

# Research and Evaluation Brief

Facts, figures, and insights for workforce development practice and policy

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## Benefits of a Sector-Based Approach

### REPORT FOCUS

*Business Impact of Sector Initiatives: A Review of the Research*

### Defining sector initiatives

Sector initiatives are industry specific efforts to examine and address an industry's needs. They bring together multiple firms to address common issues, key to that industry's survival or growth. Often these initiatives address systemic workforce issues. When they do, they typically involve education and skills training, placement and advancement services for workers and/or job seekers, and may additionally involve organizational restructuring, marketing, and support service development. Sector projects seek to improve job quality and job prospects for workers, as well as alter the labor market in a particular industry to better serve businesses and workers.

### Business Impact

Sector initiatives have generally been created under the auspices of workforce development organizations, meaning that their development and implementation is often restricted by public funding guidelines and regulations. Projects have traditionally been evaluated using workforce development success indicators such as numbers of participants enrolled, on the demographic background of participants, number of successful training completions, wage levels at start and completion of training, and sometimes retention rates of employees six months after program completion. While such data are useful, they do

not provide a clear picture about how such initiatives benefit employer partners or the industry as a whole. This lack of evidence on the business impact has hindered the development and/or sustainability of sector initiatives.

Reviews of sectoral strategies in the mid 1990's and more recent evaluations of sector projects have identified the following **advantages for businesses**:

1. **Reduced turnover:** Investment in workers' skills and improved job opportunities leads to less turnover as workers tend to stay with the company longer. The Asian Neighborhood Design project increased retention in the building trades from 75% to 81% for participants placed by the program.<sup>1</sup> Evaluation of a nursing home quality improvement project in Wisconsin found increased retention for certain occupations when comparing pre- and post-intervention rates and a declining rate of turnover compared with rates of other facilities. For other occupations nurse retention rates increased from 64% to 82%; the decline in the retention rate for LPNs was only 3% compared with 12% at other facilities.<sup>2</sup>
2. **Improved operations:** Businesses have discovered improvements in a number of areas, including enhanced production, improved quality and competitiveness, increased modernization, and better relations between labor and management. The Garment

1. Maureen Conway and Marshall Bear, Asian Neighborhood Design, A Case Study of a Sectoral Employment Development Approach, The Aspen Institute, June 2000, p. 55.

2. Robyn I. Stone et al, Evaluation of the Wellspring Model for Improving Nursing Home Quality, Institute for the Future of Aging Services, American Association for Homes and Services for the Aging, August 2002.
3. Mark Elliott and Elisabeth King, Labor Market Leverage, Public/Private Ventures, Winter 1999, p. 7.
4. Maureen Conway and Marshall Bear, Asian Neighborhood Design, A Case Study of a Sectoral Employment Development Approach, The Aspen Institute, June 2000.
5. Beth Siegel and Peter Kwass, Jobs and the Urban Poor: Publicly Initiated Sectoral Strategies, Mt. Auburn Associates, November 1995.
6. Jeffery W. Thompson et al, Focus: HOPE, A Case Study of a Sectoral Employment Development Approach, The Aspen Institute, December 2000, p. 53.

- Industry Development Corporation in NY helped garment manufacturers modernize their plants by addressing both capital and labor force issues. These interventions impacted firms’ productivity positively and preserved employment opportunities for workers.<sup>3</sup>
3. **Upgraded skills:** Businesses benefit from a more highly trained workforce and workers are able to move up into higher level positions. The Boston Research and Training Institute provided training in computers, administration, research, and customer service for low-wage hospital workers. Several participating employees were subsequently promoted.
  4. **Hired workers:** Industry input into the development of training programs produces graduates with skills that match industry needs. The Asian Neighborhood Design, targeting the building trades in San Francisco, provided such high quality job training that companies hired 91% of the graduates.<sup>4</sup>
  5. **Realized cost savings:** Because sector projects target multiple employers in an industry, developing training programs to meet their needs is more cost effective than programs tailored to meet the needs of only one firm. Also, community-based partners can save companies money through recruitment and screening of candidates.<sup>5</sup> The Bio-manufacturing Training Consortium in Massachusetts provided cost savings through joint company recruitment and training strategies, partnering with a One-Stop Career Center and community based organizations.
  6. **Created networks:** A big impact for businesses is the

building of networks among firms in a sector and the organizations/companies that interact with that sector. These networks have led firms to share information and discover opportunities where collaboration will benefit all companies. For example, some projects provide training for both suppliers and production companies, creating a network of skilled workers in an industry at all levels.

7. **Increased diversity in the workplace:** Sector projects often focus on increasing the job prospects for minorities and low-income residents. Focus: HOPE, a sector project in Detroit for machinist-related occupations in the metalworking industry, worked with General Motors and others to encourage more African-Americans and women to enter a field dominated by white men.<sup>6</sup>

**Impact for workers and job seekers**

A prime purpose of many sector projects is to improve the job prospects or quality of jobs for low-wage workers, either by increasing access to good jobs or improving the jobs they already hold. Many sector projects have not been operating long enough to determine the long-term effects on workers. However, the findings thus far show positive effects for workers and job seekers, including:

*Table 1: Selected examples of sector-based training initiatives*

Nationwide:		Massachusetts:	
Project	Industry	Project	Industry
Focus: Hope Detroit, MI	Metalworking	Extended Care Career Ladder Initiative	Long-term care
Project Quest San Antonio, TX	Multiple	Information and Telecommunication Technology	Information Technology
Asian Neighborhood Design San Francisco, CA	Building Trades	Boston Health Care and Research Industry Training Institute	Health Care
New Century Careers Pittsburgh, PA	Manufacturing	Southeast Mass Consortium Manufacturing	Manufacturing

7. Lily Zandniapour and Maureen Conway, Closing the Gap: How Sectoral Development Programs Benefit the Working Poor, SEDLP Research Report No. 2, The Aspen Institute, July 2001, p. 8.
  8. Amy Blair, Measuring Up and Weighing In, The Aspen Institute, Sector Policy Project, Executive Summary No. 3, March 2002.
  9. Ibid.
  10. Mark Elliott et al, Gearing Up: An Interim Report on the Sectoral Employment Initiative, Public/Private Ventures, September 2001, pp. 16-17.
  11. Lily Zandniapour and Maureen Conway, Closing the Gap: How Sectoral Development Programs Benefit the Working Poor, SEDLP Research Report No. 2, The Aspen Institute, July 2001, p. 10-11.
  12. Paul Osterman and Brenda A. Lautsch, Project Quest: A Report to the Ford Foundation, January 1996.
  13. Lily Zandniapour and Maureen Conway, Closing the Gap: How Sectoral Development Programs Benefit the Working Poor, SEDLP Research Report No. 2, The Aspen Institute, July 2001, p. 8.
  14. Ibid., p. 11.
  15. Randall Wilson et al, Extended Care Career Ladder Initiative Round 2: Evaluation Report, before training to \$14,040 one year after training due to both increased hourly wages and hours worked, which increased by an average of 601 hours per year.<sup>11</sup>
    - Project Quest in San Antonio found wages increased 23%-40% after the training program.<sup>12</sup>
    - The Sectoral Employment Development Learning Project (SEDLP) study of six projects found access to employer-provided health insurance increased from 50% at baseline to 73% one year post-training. Access to paid vacation increased from 44% to 73%.<sup>13</sup>
1. **Increased rates of employment:**
    - An evaluation of six sectoral training projects found that 94% of the graduates had worked in the year following training, while 74% reported working in the past year before the start of training.<sup>7</sup>
    - In San Jose, CA, 66% of Center for Employment and Training participants were employed versus 46% in the year prior with a population holding significant barriers to employment.<sup>8</sup>
    - Participants in the treatment group of the Riverside, CA Greater Avenue to Independence project were more likely to be employed by 14 percentage points than participants in the control group.<sup>9</sup>
  2. **Higher salaries, better benefits, increased hours:**
    - The evaluation of ten sector projects found that graduates' median starting salary increased from \$7.00/hour in their prior job to \$8.50/hour in the job post graduation (in November 2000) and the percentage of participants working full-time increased from 60% to 75%.<sup>10</sup>
    - An evaluation of six sectoral training projects found that the annual earnings of participants employed both before and after training increased from \$8,580
  3. **Increased job satisfaction:** The SEDLP evaluation found that 80% of the people who had been working at the start of training found their new job post-training to be a better job. In addition, 89% stated they were either satisfied or very satisfied with their job 12 months post-training.<sup>14</sup>
  4. **Improved career advancement prospects:** Sector projects seek to promote better employment and advancement opportunities for workers. The initiatives can promote the development of a new career pathway inside a firm or industry. Massachusetts' Extended Care Career Ladder Initiative, for instance, structured new advancement pathways for workers in over 10% of

*Table 2: Additional Resources can be found on new web site*

Workforce Learning Strategies is introducing a new website for the workforce development system. Funded by the U.S. Department of Labor and the Ford and Rockefeller Foundations, [www.workforceUSA.net](http://www.workforceUSA.net) is a virtual library of resources for workforce development practitioners. Examples of resources that can be found on the site are below:

**Working with Value: Industry-specific Approaches to Workforce Development**

Ida Rademacher, ed., Aspen Institute. (2002, 48 Pages)  
<http://www.aspenwsi.org/Publications/SynthesisOrder.htm>

This report presents a synthesis of findings from the recently completed Sectoral Employment Development Learning Project (SEDLP). SEDLP was a multi-year learning evaluation conducted by the Economic Opportunities Program that was designed to investigate the key characteristics, operating features, and effectiveness of six employment development programs that utilize industry-specific strategies to help low-income populations obtain skills and career opportunities that enable self-sufficiency.

**Wisconsin Regional Training Partnership Benchmark Employer Survey**

Wisconsin Regional Training Partnership  
<http://www.wrtp.org/publications.html>

WRTP is one of the country's preeminent sector practitioners. Beginning in manufacturing, they now work in a wide variety of sectors in Milwaukee, Wisconsin. They have developed a survey instrument (which they customize to each industry) that assesses a firm's overall labor needs, including recruitment and training. To obtain copy, contact: Candace Seib at (414) 906-9623 or [cseib@wrtp.org](mailto:cseib@wrtp.org).

Kennedy School of Government, Harvard University; Mauricio Gastón Institute, University of Massachusetts Boston, August 2002.

16. Lily Zandniapour and Maureen Conway, "Closing the Gap: How Sectoral Development Programs Benefit the Working Poor," SEDLP Research Report No. 2, The Aspen Institute, July 2001, p. 9.
17. Mark Elliott et al, Gearing Up: An Interim Report on the Sectoral Employment Initiative, Public/Private Ventures, September 2001, p. 20.



For more information, contact Johan Uvin, [juvin@commcorp.org](mailto:juvin@commcorp.org). Please visit the Center for Research and Evaluation's web site at [www.commcorp.org/cre](http://www.commcorp.org/cre) for additional workforce development findings.

Massachusetts long-term care facilities.<sup>15</sup>

5. **Increased access to education:** Many sector projects link community-based organizations with institutions of higher education thereby increasing participants' familiarity with and access to higher education. The training itself provides participants a method to increase their skills and education. In one study, 82% of participants said they used their skills or knowledge learned in training in their jobs.<sup>16</sup> The same study found that 36% of graduates enrolled in another education or training course, largely inspired by the sector project training.

### Considerations for future evaluation

These initial evaluations of sector-based initiatives demonstrate positive impacts on both business and worker outcomes, in a preliminary way, but do not conclusively tell us whether these initiatives caused these impacts, nor do they tell us which aspects of sectoral initiatives work and which need improvement. Therefore future evaluations will need to address the following limitations:

1. **Attribution:** Results cannot definitively be linked to the sector projects, as outside factors may impact the results. To establish causation, a randomized experiment evaluation model is required.
2. **Business impact:** There are few data correlating workforce development interventions to improvements

in business operations. Evaluators must consider a business perspective when designing protocols, in order to fully understand the value of sector initiatives from all perspectives—employers, workers, government—and to be able to identify best promising practices.

3. **Short-term data:** Most sector projects are relatively new. Thus, long-term results on workers and business outcomes have not been documented. To assess outcomes of education and training and measure change in turnover, longer-term data are needed.
4. **Focus on both low-wage and higher-wage workers:** Sector initiatives can and often do serve workers at all levels of an occupational continuum, but are often targeted to low-income individuals because of the nature of the fund support available. Further evaluation on the business effects of sector projects focused on higher-wage workers would add important results about the effects of these projects at all levels.
5. **High dropout rates:** Evaluation of five sector projects conducting training found a 29% dropout rate.<sup>17</sup> These high rates are seen with programs that include two high-risk factors for attrition: 1) the population is non-incumbents, and 2) the design includes long-term pre-employment training. High drop-out rates increase both the difficulty in assessing the effects of training and in tracking participants over time.

What makes sector-based training projects different from conventional training? Sector projects. . .

1. Are targeted to a specific industry or a group of related firms (clusters), crafting solutions tailored to that industry or cluster in a specific region.
2. Involve strategic partners with deep knowledge of the industry, including employer organizations, organized labor, community colleges, and community-based organizations.
3. Provide training strategies that benefit both employers and workers, including the unemployed, non-traditional labor pools, low-wage and other incumbent workers, managers and supervisors.
4. Promote change and modernization in industry practices to benefit employers and workers.