been very good about identifying strong candidates ... who fit the criteria we have."

On the other hand, Citizens Bank asked a few CareerLink offices in 2004-2005 to assist in recruiting candidates for bank teller jobs, which require high-school degrees and no criminal records. But after conducting interviews with many candidates screened by CareerLinks as well as community organizations, the bank seriously considered only a few. A former project administrator for the bank speculated that this could have been due to a lack of basic skills among candidates, or poor screening by the CareerLinks and organizations, or both.

The Delaware Valley Industrial Resource Center, an economic-development corporation focused on regional manufacturing, said it has had "mixed success" with local workforce boards across the Philadelphia region. In 2008, the association and several boards failed to agree on funding for a new regional training program to fill machinist and other positions—skills in high demand despite the overall decline in manufacturing jobs. Separately, its clients have reported that CareerLink employer-service staffs are well intentioned but "don't have a good handle on business in general and ... manufacturing issues in particular," the center's executive vice president, Anthony J. Girfalco, said in an interview.

CareerLink encountered a related problem in 2009 when it joined a state-led project to train people in Philadelphia for jobs in home weatherization. It trained about 60 people, many without construction experience, only to find that employers preferred people with construction experience. About 20 got jobs right away; later, more got hired but only after getting additional training or going

through other placement programs. “The state didn’t canvass employers, or didn’t canvass the right employers, or it was over-optimistic,” said Lisa Derrickson, a PWDC administrator who oversaw the program.

In each case, some degree of planning and follow-through with employers was lacking. PWDC’s director of business services, Basil P. Gordon III, said his staff’s performance has improved in recent years but acknowledged that better coordination with employers is needed—something Edwards said is coming.

The system’s Industry Partnerships program is designed to avoid such problems by putting employers in charge of training decisions from the beginning. State and local officials credit the partnerships with improving their ability to guide workforce development programs and improving each industry’s own retention and advancement rates. Among the Industry Partnerships in recent years in the Philadelphia area, officials said, the most active and effective has been focused on health-care companies such as hospitals. One of PWDC’s most successful vendors, the District 1199c Training and Upgrading Fund, helped pioneer the sector-based strategy. Independent studies have found that workers in such programs had higher earnings and job retention rates than people who received other workforce development services or none at all.<sup>37</sup>

According to Girifalco of the industrial resource center, such partnerships have helped some of the workforce development systems “move beyond looking or feeling like a social-service agency and to act more like an orchestrator or facilitator or intermediary for positive change and innovation, within the constraints of the system.”

### **Board Members’ Use of the System**

PWIB’s volunteer private-sector board members, while required by law to be senior-level executives of companies that hire locally, are not required to use the system in their own hiring. Several system officials and some board members said they would like to see more members set an example by using the system.

To determine whether PWIB board members have used the CareerLink or EARN Centers in their own hiring, the Philadelphia Research Initiative looked at the board rosters and the programs’ logs of employers receiving services for the years 2008 through 2011. There were 34 private-sector employers represented on the board at various points during that period, all appointed by Mayors John Street or Michael Nutter.

Twenty-two of the 34 members’ companies used either CareerLink or EARN Center services at some point while their executives served on PWIB. Many used the services once; others used them routinely, among them Comcast, Verizon, the Temple University Health System, Drexel University and Aramark.<sup>38</sup>

We interviewed three long-time PWIB board members whose companies did not use CareerLink or recently had stopped using it. One of them was Phil Barnett, senior vice president at PECO Energy Co., which last used CareerLink in 2008, although it has continued recruiting through the EARN Centers. Barnett said he wondered whether PECO could make more use of CareerLink.

"If we look at whom PECO hires, a lot are engineers who go through line-school training," he said. "They go through technical training. But where we hire 'call center' people, there ... is more of an opportunity to work with the workforce system on recruiting and training. So in addition to thinking about it, I've been trying to start some conversations at PECO."

Donna Allie, president of the cleaning service Team Clean Inc., has served on both the PWIB and the PWDC boards at different points since 2006. She said her company, which employs more than 700 people, still hires EARN Center enrollees. But she said the quality of referrals from CareerLink had deteriorated in recent years. "Yes, we should be using it," she said. "But it doesn't work. Although we're board members, we don't have all the answers."

Myrna Toro, president of Synterra Ltd., a landscape design firm, has not hired from the system since joining PWIB in 1999. "I'm a small company that has been blessed to have the same employees. We have not had the need [to hire from the system.] But I would if I had the need. ... If you're not on the board to use the system that you're overseeing, what sense is there of being on the board?"

Charles Pizzi, a PWDC board member in 2001 while he was president of the Greater Philadelphia Chamber of Commerce, questioned the criteria for selecting PWIB board members: "If I put you on the board of a public company, I want you to hold stock. So they should only have people on the board who have experience of using the system. ... Seems pretty fundamental."

No one who was interviewed about the issue said board members should be required to use the system, since they all serve voluntarily. But not using the system "sends quite a message to the business community. It's important for workforce investment boards to utilize and market the services of their local workforce systems," said Nicki Woods, administrator of CareerLink North.

Joseph Frick, chairman of the new Philadelphia Works Inc., which will manage the system moving forward, said: "Let's optimize the system, so that [board members] will use the system. ... We all realize that if we have an opportunity to provide a practical pragmatic demonstration that this system can work, that board members should be ready to do it."

## RESTRUCTURING THE SYSTEM

Since its founding, the Philadelphia Workforce Investment Board has been the official overseer of the Philadelphia Workforce Development Corporation and the city's workforce programs. But in practice, PWDC held ultimate control as the funder of PWIB Inc. and as operator or manager of the programs. These crossed lines of authority often led to confusion and sometimes stymied efforts to guide or improve the system, according to officials of the organizations and state agencies working with them. This configuration was the only one of its kind in Pennsylvania.

In early 2009, an audit by the state's Department of Public Welfare found that the PWDC's financial controls "were not effective and could not be relied upon" for overseeing its program contractors. It said that PWDC had not accounted properly for tens of thousands of dollars in gift cards intended for job seekers and a half-million dollars paid to a vendor, and had paid erroneously for a job seeker's car and a vendor's staff party.<sup>39</sup>

Other audits in 2009 alleged that two EARN Center vendors had billed PWDC improperly or fraudulently for a total of about \$4 million. In 2010, an internal report by two state departments—Labor and Industry, and Public Welfare—said that the overbilling "could have been prevented if appropriate monitoring had been undertaken by PWDC." The report also said that PWIB Inc. had overpaid some of its vendors over the preceding three years by relatively small amounts and had improperly paid for meals and moving expenses for some staff.<sup>40</sup>

These previously unreleased documents, which the Philadelphia Research Initiative obtained through Pennsylvania's Right-to-Know process, did not allege malfeasance by system officials. And both organizations had pledged to repay any funds to the state. In interviews, Jones, Glickman and other officials described the infractions as unintentional or minor and emphasized that any shortcomings in fiscal controls had been fixed.

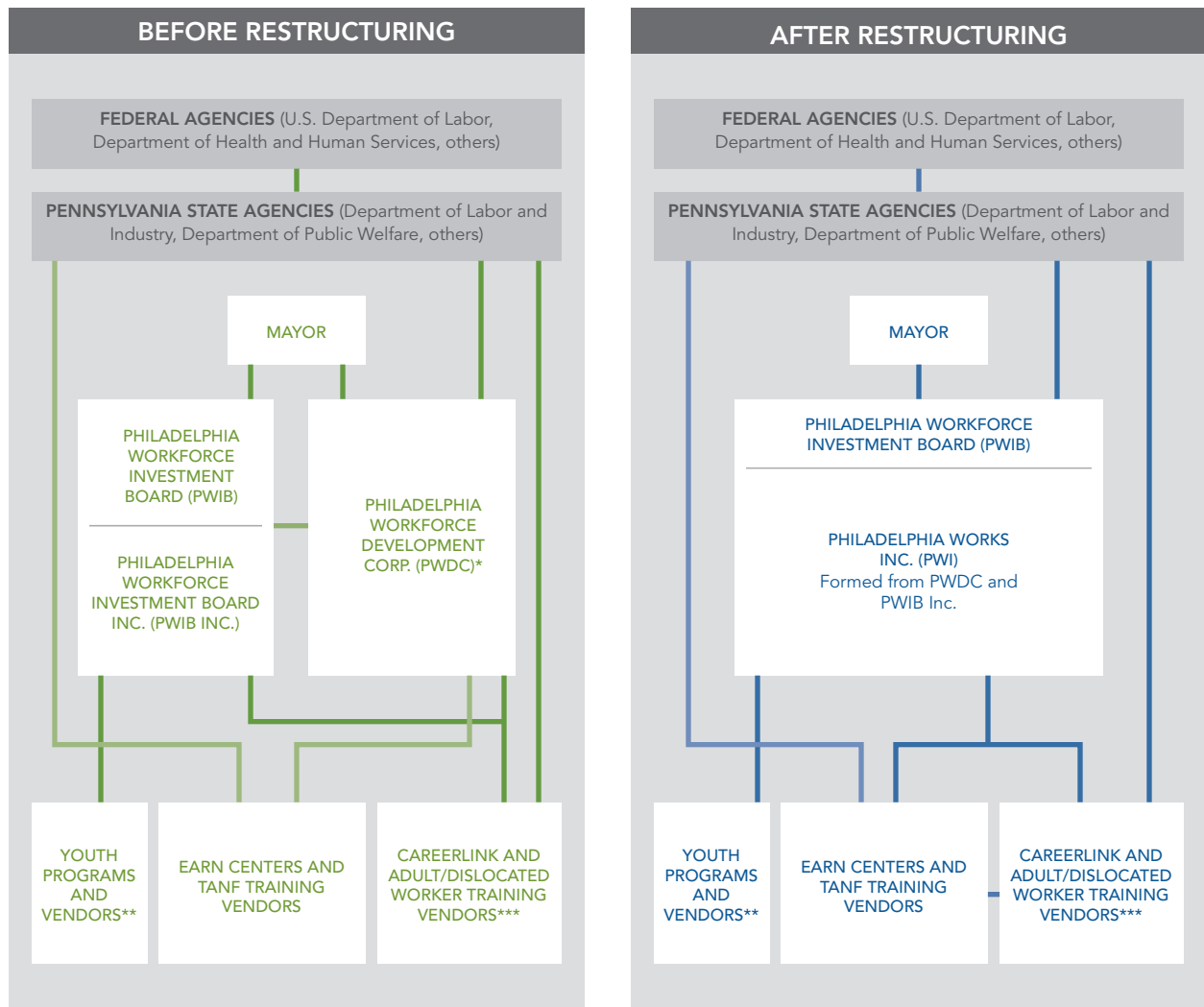
In 2010, Jones signaled that he intended to retire after a decade leading PWDC. The administrations of Mayor Nutter and then-Gov. Rendell initiated a restructuring process that started with the replacement of Glickman at PWIB Inc. and the appointment of a "transitional" board for PWDC. A study by the Michigan-based consulting firm Corporation for a Skilled Workforce, commissioned at Nutter's urging, concluded that the system suffered from "structural and programmatic gaps, lack of a comprehensive system structure, duplicative administrative systems, and unclear and/or inconsistent messages related to oversight, governance and policy direction."<sup>41</sup> The system's job-placement and job-retention rates were not a primary focus of the restructuring.

In July 2011, Nutter announced a plan to merge PWDC and PWIB Inc., while leaving intact the investment board's oversight function, a structure based loosely on that used in San Diego. The merged nonprofit entity, Philadelphia Works Inc. (PWI), will give the system unified leadership for the first time in a decade. Joseph Frick, a former CEO of Independence Blue Cross, has been appointed chairman of PWI. The difference between the old and new structures is laid out in Figure 11.

FIGURE 11

**PUBLIC GOVERNANCE AND FUNDING IN THE PHILADELPHIA WORKFORCE SYSTEM**

These charts give a partial view of the complex governance authority and flow of funds within the Philadelphia workforce development system before and after the restructuring now underway. For years, the system's leadership has been divided among different organizations. In the new structure, the mayoral-appointed Philadelphia Workforce Investment Board, an unpaid oversight body, will retain its federally required distinct role within the system. But its supporting organization, the Philadelphia Workforce Investment Board Inc. (PWIB Inc.), will merge with the Philadelphia Workforce Development Corp. (PWDC), the current fiscal agent and program operator, to become Philadelphia Works Inc. Not shown in these charts are the PWIB's strategy-setting function and various roles played by the Philadelphia Youth Network Inc. and several government agencies.



\*This box includes the Philadelphia Workforce Development Corporation Board Inc., a leadership board with members from PWDC and PWIB Inc.

\*\*Youth programs are provided and managed by the Philadelphia Youth Network Inc. (PYN), which also staffs the Philadelphia Council on College and Career Success, which in turn fulfills the federally mandated role of "youth council."

\*\*\*CareerLink in Philadelphia is governed by the CareerLink Consortium of Philadelphia, which is made up of PWDC, Pennsylvania Dept. of Public Welfare, Pennsylvania Dept. of Labor and Industry, and Greater Philadelphia Chamber of Commerce.

SOURCES: PWDC; Corporation for a Skilled Workforce.

## A CONSULTANT'S RECOMMENDATIONS

In 2010, PWDC hired the Corporation for a Skilled Workforce to study the Philadelphia system. In addition to recommending the PWDC/PWIB Inc. merger and the revamping of services for businesses, the Michigan-based consultants suggested these reforms in their July 2011 report:

- Have the mayor play a “visible and supportive” role in rebuilding the system, and together with PWIB articulate a “clear vision” for the system, aligned with the city’s economic development and educational activities.
- Create an employer services committee within PWIB to set clear goals for serving employers; initiate a marketing campaign for the system’s business services using social media and other platforms; pursue new partnerships with business associations to promote services for employers; and encourage specialization in each CareerLink center around a particular industry or business type.
- Hire or assign a director of quality assurance to take charge of improving customer service and satisfaction and hire outside firms to conduct rigorous “customer satisfaction” assessments among job seekers and employers.
- Improve the system’s already-strong research and performance-measurement capability to include new “scorecards” showing comprehensive data on all programs and customers, and make more of the data publicly accessible.

Unified leadership is expected to reduce confusion and allow for more policy direction from city and state officials. All the programs are to be contracted out, including CareerLink, which officials cited as a major change. They also hope to integrate with the EARN Centers for welfare recipients, a long-debated move that requires state approval. Nutter said his goal is a system with “no wrong door” for job seekers or employers.

Business Services will undergo major changes. PWDC President Edwards said a greater emphasis will be put on organizing on-the-job training programs with employers. Officials hope to better coordinate the soliciting of employers for job openings, a practice singled out for criticism by the restructuring study. Officials are also trying to shorten the PWDC’s 16-page packet of forms required of prospective employers.

On top of the restructuring, Edwards said budget cuts were forcing staff reduction and organizational changes, including the permanent elimination of some senior management positions and the closing of one CareerLink office and several EARN Centers.

## CONCLUSION

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For Philadelphia residents and leaders looking for ways to increase employment in a tough economy, the publicly funded workforce development system is a significant tool at their disposal. But it faces many challenges. The system has suffered from a cumbersome leadership structure, low utilization by local employers, and average or below-average performance in helping job seekers get jobs and keep them.

For most of the past decade, elected leaders, both in Philadelphia and in Harrisburg, did little to address the problems. That has changed. City and state officials have launched a restructuring effort and announced their intentions to address many of the difficulties. Among the challenges are:

- Increase employers' awareness of the services available through the workforce development system, while enhancing those services so that more employers utilize them.
- Improve customer service for job seekers, with the goal of attracting a broader mix of educational and skill backgrounds that could appeal to employers.
- Manage the programs more efficiently in the face of a severe reduction in federal and state funding, a possible increase in job seekers needing help, and a restructuring process that is sure to disrupt the organization.
- Tailor training and employment programs for maximum impact in a city with a wide mismatch between the skill levels of workers and the demands of the available jobs.
- Keep Philadelphia's elected leaders focused on the workforce development system and its potential to help upgrade the city's labor force in a time of economic uncertainty.

Improving performance will not be easy. The system, which is undergoing major budget cuts, will continue to be hampered by a larger societal problem—the mismatch between the skills required for the jobs available in the region and the skills possessed by the city residents who need work.



## ENDNOTES

- <sup>1</sup> U.S. Workforce Investment Act of 1998, Public Law 105-220. See also David H. Bradley, "The Workforce Investment Act and the One-Stop Delivery System," Congressional Research Service, January 10, 2011.
- <sup>2</sup> U.S. Census Bureau OnTheMap. About 38 percent of jobs in the city are held by non-residents, and 42 percent of the city's labor force work outside of the city.
- <sup>3</sup> U.S. Census Bureau American Community Survey 2008-2010, unemployed in the labor force for the population aged 25 to 64. Figures differ slightly from official unemployment rates compiled by the U.S. Bureau of Labor Statistics, which surveys all ages.
- <sup>4</sup> "New Hires" data from Pennsylvania Department of Labor and Industry's Fast Facts report for Bucks, Chester, Delaware, Montgomery, and Philadelphia counties.
- <sup>5</sup> Marcello Estevão and Evridiki Tsounta, "Has the Great Recession Raised U.S. Structural Unemployment?" IMF Working Paper, May 2011. Narayana Kocherlakota, "Back Inside the FOMC," Federal Reserve Bank of Minneapolis, President's Speech, September 2010.
- <sup>6</sup> U.S. Government Accountability Office, "Multiple Employment and Training Programs: Providing Information on Colocating Services and Consolidating Administrative Structures Could Promote Efficiencies," GAO-11-92, Washington, D.C., January 2011. This study found that 47 employment-and-training programs were being run by nine federal departments in 2009, and that 44 of the programs overlapped with at least one other program in their target populations for service.
- <sup>7</sup> David Bartelt, "Workforce Systems Change in a Politically Fragmented Environment," in *Workforce Development Politics: Civic Capacity and Performance*, edited by Robert Giloth. Philadelphia: Temple University Press, 2004.
- <sup>8</sup> Job Corps is a direct program of the U.S. Department of Labor, and its Philadelphia information was found at <http://philadelphia.jobcorps.gov>. The brownfields job-training grants are provided by the Environmental Protection Agency.
- <sup>9</sup> Philadelphia's CareerLinks are governed by a consortium that includes the Philadelphia Workforce Development Corporation (PWDC), the Greater Philadelphia Chamber of Commerce, the Pennsylvania Department of Labor and Industry's Bureau of Workforce Development Partnership and its Office of Vocational Rehabilitation as well as the Pennsylvania Department of Public Welfare.
- <sup>10</sup> EARN Centers allotted 5 percent of training slots to recipients of food stamps until Fiscal 2011, when the slots were closed and reserved only for TANF recipients.
- <sup>11</sup> City of Philadelphia Five-Year Plan, Fiscal 2012-2016.
- <sup>12</sup> Audited Financial Statements of Philadelphia Workforce Development Corporation, Fiscal Years 2007, 2008, 2009, 2010.
- <sup>13</sup> Figures and description provided by PWDC officials in interviews.
- <sup>14</sup> Department of Labor and Industry, Bureau of Workforce Development Partnership; Department of Public Welfare, Bureau of Employment and Training Programs.

- <sup>15</sup> The federal government has established these three “common measures” for gauging the performance of adult and dislocated-worker programs: job placement, job retention through the third quarter after finishing a program, and average earnings through the third quarter after finishing a program. (A different set of measures is used for youth participants.) Local areas are allowed to use or add additional measures. The Philadelphia system has used a variety of measures and has been considering additional ones.
- <sup>16</sup> Statewide rates calculated by the Pennsylvania Department of Public Welfare, Bureau of Employment and Training Programs; number of individuals placed in jobs provided by PWDC.
- <sup>17</sup> PWDC figures.
- <sup>18</sup> Interviews with PWDC officials Susan J. Gutschow and Daisy D. Rosa. See also “Stimulus at Work in Philadelphia: Mayor’s Quarterly Update on the Recovery Act,” April 2011.
- <sup>19</sup> Pennsylvania Department of Labor and Industry Annual Report to the U.S. Department of Labor, Program Years 2006-2010. In this report, rates for 2010 come from state data and are calculated differently than rates for 2007-2009, which come from federal data.
- <sup>20</sup> U.S. Department of Labor, Workforce Investment Act Standardized Record Data (WIASRD), Public Files, Program Years 2005-2009.
- <sup>21</sup> WIASRD Public Files. Out of the 25 workforce investment areas (WIAs) in this study, four exactly match the borders of the cities at their core. The remaining 21 WIAs extend beyond the city borders or cover suburban or exurban areas surrounding the cities.
- <sup>22</sup> Under federal guidelines, the rates of job placement and job retention are calculated from two different but overlapping groups of people. For job placement, only people who were unemployed when they enrolled in an employment program are counted. For job retention, all people who enrolled in any workforce program are counted—whether they were employed or not at the time.
- <sup>23</sup> PWDC, “WIA Adult and Dislocated Workers Quarterly Report Components,” Fiscal 2008-2011. See also “Hot Jobs in Philadelphia: 2010,” Philadelphia Workforce Investment Board.
- <sup>24</sup> PWDC data for TANF and WIA participants.
- <sup>25</sup> PWDC, “WIA Adult and Dislocated Worker Quarterly Report Components,” Fiscal 2008-2011; WIASRD Public Files.
- <sup>26</sup> WIASRD Public Files; Pennsylvania Department of Labor and Industry Annual Report to the U.S. Department of Labor, Program Years 2006-2010.
- <sup>27</sup> WIASRD Public Files; U.S. Census Bureau American Community Survey. Workforce officials caution that educational attainment is self-reported by job seekers and may overstate their actual education levels.
- <sup>28</sup> Interviews with author and review of data from the PWDC’s Quarterly Components reports. The board initiative, Excel Philadelphia, in partnership with private advocacy groups, produced several reports and commissioned a study of the low-literacy problem. The statistical estimate concluded that a half-million Philadelphians had only enough literacy and number skills to qualify for about 211,000 jobs in the city.
- <sup>29</sup> PWDC, “WIA Adult and Dislocated Worker Quarterly Report Components,” Fiscal 2008-2011.

- <sup>30</sup> WIASRD Public Files.
- <sup>31</sup> Corporation for a Skilled Workforce, "Strategic Assessment—Philadelphia Workforce System," 2011.
- <sup>32</sup> U.S. Workforce Investment Act of 1998. See also Christopher J. O'Leary, Robert A. Straits and Stephen A. Wandner, "U.S. Job Training: Types, Participants, and History," Kalamazoo, Mi.: W.E. Upjohn Institute for Employment Research, 2004.
- <sup>33</sup> Corporation for a Skilled Workforce, "Strategic Assessment—Philadelphia Workforce System," 2011.
- <sup>34</sup> Percentages are based on the number of employers registered in the Commonwealth Workforce Development System (CWDS) database used by CareerLink and maintained by the Pennsylvania Department of Labor and Industry, Bureau of Workforce Development Partnership. To make these calculations, we took the total number of employers from the U.S. Bureau of Labor Statistics' Quarterly Census of Employment and Wages. In all of the datasets, employer location is based on the on zip code of record.
- <sup>35</sup> For CareerLink, employer data was taken from the "WIA Adult/DW Quarterly Report Components," Fiscal 2008-2011. For EARN Centers, raw data listing names of employers provided by PWDC.
- <sup>36</sup> Right Management Inc. This report is contained in the appendix of the Philadelphia Workforce Investment Board's (PWIB) June 2010 quarterly board report.
- <sup>37</sup> Sheila Maguire, Joshua Freely, Carol Clymer, Maureen Conway and Deena Schwartz, "Tuning In to Local Labor Markets: Findings From the Sectoral Employment Impact Study," Public/Private Ventures, 2010.
- <sup>38</sup> PWDC, "WIA Adult and Dislocated Worker Quarterly Report Components," Fiscal 2008-2011.
- <sup>39</sup> Pennsylvania Department of Public Welfare, Bureau of Financial Operations, "Audit of PWDC Fiscal Year 2008," May 13, 2009.
- <sup>40</sup> Pennsylvania Department of Labor and Industry and Department of Public Welfare, "Report from the Commonwealth of Pennsylvania to the Philadelphia Workforce Development Corporation on Fiscal Accountability and Financial Controls," September 2010.
- <sup>41</sup> Corporation for a Skilled Workforce, "Strategic Assessment—Philadelphia Workforce System," 2011. In order to launch the restructuring, the Nutter administration had to obtain the formal agreement of PWDC board members to let the mayor appoint a new PWDC board. Previously, the mayor only had power to appoint the PWDC's president.

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*Serving Employers, Helping Job Seekers and Fixing the System*

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