The United States continues to lead the world in labor productivity and recent performance on employment has become the envy of the OECD. But over the past quarter century, US labor markets have generated enormous income inequality and absolute declines in income for large segments of the workforce. Despite recent improvements in manufacturing, the economy-wide secular rate of annual productivity growth over the same period has remained stuck at a disappointing one percent.

In response to both the income and productivity concerns, much recent policy reform has focused on enhancing the skill sets of workers, with special attention to delivering training to “frontline” production and non-supervisory workers. Whatever the long-run promise of such strategies in relieving income and inequality problems, however, they are almost immediately frustrated by uncertain signals from the demand side of the training equation. Only a minority of employers are embarked on “high-road” (quality-centered, continuously improving) competitive strategies of the sort that require substantial ongoing training of such workers. Even those that are engaged in such training remain generally disorganized, without the capacity to solve common collective action problems in the provision of training or to declare convergent training needs and thus realize economies of scale in their satisfaction. The same variation in firm competitive strategy and disorganization among the “high-roaders” limits the achievement of productivity gains among enough firms within a sector to affect the dynamics of regional labor markets as well as industry aggregates.

1. For a skeptical view, which we generally endorse, see Heckman (1994). Assuming a 10 percent return on investment in skills, Heckman estimated that it would take $426 billion (in 1989 dollars) to reverse the decline of wages for high school-educated workers during the 1980s. That figure is more than 47 times the current federal budget of $9 billion for adult basic education, job training, job search, skills standards, school-to-work, and welfare-to-work combined.

2. For an analysis of why markets tolerate unproductive manufacturing in the United States, see Luria (1996). Using an unusually detailed data set on industrial practice and firm performance among small to medium-sized manufacturers in the Midwest, Luria documents three clusters of alternative competitive strategies adopted by sweatshops, lean producers, and high-roaders. The lean producers combine the low-wage, low-skills strategy of sweatshops with modern inventory and quality-control systems to produce commodity goods, while high-wage, high-skills firms feature the greatest utilization of advanced technology on the workfloor. These high-roaders are struggling to maintain a sufficient edge in productivity to compensate for the wage premium they pay in a more heavily unionized urban environment. Consistent with this analysis, a longitudinal study of the adoption of advanced manufacturing technology among a representative sample of large firms in the durable goods sector finds that high-tech usage is greater among higher wage firms (Doms, Dunne, and Troske 1997).
In response to these and allied problems, many communities in the United States have begun experimenting with a more deliberate organization of employers, typically on a sectoral basis, around training, modernization, and other aspects of the “high-road.” In this chapter, after reviewing the general performance of the “American Model” of labor market governance and recent efforts at its reform, we examine a range of such experiments, focusing in some detail on one of them – the Wisconsin Regional Training Partnership (WRTP) – that we take to be exemplary of their problems and general promise. We then speculate on the conditions for replicating such training partnerships, and the role they might play in administering a more devolved, but organized, workforce preparation system.

The “American Model” of Labor Market Regulation

More than any other advanced capitalist economy, the United States relies on competitive labor markets to determine pay, employment, and other aspects of worker welfare. Outside the public sector, only 10 percent of workers belong to unions. Their collective bargaining agreements generally cover individual firms or establishments, rather than entire industries or regions, and are not extended to non-union employers. Public regulation of labor markets is also minimal. The minimum wage applies to a relatively small number of workers, has no obvious spill-over on the overall level of wages, and recently fell to its lowest level in forty years before triggering a modest raise by Congress. Unemployment insurance is more time-limited than in other countries. Outside a cluster of means-tested programs directed to the very poor, the welfare state is largely limited to old-age pensions and insurance. Exclusive of occupational health and safety regulation and equal employment opportunity laws protecting groups from discrimination, the federal government has few national policies safeguarding workers. Job security, training, and provision of medical insurance are generally determined at the workplace – through collective negotiations for a small number and through employer policy and individual negotiations for the vast majority. The bottom line is that for most Americans, how one fares in the economy depends overwhelmingly on how one fares in the labor market and thus upon the employer.

For more than two decades now, this market-driven system has led the developed world in job creation. Since 1983, the US unemployment rate has always been at least 3-4 percentage points lower than that of the European OECD. More recently, as US unemployment rates have reached quarter-century lows, the gap has widened further. Of course, unemployment rates are relative – to the population regularly having or seeking employment. But noting this only places US success in job-generation into starker relief. From 1974 to the present, the US employment/population ratio has grown from 65 to 71 percent, while OECD Europe’s has fallen from 65 to 60 percent. Compared to Europeans, US workers also put in about 200 more hours at their jobs annually – a difference that itself widened during the period – further underscoring relative US success in generating work. Given their tax weariness and long-term unemployment problems, many European policy-makers find the US example powerfully instructive. If only they were to “liberalize” their economic governance, the thought goes, both problems could be solved.

The spectacular US success in generating work, however, has not been matched by success in improving job quality, or the distribution of the benefits of economic cooperation. Inequality has risen, and wages have stagnated for much of the population.

Given a secular shift in labor demand toward more-skilled workers compared to the supply of those workers, flexibility in wage determination assures rising inequality. In the United
States the college/high-school wage differential nearly doubled in the 1980s, rising from a 34 percent advantage for college graduates in 1979 to a 57 percent one in 1993; over the same period, the white-collar/blue-collar premium grew by more than 50 percent; and the pay of CEOs skyrocketed relative to that of other employees. But inequality has also increased within educational and occupational strata – suggesting the increased importance of sheer luck in labor market outcomes. Over the same 1979-93 period, for example, the ratio of earnings of male high school graduates in the 90th percentile to those in the 10th increased 25 percent. Similar changes are found within detailed occupations.

As inequality has risen, wages have stagnated or declined for much of the working population. Real hourly wages of men with fewer than twelve years of schooling dropped 27 percent over 1979-93; wages of high school graduates fell 20 percent; even male college graduates suffered absolute wage declines. Income erosion was especially severe among the young, with the wages of male high school graduates with one-to-five years of work experience, for example, falling 30 percent over the period. Even more troubling, fewer workers experienced lifecycle wage improvement – that is, earning more as they aged and advanced in their careers, gained skills, and attained seniority. In the 1970s the ratio of such life-cycle winners to losers was 4:1. In the 1980s it was halved to 2:1, meaning that one-third of workers actually lost ground as their job experience increased.

4. On the demand side of the labor market, educational and occupational upgrading attributable to “skills-biased technological change” accelerated in the 1970s and has decelerated since then, especially in the 1990s. On the supply side of the labor market, the massive cohort of college-educated baby boomers swamped the demand for a more highly educated workforce in the 1970s. Thus, the college-wage premium only materialized in the 1980s when the “baby bust” pressed wage effects into relief. The plateau in returns to education during the 1990s reflects the boom-let on the supply side and the deceleration of skills-biased technological change on the demand side. See Autor et al. (1997).

Nothing even approximating this result is found in Germany, or any other developed nation (see Hinz, Chapter 4).

These adverse labor market outcomes are most dramatic, of course, for those at the bottom of the earnings distribution. The bottom decile of US workers earn only 38 percent of the US median wage; by contrast, the bottom decile of OECD European workers earn 68 percent of the European median. And in absolute terms, using a purchasing power parity measure, bottom decile US workers earn just 69 percent of what bottom decile European workers earn. Compared to their colleagues in Germany, they earn just 45 percent.

Very low earnings at the bottom of the wage distribution, and the difficulty of making even normal gains in income over the lifetime, contribute to the growth of an “underclass” in the United States – concentrated in our cities, sometimes violently criminal. Lacking any social or economic policies to prevent or remedy this problem, US policy increasingly deals with the underclass through physical incarceration. The US prison population, already a higher share of the general population than any other nation, has been growing since the early 1980s at 7 percent annually. As of 1993, the population directly supervised by the criminal justice system – either in prison, or on supervised probation or parole – equaled 7 percent of the total workforce. At present rates of incarceration, by 2000, 3 percent of male Americans of working age will be in prison – roughly comparable to long-term joblessness among the same population in OECD Europe.

Even given the dimensions of these “social” costs of liberal labor market (non)regulation for those at the lower end of the wage distribution, they might be thought bearable if downward wage flexibility had a meaningful positive relation to employment. But apparently it does not. Massive drops in the real wages of less skilled American men did not improve their employment prospects absolutely, or relative to high-skill workers. Comparing male high school and college graduates in 1980
and 1993, for example, shows lower employment rates for both groups over time, but a sharper drop among the less-skilled. Annual weeks of joblessness in the bottom decile of male workers increased by eight and a half weeks over the late 1960s to late 1980s while remaining unchanged among those in the top four deciles. In the 1990s, for those in the bottom decile, the fall in hours has continued, while for those in the top decile hours have increased. Studies of the declining real value of the mandated minimum wage also show no positive employment effect among classes of workers earning it.

The Conventional US Policy Response

Concern about stagnating wages and rising inequality has led US policy-makers to focus on improving workforce quality — most obviously through increased training, as well as more efficient delivery of other sorts of labor market assistance and support. And, indeed, there are welcome signs of movement to improve the quality of the US labor market system.

Many states have moved to integrate the delivery of various labor market services, offering prospective “customers” income support, job search assistance, and job training assistance at “one-stop” jobs centers. In some of the most developed states, including Wisconsin, these centers are linked to provide a more integrated state system of labor market service access, with a common menu of services for employers and job-seekers, and effective integration of policy and service delivery. Responding to the long-standing problem of fragmented labor market services, the trend towards one-stop jobs centers is gaining momentum from federal welfare reform. The latter has underscored the need, especially for the millions of disadvantaged workers who are being forced into the labor market, to integrate social services with more specific training and other labor market supports. Federal funds to operate these social and training supports will likely become “block-granted” to the states and, to achieve greater functionality in regional labor market administration, it is widely anticipated that human resource investment boards will take on the task of integrating workforce development systems on a regional basis. In some states, such boards have already been established.

Partly as a result of integration of social supports with training and job services, and partly because resource constraints have required reorganization, the role of technical and community colleges has been changing rapidly as well. Major community colleges have pledged themselves to a more integral role in the community and are working to strengthen their connections both to potential students and firms. In order to be more responsive to community residents and incumbent workers, they are generally offering shorter courses, more computer-based and self-paced learning packages, and more convenient hours and locations for courses. In order to be more responsive to the needs of firms, they are also developing more flexible training for high-growth, high-wage industries; working on customized, short-term courses to improve training in specific workplaces; designing basic skills courses which emphasize “soft skills” such as teamwork and communication; and developing improved evaluation procedures to monitor their successes and prepare for future needs. In an education and training system geared most heavily toward those attending four-year colleges such reform of the two-year community/technical college system probably offers the best hope for a significantly improved public sector presence in more vocational training.

5. Criticism of that system is a minor cottage industry. For an overview, see OTA (1990). On the inherited employment and training policy, see Osterman (1988). On the traditional role of community colleges, see Brint and Karabel (1989).

6. There are obvious dangers along with opportunities in this innovation that are broadly described by the tradeoffs between short-term vs. long-term, customized vs. standardized, and off-the-job vs. on-the-job training. The balance of evidence suggests that short-term, firm-specific
The US School-to-Work Opportunities Act was passed in 1994, and is currently funded at about $400 million on an annual basis, with the money earmarked for providing career education and development in the public schools and for creating work-based learning components. Substantially inspired by US admiration for German apprenticeships, the broad goal of the program is to link schools to the workplace much more tightly and to make school work more relevant to the world of employment. The Act emphasized local partnerships between schools, employers, labor, community organizations and parents.

Training, whether provided on the job or off, provides some positive short-term productivity effects for firms. However, these gains are not sustained, longer-term ones, and this sort of training does little for workers interested in the portability of their training credentials. A community college system that gets ever "closer to its customer" in providing such, then, is a community college system not serving public ends. A labor force equipped with longer-term, more formal and standardized training, on the other hand, provides the desired productivity and portability effects, but is difficult to apply without a firm-based, on-the-job link that is itself hard to provide without clear payoffs to employers. We await the balance struck between community college interest in customization and interest in standardized programs, but suspect the correct balancing lies in demarcating broad career paths and training complements, entry into which could be provided either to new entrants or, for incumbent workers, through customized and on-the-job training. The general goal — to increase the opportunities for workers to feed into some system, itself described in its mid-range by standardized training and its upper range by functionally equivalent performance requirements — is clear enough. The realities of variation in firm and individual worker circumstance also seem clearly to recommend a higher degree of modularization in the demarcation and delivery of skill sets. The key role of sectoral organization of employers in keeping such a system in place, and (as a condition of that) in touch with the reality of changing skill needs, should become evident from what we argue below. For a review of the payoffs to alternative forms of training for employers and individuals, see Lynch (1994). For evidence from the latest employer survey, see Lynch and Black (1997). On the impact of long-term training from two-year schools, see Grubb (1993), Kane and Rouse (1995), and Leigh and Gill (1997).

Access to career information and counseling should lead students to select a "career major" no later than the eleventh grade. Workplace mentoring is supposed to be provided along with instruction in competencies required in the workplace. The goal is to provide students with two "portable and validated" credentials — a high school diploma and a skills certificate — recognized by area employers.

The issue of portable and validated credentials for the incumbent workforce has been recently revived through a program to create national skill standards. The development of skill standards is proceeding on a sectoral basis, although some basic standards, such as literacy and numeracy, may hold across sectors. In banking, for example, the California Business Roundtable and the California Department of Education have developed skill standards for many positions throughout the California banking industry. These standards are divided into foundation standards (for all positions) and occupational standards for data and item processing, loan processing, and sales and services. Generally, the standards are geared towards employees with flexibility and good basic skills, as well as skills that are specific to one of the three occupational areas listed above. Many of these skills are specific to the work process in banking, and clearly would be most efficiently acquired on the job.

The Barriers to Effective Reform

Such efforts at reform, however, face a number of problems that have thus far severely qualified their effectiveness. The one-stop job centers capture only a tiny portion of the actual employment flow in most labor markets, and welfare reform threatens to marginalize them as places of interest only to the truly needy. School-to-work initiatives are not reaching scale, since they generally lack serious employer commitment to training their young participants and offering them challenging jobs. Com-
munity/technical college interest in getting “close to their customer” has most commonly taken the form of tailoring programs to the needs of particular firms – without providing workers with broader and more portable occupational skills. And the national skills standards program, while successfully piloted in a few industries, is nowhere near providing authoritative labor market signals to labor market entrants or incumbent workers. In most major sectors, particularly among the larger firms, there simply is no interest in buying into job or occupational standards set by the employers themselves. A common complaint heard across these policy areas is the need for constantly renewing personal relationships and inspiring management goodwill or civic-mindedness.

The common problem here is the lack of organized, collective involvement of those on the “demand” side of the labor market – the firms that are actually going to be employing workers – in the administration of our labor market system. More particularly, there is a lack of organized involvement by firms committed to “high-road” production and service delivery of the sort needed to improve wages, and persuade business itself of the value of well-trained workers.

On the demand side of the training equation, while US labor markets have shown, since the late 1970s, a strong secular increase in the relative demand for skilled as against unskilled labor, overall employer demand for skilled labor remains relatively weak. As measured by occupational trends, business demand for more educated workers is actually projected to slow over the next decade, not increase. Such occupational measures are limited by their inattention to within-

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7. The college-wage premium has leveled off somewhat over the last decade as wage stagnation has climbed up the skills distribution. The technology-related shift in relative demand for college-educated workers has decelerated since the 1970s and returned to the level of the 1960s (see footnote 4). On trends in the occupational composition of the workforce, see Howell and Wolff (1991) and Mishel and Teixeira (1991).

8. For an examination of the characteristics of such an equilibrium point, and the dynamics of a system inclined toward it, see Finegold and Soskice (1988).
in getting agreement on industry-wide standards on skill credentialling. Most famously, however, they include a deep cooperation problem in private firm training investments. Even firms anxious to improve the skills of their workforce face the threat of competitors free-riding on their training efforts. Unless the training employers provide is so narrow that it is only useful in their own firm, it will be tempting for other firms to hire away these newly trained individuals; one firm's trainee may thus become another firm's asset, with the second firm advantaged by the benefits of training but not burdened by its costs. This threat of free-riders leads firms not to train much at all, or to train very narrowly, in ways that are not useful for workers on the external labor market, and that may not be useful for the dynamic efficiency of the firms themselves. In classic “prisoner’s dilemma” fashion, individually rational action does not aggregate to socially rational choice. While the economy as a whole would benefit from a better and broadly trained workforce, no individual firm may have the incentive to start providing it.  

As a highly liberal political economy, the United States generally lacks mechanisms of association among firms and worker organizations, or working relations between the private and public sectors, that could address the various collective action problems just noted. US governance tends still to be exhausted by “live free or die” choices between command and control regulation and market exchange. Secondary associations performing economic functions are generally weak, and in any case they are rarely integrated explicitly into public governance. As a consequence, virtually all regulation of the kind involved in the training case—i.e., involving the achievement of goals within diverse, dispersed, and numerous sites of economic activity—suffers from severe monitoring and enforce-ment problems, the expectation of which makes initial goal specification itself more difficult. In the United States, we are very far from the sorts of dense associations that drive the German training system, and that permit, for example, skills standard-setting and training enforcement to be a publicly supported and ratified, but essentially privately driven process. And we are far even from the level of private-sector organization, reach, and linkage to public governance relied on in most of the more publicly-driven training systems.  

At the same time, the very lack of overarching regulation in the United States and the weakness of encompassing private-sector organization permits experimentation with different sorts of training systems at the regional labor market level. And the highly federated character of the US polity, soon to be underscored with the “devolution” of federal training programs, provides clear incentives for such experimentation while providing it with a material base. Just as “welfare reform” has motivated states to experiment with different programs to move welfare recipients into gainful employment, impending “training reform” will push decision-making about the design of training programs closer to where the “action” really is: into specific regional labor markets dominated by different industry clusters.

**Sectoral Consortia to the Rescue?**

It is here that a growing number of experiments with sectoral training initiatives offer an interesting base for broader systemic reform. These initiatives organize groups of firms within regional

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labor markets rather than along national product lines. The firms may compete in the same local market, or operate in entirely separate industries, or form customer-supplier relationships with one another. But what they have in common with one another in each case is the convergence of their work systems and/or skills sets. Firms are brought together by a variety of independent worker organizations responding to the unique challenges encountered by the local parties in a rapidly changing business environment. The projects are designed to advance the living standards of workers by addressing the emerging skill requirements of employers beyond the boundaries of individual firms in the sector.

A sectoral project focused on the shared labor force needs of multiple firms thrives on three key efficiencies. The first has to do with economies of scale obtained by expanding the breadth of employer participation within a regional labor market. Unlike modernization, workforce development, or job connection activities that adopt a narrowly customized firm-by-firm approach, a sectoral approach makes it possible to benchmark public and private sector efforts to advanced industry practices. An information-sharing and standard-setting process across organizations that account for a significant share of the market enables the participants to share the cost of replenishing the skilled labor pool. With enough market share, they have the capacity to secure the accountability of modernization and training institutions to high-road production or service delivery. Instead of reinventing the wheel in one workplace after another, scaling up new programs spreads out the cost of their development and delivery.

Second, sectoral initiatives achieve economies of scope by extending the range of policy areas responsive to the shared needs of organized firms. The development of a diversified pro-

gram aligns modernization, training, and related labor market services to the most advanced practices in the sector. Just as the scale of the initiative can capture the accumulated wisdom of learning across firms to augment common elements of curriculum and training routines, the scope of the project achieves efficiencies in program development across policy areas defined by the segment of the workforce they are intended to serve, such as unemployed adults and youth. The same set of core competencies apply whether the individual is employed, unemployed, under-employed, disadvantaged, still in school, or returning to the paid labor force. The alignment of institutional and public policy supports for skill upgrading with a progression of proficiency standards enables workers to build on what they already know to get to where they want to go throughout their careers.

Third, a successful sectoral initiative develops positive network externalities as a growing number of employers, unions, public-sector and community-based partners come together and find ways to solve recurrent problems and meet convergent needs. By sharing information, identifying models, conducting experiments, defining curricula, and building toolkits, the participants are able to sustain and diffuse high-road production or service delivery. The legitimation and dissemination of advanced practices among a growing share of firms in sector facilitates joint investments made by all the stakeholders in the formation of a skilled and committed workforce. As the sector becomes more competitive relative to the low-road, the high-road firms within it may become more tied into the regional economy. With the institutional and public policy supports knitted together by a successful intermediary in the regional labor market, the sector contributes to job opportunity and career security within the region.

Summarizing across these economies of scale and scope and positive network externalities, successful sectoral initiatives create a "win-win" situation for firms, workers, and new labor market entrants from the community. Such initiatives may increase
demand for a skilled and committed workforce; enhance learning across business, labor, and community organizations; facilitate benchmarking and standard setting across them; enable related firms to pool their investments in human capital; establish the accountability of public institutions to the high-road; realize efficiencies in the delivery of supports and services; build the capacity of a wider range of players in the labor market; clarify entry-level skill requirements and advancement opportunities; and improve the employment relations climate in the area.

A Proliferation of Examples

There are many examples of sectoral initiatives that advance most of these goals and effects. Their diversity reflects the particular circumstances of their beginnings which vary in terms of the business environment of each sector, the bargaining power of workers within them, and the public-policy supports in their regions. Despite their differences, however, these projects all share important commonalities. Clusters of employers with shared skill needs are brought together through some form of independent worker representation to achieve gains for the local parties.

Industrial Unions

Until quite recently, the most prominent training initiatives of industrial unions were company-wide training funds negotiated at the national level (for example, in aerospace, auto, steel, and telecommunications). But the regional structures of national unions may facilitate the development of sectoral initiatives among firms engaged in different product markets or market segments. These jointly governed projects are part of a more comprehensive strategy for unions to retain and expand the organized share of their respective sectors.

The Labor-Management Council for Economic Renewal was formed in 1990 by the United Auto Workers to assist independent parts suppliers in the Detroit area (Baugh and Hilton 1997). The council supports the development of joint processes for employee involvement and worker training to raise productivity, improve quality, and achieve supplier qualification. With the combined weight of thirty-nine union shops, the project negotiates a lower price for various modernization and training services for its members. A variety of workshops and task forces provides opportunities for managers and labor leaders to share information and learn from one another's experience. The results include the diffusion of electronic-data interchange, quality assurance certification, and computer-based curricula. The council supports the participation of local unions in the reorganization of work for high-road production, while the regional office coordinates the education and mobilization of members to participate in the organization of low-road, non-union competitors.

The Garment Industry Development Corporation (GIDC) was founded back in 1984 by a precursor to UNITE, the textile and apparel union, to support union jobs in New York (Seigel and Kwass 1995). In conjunction with an anti-sweatshop campaign and immigrant worker rights center, the union's partnership with industry associations and public-sector agencies brings about a degree of order in a highly fragmented and competitive industry. The GIDC delivers a wide range of modernization and training services, including export promotion, management and engineering assistance, technology-transfer services, and worker training systems. It also operates a centralized training center and job referral service for employers, workers, and new labor market entrants. The project helps dozens of firms modernize each year (electronic-data interchange, modular work systems, statistical process control, etc.), and train 300 workers off-site and hundreds more in the workplace. The export promotion campaign has generated over $20 million in sales over the last three years.
Multi-Employer and Union Partnership Funds

In service industries where competition in product markets and labor markets coincides at the regional level, unions have occasionally established wage norms through multi-employer agreements. The bargaining arrangements represent something of a hybrid between industrial and craft union models of organization in that most workers are regular employees of a single establishment, yet their employers contribute to industry-wide training funds. In a handful of cities, these funds have become an integral part of comprehensive strategies of bargaining, organizing, and public policy in the health care and hospitality industries.

The largest health-care union in New York, Local 1199, has negotiated multi-employer training funds to support mobility within and between facilities (Cimini and Muhl 1994). Under the terms of the current agreement with fifty-five private hospitals and nursing homes, for example, employers contribute 0.75 percent of payroll to a common fund. The progression of proficiency standards and certification requirements for care-giving and technician occupations provide clear pathways for workers to advance their careers. Large health-care facilities have traditionally provided diverse urban residents with entry-level jobs which can become stepping stones to further training and career development. The fund has supported training for thousands of workers over the years, and, more recently, the fund has become a key part of adjustment to a new environment brought about by managed care and fiscal austerity. Through on-site committees in each facility, the union is able to participate in the reorganization of service delivery, including the redesign of work on the inside and the creation of outplacement centers on the outside, in exchange for a commitment to employment security for most of the workforce. Those who lose their jobs have the right to additional training, income maintenance, and transfer rights to other facilities under the contract. The relocation and redefinition of diagnostic, care-giving, and other service work elevates the strategic importance of training for the union to build solidarity and the capacity to shape the future direction of restructuring in the sector.

The San Francisco Hotels Partnership Project was formed by unions and employers in 1994 to upgrade customer service and job quality in the hospitality industry (Moy 1997). A joint steering committee sets up working groups of managers and local union leaders to develop strategies for achieving objectives such as an industry-wide curriculum for core skills, cross-classification procedures for combining flexibility in staffing with stability in working hours, and the revival of a hiring hall to dispatch workers to special events. Strategies are adapted to the needs of each workplace by joint problem-solving teams that deal with training, work redesign, workload, job security, and related issues. These teams are now engaged in the development of work site procedures for quickly resolving disputes at the lowest possible level within their respective organizations. The first major project is to deliver the core curriculum to more than 1,600 of the 5,000 union members covered by the partnership. More than 100 hours of on-the-job and classroom training, including courses in team-building and English as a Second Language for a diverse workforce, provide the foundation to enhance flexibility for managers and stability for workers through rotations, transfers, reclassifications, and promotions. Additional training is tailored to the main job clusters in the industry, such as the culinary and housekeeping occupations. Resources come from a combination of the state’s employment and training fund and the multi-employer fund negotiated by the unions.

Craft Unions

Most multi-employer bargaining agreements are found in the construction industry where the apprenticeships and hiring halls of craft unions have helped employers bring about greater stability in a volatile environment. But union density has declined sharply over the last two decades, particularly in the residential
segment of the market. The America Works Partnership was formed with federal support in 1995 to rebuild central city neighborhoods and provide training, stable employment, and union wages and benefits to their residents (America Works 1996). The building trades leverage a variety of resources, such as pension funds, joint apprenticeship funds, and economic development resources, to forge local partnerships with contractors, public sector agencies, and non-profit groups. Local partnerships develop comprehensive strategies to meet the credit, employment, and business development needs of urban neighborhoods.

In addition to chapters in Detroit, San Francisco, and Buffalo, America Works has projects started in more than twenty other cities. During the first year in St. Louis, for example, the local project provided pre-apprenticeship training to twenty-five residents with 19 of them going on to an apprenticeship. The aim is to build capacity in numerous cities to recruit, train, and employ hundreds of local low-income people per year. America Works has already achieved a national reputation for being able to train former welfare recipients for living-wage jobs.

Contingent Workers

Emerging models for organizing the new contingent workforce resembles the way that construction has traditionally been organized for generations. The union provides training, employment stability, and continuous benefits for workers who move from job to job. In effect, the union functions very much like a non-profit temp agency that redistributes the surplus to its members.

The Communication Workers of America (CWA) recently formed three employment centers in Cleveland, Seattle, and Southern California to supply skilled workers for high-tech jobs (Carre and Joshi 1997). The union uses its bargaining relationships with the phone companies to convince the companies to establish agreements with contractors to hire qualified workers from its centers, and then the union negotiates an agreement with the contractors or their agents to contribute to common benefit funds. Although the union has some degree of leverage, the prohibition of pre-hire agreements outside the building trades means that the centers must ultimately compete on the open market based on the quality of their workforce. CWA has developed a newly recognized apprenticeship program to qualify dislocated workers, disadvantaged workers, and youth for various kinds of technical work in a rapidly growing field, such as the installation of fiber-optic cable networks. The hope is that a modular design of skill delivery will enable workers to build on what they already know to acquire the skills they need for new jobs in the future.

Some sense of the promise of this approach is available from the Cleveland site, where 200 workers have moved through the employment center thus far. The center matches workers to a variety of jobs based on their qualifications and preferences, such as working part-time to supplement early retirement benefits, stringing together a series of jobs into full-time, year-round employment, or obtaining permanent jobs with client firms. In Seattle, the CWA center recently launched an apprenticeship program with forty participants and developed a school-to-work program to qualify youth for the program. It is also building relationships with community and faith-based organizations to attract unemployed adults to emerging careers in the sector.

Working Partnerships USA, the non-profit arm of the South Bay Labor Council in San Jose CA, is developing a strategy to organize the large contingent workforce in Silicon Valley. Building on its assistance with the development of joint labor-management processes to improve public services, the organization is piloting a training and referral system for limited-term jobs in government agencies (Working Partnerships USA 1997). One promising strategy for scaling this up is to reach similar agreements with a growing number of unionized employers to use the training and referral system for their temporary workers. A critical mass of agreements with employers would enable
members to increase their work hours, earnings, and benefits, and seek permanent employment when available.

Non-Union Models

Alternative models of worker organization have emerged as traditional unions have declined. One model is the formation of a network of employee-owned enterprises providing childcare. Childspace Cooperative Development in Philadelphia assists with the development of child-care centers in urban areas which can then be replicated to expand market share (CCD 1997). Two centers employ about 35 workers to care for 235 low and middle income kids. They provide a high level of training, pay a 25 percent premium over the average wage, and offer good benefits by industry standards. The combination of employee voice and superior compensation reduces turnover by half, enabling the centers to recoup their investment in training and improve the continuity and quality of care. In an emerging strategy, the employee-owned centers serve as the hub for a network of organizing, coalition-building, and lobbying to upgrade the quality of care and the quality of jobs in regionally defined markets.

Another model is based on community and faith-based organizations with a strong enough community base to secure public resources for their low-income residents to secure good jobs in target sectors. The San Antonio-based Project QUEST, for example, was sponsored by one of the strongest local affiliates of the Industrial Areas Foundation. Project Quest is based on commitments of substantial resources to fund an integrated program of employment-linked training and support for hundreds of low-income community residents (Clark and Dawson 1995). Area employers in lead sectors, including finance and health care, agree to source living wage entry level to residents who demonstrate specified skills. Community organizations and area technical colleges then work together to identify candi-

dates for the reserved positions, train them to the required competencies, and support them during the training period with integrated income and other supports.

None of these initiatives is identical to any of the others. But while their sizes vary in both absolute and relative terms, they all strive to achieve certain scale economies. Their programmatic reach ranges in scope, but they all leverage public and private resources for skill upgrading. And they generally provide, formally or not, a forum for employers, workers and their organizations, and public training-providers to learn from one another on an ongoing basis.

Wisconsin Regional Training Partnership

One of the most important such sectoral initiatives, exhibiting innovation across the range of modernization and training policy on a large and growing scale, is the Wisconsin Regional Training Partnership (WRTP). We examine it in a bit more detail.

The WRTP was formed in 1992 by employers and unions to support the development of high-performance workplaces providing family-supporting jobs in the durable goods sector of Milwaukee metro area. Working with local Workforce Investment Boards, community/technical colleges, high schools, extension centers, community-based organizations, and other organizations, the WRTP seeks to develop and deliver advanced modernization and training services to both the incumbent and “future” (displaced or pre-entry) workforce. In the manufacturing sector of the region, its activities support an emerging norm of industrial governance in which firms engage in dynamic benchmarking of their training efforts, increasingly conform their external hiring and internal promotion to demonstrated worker competencies, and administer their growing investments in human capital budgets (as a proportion of their payrolls) through joint labor-management committees.
The WRTP now includes more than forty firms, collectively employing more than 40,000 workers in the Milwaukee metro area, or about twenty-five percent of that area's industrial workforce. Firm membership is varied, but concentrated among larger manufacturers and first-tier suppliers. With a range in size from 100 employees at a tool and die shop to 3,000 at an industrial controls plant, about half of the members have fewer than 500 employees. Despite various differences in products, processes, and technologies, the firms share core design, engineering, and manufacturing competencies in machinery, electronics, and/or plastics.

The sector is also still highly unionized in the region, at least by US standards, with roughly one-quarter of the non-supervisory workforce organized on an industry basis, and well above that proportion among larger employers. The production and skilled trades workforce is typically represented by one or more industrial union: e.g., Auto Workers, Electrical Workers, Machinists, Paperworkers, Steelworkers, etc. A few bargaining units are covered by national contracts, but most bargaining agreements are locally negotiated.

**Origins of the WRTP**

The WRTP emerged at a time when the civilian durable goods sector of the Midwest was still recovering from the deep crisis of the 1980s. Most major employers in the area either relocated, outsourced, or otherwise downsized their operations between 1979 and 1987, and in that period alone Milwaukee County lost almost one-third of its industrial job base. But as a shrunken employment base stabilized in the late 1980s, and exchange rate and national economic conditions turned more favorable, two sharply divergent paths of restructuring became evident: a "low-road" strategy focused principally on reducing production costs for low-end industrial commodities or standardized products (commonly using residual strengths in marketing and distribu-

...
ization and training was conditionally accepted, pending further discussion of all-important details on joint governance, programmatic focus, and the like.

From the start of negotiations over consortium structure and program, however, the basic argument for joint industry action was clear. A consortium would provide a forum for cross-firm learning in the development of advanced practices, benchmarking skill requirements on a sector-wide basis, mapping out career paths with respect to the emerging skills set, and securing public and private resources to move people through it. And with a critical mass of members, the consortium could spread the costs of developing a highly skilled and committed workforce for employers (effectively eliminating the poaching problem), and enhance mobility and security for employees both within and between work sites. A local industry leader who chaired a state commission on workforce development and the president of the state labor federation agreed to co-chair the nascent effort, beginning with what turned out to be a prolonged series of meetings, separately at first and then jointly, on the mission and governance of the consortium (for a detailed chronology, see Neuenfeldt and Parker 1996).

The underlying conditions giving rise to the WRTP involved the changing business environment of charter member firms, the remaining strength of industrial unions in the region, and the availability of public policy support for the effort. By design, most of the charter member firms were large or medium-sized firms with a union-represented workforce, experienced in the negotiation of workplace change and skill development. A combination of product market position, worker representation, and previous experience conferred on them interest and the resources to act collectively. Their combined weight in the labor market would reduce the barriers for smaller firms to join later, perhaps with encouragement from their customers who already belonged. The collective deliberations necessary for getting the initiative off the ground benefited from the leadership, social capital, and political clout evident on both sides of the table, and the confidence of key players in the facilitation and technical assistance received throughout the process.\(^{12}\)

**Governance and Growth**

The WRTP is jointly governed by a steering committee composed of top business, labor, and public-sector representatives who define the goals and objectives of the consortium. The strategies for achieving them, however, come from managers and local union leaders on the frontline of workplace change. They participate in a series of working groups respectively dedicated to incumbent worker education and skills standards, future workforce needs, and modernization. These taskforces provide an ongoing forum for members to share their stories, identify advanced practices, develop pilot projects, benchmark skill requirements, create new tools, and advocate public policies to be pursued on a consortium-wide basis. Within member firms, meanwhile, managers and unions form joint steering committees and peer adviser networks to implement these general policies in ways attentive to their distinctive production systems, organizational cultures, and bargaining agreements.

The participatory process in which managers, union leaders, and their partners in education, government, and the community learn from one another is key to expanding the scale and scope of the consortium. What generally happens is that members of a working group identify a recurrent problem like the

\(^{12}\) For example, the management representatives recruited business associates to participate in the discussions, while the state labor federation provided a forum for affiliates with members in different industries. By forming a joint steering committee, the parties were confident that they could obtain bipartisan political support for their proposed initiative at both the state and local levels. They both enjoyed various relationships with local government agencies and educational institutions which would assist with implementation, including private industry councils, local technical colleges, and public-school districts.
inconsistency of on-the-job training or a common objective such as the development of a youth apprenticeship program, and then develop a strategy for addressing the issue. The project is presented to the board and any member interested in working on it is invited to attend subsequent meetings and focus groups where they can participate, for example, in the development of a train-the-trainer guide or the standard for youth apprentices. Firms represented in these meetings may become pilot sites where labor-management issues are thrashed out, and the tool or curriculum is tested. Managers and union leaders involved in these projects report on the results to the board and share their experiences with the membership as a whole, by hosting site visits, conducting workshops, and the like. These models are presented at an annual conference which is attended by current and prospective members to expand the partnership and its programs.

**Incumbent Working Training**

Members of the WRTP generally have or plan to develop an on-site or multi-work site learning center for everything from basic skills to process improvement to technical skills, such as parts programming. Much of the training and related services, such as assessment, counseling, and confidential testing, are provided by a third party, such as one of the local technical colleges. In Milwaukee County, where about half the learning centers are located, employers invested roughly $1.5 million in 1996. Almost 2,000 workers enroll in learning center programs on an annual basis with more than 500 participants taking part in any given month. Reflecting the demographic composition of the workforce, two-fifths are women and one-quarter are people of color. These figures do not include the additional resources invested by most employers in customized training courses and/or tuition reimbursement programs. Production workers thus have greater opportunities to qualify for apprenticeship or obtain further education from a local technical college or university.

Furthermore, employers and unions increasingly focus on building their own in-house capacity for learning and training on the shopfloor. Many firms have participated in the development of a new peer adviser training manual and one-on-one training guide. They have also defined the objectives for the development of toolkits to upgrade orientation training programs and create training coordinator positions. About three-fourths of the membership has also begun to revive their traditional apprenticeship programs under the revised state standards that members helped upgrade. The skilled trades have customarily required the combination of training on and off the job, but this is now more the norm and less the exception for production workers as well. Skills weigh more heavily in promotion and compensation when the proficiency standards are mutually agreed upon and workers gain universal access to the necessary training through their learning centers and local educational institutions.

**Future Workforce Preparation**

Preparation of the future workforce is an increasingly critical issue now that significant numbers of jobs are being created once again, and an age-compressed workforce is retiring in huge numbers. These trends raise serious concerns about the quality of entry workers for both labor and management. Unions also identify other reasons for taking an active role in solutions to the future workforce problem, such as passing their history on to the next generation, becoming more involved with local schools, orienting new members to their organizations, supporting cultural diversity within their ranks, establishing goodwill in their communities, and showcasing alternatives to punitive welfare reforms and temporary work agencies.

The WRTP piloted the development of the state’s youth apprenticeship program in manufacturing three years ago.13

13. Wisconsin has developed youth apprenticeship programs in financial services, printing, and other sectors by convening a focus group with employers in the target sectors. The metalworking sector has the highest
Members set high occupational standards for the state (taking the first level of voluntary national standards as their starting point), collaborated with a local technical college on the school-based curriculum, negotiated model contract language, piloted a model mentoring program, initiated take-the-teacher-to-work days, and provided technical assistance to the schools. The first graduates qualified for entry-level production jobs, adult apprenticeships in surrounding job shops, advanced standing in technical colleges, and admission into the university system. More than one-third of the member firms have taken on youth apprentices and related school-to-work efforts within the first year since the pilot projects were completed.

The WRTP also developed a model for entry-worker training that provides jobs to successful graduates of pre-employment programs. Members identify the basic skills requirements for major occupations, approve the assessment and curriculum, and assure the participants of a living-wage job. They also work together to improve hiring, mentoring, peer advising, orientation, and further training to retain and develop new workers. This “employment-linked” training model has since become the general approach adopted by the Milwaukee Jobs Initiative. This is a major community development effort funded by national and local foundations to support the expansion of pilot projects in manufacturing (with a goal of 100 entry-level workers in the first year) and the development of additional sectoral initiatives first in construction and printing, and then in other sectors in the future. The jobs initiative mobilizes substantial public and private resources for a central-city workers center founded by the Campaign for a Sustainable Milwaukee to recruit low-income residents for the projects.

**Modernization**

The third (and most recent) focus of the WRTP is on the development of the state’s new manufacturing extension program for small firms. Most bargaining units are in smaller shops even though the majority of union members are in larger plants. The emergence of largely unorganized supplier networks erodes standards within union suppliers and major hub firms alike. And the poor performance of non-union shops might also erode the competitiveness of final products on world markets. The supplier network is a critical problem without an easy, one-size-fits-all solution in a labor-management environment.

Members of the partnership are currently preparing to launch pilot projects on supplier network development. Unions will have to decide for themselves whether to participate in these types of projects based on the contract provisions they obtain on sourcing, which range from decision-bargaining (where the union receives advance notice and access to information to prepare an alternative plan for in-house production) to joint decision-making (where the company and union co-determine strategic decisions about the core competencies of the enterprise). Some locals may obtain a union preference where, everything else being equal, work is kept or brought back in-house, or is shifted from non-union to union shops.

Whatever the case may be, the pilot projects should showcase models for employers and unions to upgrade their core competencies and optimize their supply chains, and lead to the development of new policy guidelines for extension centers to follow in the future. Should these work out, the overlapping supplier networks of larger manufacturers and first-tier suppliers would become a
Policy Implications of Sectoral Initiatives

While still in their infancy, we believe that regional/sectoral partnerships like the WRTP show considerable promise as the foundation for an alternative to the traditional “American model” of training. In effect, they provide at the regional level what is not provided nationally: a genuine infrastructure of employer and union collaboration that both drives industries toward more advanced skill demands and provides the flow of information, and assurances against free-riding, needed to meet them. Given pressures for devolution in policy, moreover, there is no reason why such efforts could not become more effectively integrated into public labor market administration. There are 46 metropolitan areas in the United States with union densities above 15 percent, including 32 with higher densities than Milwaukee (Hirsch and Macpherson 1996). Their sectoral profiles, labor movements, and local politics obviously vary, but these areas each have the potential to replicate several of the initiatives presented above or develop new ones of their own.

Effective reform of the US workforce development system has generally been frustrated by the absence of organized employer demand for high-road production or service delivery. This has muddied labor market signals to workers and the public sector, encouraged a highly stratified public training system (in which credentials matter more than competencies, and response to new industry practices and demands is slow and uneven), and generally failed to provide critical mass for high-road production as an industry norm. At least in regional labor markets, consortial efforts like the WRTP appear to be making considerable progress in addressing these problems. They provide much clearer industry signals to workers and the public sector; scale and scope in the provision of training directed to competencies and advancement; and sufficient critical mass and shared planning capacity to underwrite strategic choice for the high-road.

Building on this experience, we can imagine a new workforce development system in many regional labor markets where such consortia could provide the natural ballast and direction for program administration. Whatever the many confusions of US training reform at present, it is fairly clear that block grants are coming, and that the structure for their administration will be some descendant of the Private Industry Councils first mandated under the Job Training Partnership Act (JTPA) with jurisdictions carved on regional labor market terms. Various states, Wisconsin included, have already established “Workforce Development Boards” along these lines, with an essentially private governance (with a majority of seats assigned to business) broadly mimicking that of the original PICs. Were sectoral consortia more widely developed, their leaders would provide a natural source of such business (and union and community) representation, with the effect of tying the public system much more closely to the real local economy. Consolidation of labor market services, moreover, might be naturally extended to include elements of the fledgling manufacturing modernization infrastructure the Clinton administration has been at pains to preserve and develop. This federally supported, state-based system for assisting small and medium-sized manufacturers is now capable of reaching thousands of firms annually. Operating at some $300 million annually, it is the most significant US program acting directly on the demand side of the skills equation.

The result would be, in effect, a series of regional labor market boards, with financial resources to apply considerable leverage within a more organized private sector. How incentives for movement to such a system might be provided without mandating such industry organization would also be relatively straightforward. Participation in it could reasonably be offered as a condition for discounts on public training and modernization
assistance based on the rationale that public dollars are best spent where private leverage and representativeness is demonstrated. Such boards could be charged as well with local implementation of the national skills standards, providing some baseline coordination of their activities. And the process of organizing regional industry and labor, which is not a desperately hard thing to do based on the experience in Wisconsin and elsewhere, could be supported through demonstration grants and a minimal national technical assistance infrastructure. The demonstration effect and constituency arising from these initial efforts would create the impetus for the further development of supports at the federal and state levels.

Of course, whether this really happens, or happens fast enough to capture the energies now unleashed by reform-mindedness and devolution, is not something we can confidently predict. But it is certainly a development worth watching, and for Europeans the fact that it is already happening unselfconsciously, without almost any explicit public support, may carry some interesting lessons. Based on the experience in the most liberal of politics, with the greatest hostility to government, with the weakest associational structures in business and the most decimated labor movement, it appears that there is at least a plausible way to develop functional, flexible, and politically supported labor market administration on a regional/sectoral basis. That level of administration appears to capture the operative efficiencies of associational action, while being sufficiently informed by local experience, and allowing a speed and flexibility in government response, to allow the requisite organization of employers and labor. The process of building broader institutional and public policy supports in the United States may come to resemble the process of accelerating the adaptation of such supports in Germany to a changing environment.14

What is less clear is the feasibility of such organization where labor, or some other encompassing organization with real presence and clout in the community of workers, is weak. Milwaukee, while hardly the “union town” it once was, still has a significant union presence. San Antonio, while never a union town, still has COPS (Communities Organized for Public Service). Where such non-business organization does not exist, the spontaneous organization and maintenance of sectoral initiatives is a more remote prospect. Even if employers succeed in organizing themselves, they would not have the capacity to represent worker interests. But it is possible to imagine incentives for the development of independent worker organization, and certainly the evolution of new structures of representation, such as networks of employee-owned enterprises, community-sponsored worker associations, and community-based hiring halls. Doing that through explicit policy supports would of course require deeper political commitment to the promise of sectorally based initiatives than currently exists. In moving that policy agenda, however, the demonstration effect of even modest support for current or emerging initiatives, in more “naturally” favorable sites, should not be slighted.

Nor should the appeal, in an era of “downsized” government, devolution, and “public-private partnership” rhetoric, of harnessing private industry power to public purpose. The real boost to workforce development capacity provided by sectoral initiatives comes not from increased public spending, but from more disciplined (by collective industry voice) targeting of public training resources, and increased firm commitment (itself occasioned by resolution of the collective action problems noted) to investing in the technology and training needed to underwrite the high-road. What is most needed at the moment is simply public recognition of the potential contribution of such regional wage norms and skill standards in the United States, see Parker and Wever (1997).

14. For a comparison of meso-level innovations designed to reduce unemployment without eroding social standards in Germany and to support
partnerships, which is essentially costless, and clearly in the interest of a public sector under sustained attack. The devolution of some labor market administration to sectoral consortia, and the development of routines on the delivery of training, modernization assistance, and other public labor market supports more closely coordinated with those consortia, provides a natural way to “reinvent” government in ways more fruitful than its simple defunding or haphazard privatization.