Under One Roof:

New Governance Structures for Aligning Local Economic and Workforce Development

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Across the country, there is a growing interest in aligning the work of economic development and workforce organizations. Partly this is motivated by an attempt to make good use of increasingly scarce resources. Partly it is a reaction to intensifying competition for attracting and retaining companies with good jobs, as communities face off against others in the United States and around the globe. Partly it is motivated by a sense that, among practitioners, at best, we have missed opportunities to be more successful by joining forces.

Many have written about numerous aspects of local efforts to align economic and workforce development around specific initiatives or collaborative efforts. There are examples of cluster and sectoral strategies, joint planning, collaborative research, efforts to set broad goals and design tactics to achieve them. There also is increasing dialogue about the roles of state and local government agencies, quasi-public organizations and private intermediaries in growing the economy.

Yet there is not much written about the relatively few local jurisdictions that have gone so far as to reorganize economic and workforce development organizations and governance structures in order to bring their resources – including staff, funding, and organizational priorities – under one organizational umbrella.

The National Center on Education and the Economy conducted a study over the last year to provide similar insights for local government decision-makers considering structural realignments of agencies and organizations.[6] The study profiles five areas – New York City, Denver, Stanislaus County, Calif., Montgomery County, Md., and North Central Indiana – and explores the paths taken and common lessons learned across the sites. The five sites are geographically and economically diverse locations that represent a cross-section of communities and approaches, from a rural, Midwestern, multi-county region to large urban areas. While one of the cases goes back two decades, most are in far earlier stages of maturity. Each case provides a varied look at how these areas have pursued governance changes, offering illustrations of how these changes might energize and institutionalize partnerships among local economic and workforce development entities.

Findings

Our review indicated numerous ways in which communities have decided to restructure agencies and organizations to align economic and workforce development:

- Montgomery County moved the workforce function under the umbrella of the county economic development agency from an outside organization.
- Denver combined multiple functions (including workforce, housing and neighborhood development, business development and small business services) under the City's Office of Economic Development.
- New York City moved the program responsible for adult workforce development into the City's Department of Small Business Services.
- Stanislaus County created a new entity that serves as the home for both workforce and economic development functions.

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- North Central Indiana created a committee of the work force investment board, providing a regional umbrella that convened and coordinated individual counties' economic development activities and made it possible for local economic development agencies to engage in joint marketing, research and planning.

The review showed that the five communities used a wide array of approaches, and that there is no single right path for restructuring local government to align workforce and economic development functions. The five areas highlighted were motivated by diverse factors, and chose drastically different organizational realignments. Some approached the task of restructuring slowly and methodically over many years, other boldly and dramatically over a short time horizon. Strategies and tactics were as varied as administrative streamlining, co-location of staff, cluster analysis and implementation of sectoral approaches.

The remainder of this article addresses crosscutting insights from the five cases organized around five separate categories: *drivers for change, ability to change, engagement of stakeholders, the restructuring process, and the impact achieved.*

Drivers for and ability to change

Three major drivers led local leaders to conclude that agency or organizational structural change was needed. These included:

- dissatisfaction with the status quo,
- unwelcome public attention precipitated by questionable financial practices, and
- impatience with less than optimal results from existing agency structures organized around narrow functional or geographic lines.

In all cases, these drivers inspired strong local elected or agency officials to action. In Denver, for instance, the Mayor's experience as an entrepreneur led him to propose expanding nascent structural changes in city government. In New York City, Mayor Bloomberg promoted reorganization in order to make public services more business-friendly. In North Central Indiana, county officials supported collaboration across individual counties because they could identify more attractive assets when speaking as a multi-jurisdictional region.

Once restructuring was decided upon, numerous factors contributed to the rate at which the change could occur and the degree to which the changes were welcomed. These factors included:

- the familiarity and experience that key staff had with the different agencies' roles and responsibilities in advance,
- the vision that leaders brought to the restructuring process,
- the respect and perception of key agencies and leaders among those with whom they merged,
- the political sense of urgency exerted by political and agency leaders,
- existing staff culture and attitudes, and
- how well the proposed changes fit the community and organizational cultures in the participating organizations.

In Stanislaus County, the County Board of Supervisors' extensive experience pursuing countywide collaboration around economic and workforce development convinced the Board to disband both the economic development agency and the WIB in order to create an entirely new entity that could benefit from a fresh start.

Engaging stakeholders

The cases share several important characteristics of stakeholder engagement in their efforts. In each instance, proponents and those charged with implementing the restructuring sought to appeal to a wide range of stakeholders, using their political capital and credibility and building on early successes to advance the agendas. Most importantly, they used the potential value of the restructuring to attract stakeholders' and partners' support and cooperation. Their value, in terms of new opportunities identified and services delivered, reinforces the benefits of the restructuring and further builds the relationships.

In Stanislaus County, engaging the public-sector stakeholders was paramount. In a multi-jurisdictional area with nine cities, local leaders had to build trust among the public units first, especially where there had been a history of distrust. Stanislaus County leaders successfully employed three mechanisms to increase the cities' confidence in the reform effort, including selecting a new CEO with credentials that built credibility; creating a fair representation system on the board; and pursuing a comprehensive, collaborative, countywide planning process. Each action demonstrated the good intentions of the effort and fostered support among stakeholders.

In New York City, the Small Business Services agency purposefully targeted a few key large employers in growth industries, offering customized services in hopes of both building its reputation and enhancing the agency's ability to bring services to scale.

The experience in all five areas suggests that rather than one single roadmap for guaranteed success, the path seems to depend on local circumstances, existing institutional and personal relationships, political realities and related factors. The specific organizational restructuring plan chosen appears to be less important than how the change process is handled, once the decisions about structure are made.

The restructuring process

Montgomery County provided some formal training for staff involved in the integration, but mostly depended on informal interactions among staff to build trust and relationships, identify opportunities and create synergies. They recognized that a major change of this nature involves a substantial culture shift, and integration of services needs to occur gradually over time.

In Denver and Stanislaus County, forming new organizations involved designing new missions, goals, bylaws, organization charts and employee salary/benefit structures that built on earlier experience but provided new opportunities. Both cited several advantages of creating new entities, including:

- the ability to make a "fresh start" and forge a new vision for the entity, unhampered by former identities and responsibilities;
- the chance to overcome funding silo problems and discover creative ways to combine multiple funding streams; and
- the possibility of avoiding the need to assume some of the former entities' liabilities.

Yet there were disadvantages as well, including:

- the challenge of closing out old programs, accounts, and obligations while opening new ones;
- the liabilities around creating a new organization with its numerous legal issues;
- the risk that staff of the former entities might lose their positions in the new entity; and
- the large investment in training necessary to create a new culture and orient employees about the new agency mission, vision, programs and tools.

The impact achieved

These communities illustrate the broad range of ways in which organizational restructuring can advance efforts to coordinate workforce and economic development to achieve common goals and concrete impact. The impact can include benefits in planning, collaborative research and information sharing, funding accessed, joint marketing and purchasing, and service delivery, as well as broader changes in organizational culture and business practices and processes.

Communities that undertake agency restructuring often expect to realize a more streamlined strategic planning process as one outcome. In many cases, the collaborative research, planning, and information sharing led to important actions around agreed-upon strategies. The restructuring activities also helped place economic development issues on the public agenda and revitalize partners and the community as a whole, and created a more customer-focused and demand-driven agency culture.

For example, North Central Indiana achieved designation as the multi-county North Central Indiana Economic Development District by the Economic Development Administration, responsible for planning the region's Comprehensive Economic Development Strategy (CEDS) and administering the accompanying federal funds. Denver's Office of Economic Development convened a new research group comprised of analysts from multiple divisions charged with determining how the office can address problems holistically. In Montgomery County, the Department of Economic Development's planning function now routinely incorporates workforce expertise and resources into its strategy-setting.

In summary, there are numerous impacts resulting from organizational restructuring that coordination of functions and services alone is less likely to achieve. These include:

1. *Improved problem-solving from holistic thinking.* The expanded organizational mission and the cross-fertilization of ideas among staff from different components foster holistic and creative solutions to problems. Attention to staff development details (such as implementing staff cross-training) encourages thinking about development- and business-related issues, and brings varied perspectives and expertise to the table in a regular and structured fashion.
2. *Consistency and alignment.* Staff members seek to advance one broadly defined and clearly articulated mission, not multiple organizational missions, and lines of authority and reporting can be more clearly defined.
3. *Greater resources under one roof.* Some of the highlighted cases realized fiscal savings in restructuring organizations that could be reapplied toward advancing the organization's mission. Moreover, while individual funding streams associated with specific components often are earmarked for specific programs and activities, alignment under one organization allows for more focused and creative thinking about the use of earmarked and more flexible funds among staff with different perspectives.
4. *Greater accountability.* Staff members ultimately answer to only one leader in the organization, rather than multiple leaders across organizations.
5. *Potential to institutionalize desired changes.* Restructuring addresses some of the fundamental barriers to effective organizational change, such as aligning organizational culture, business processes and performance management systems. As such, restructuring holds the potential to institutionalize the desired changes in attitudes, behavior, and outcomes that often motivate the effort and influence its success. The early evidence from the cases presented suggests that the benefits realized are potentially more long-lasting than simple strategies or tactics undertaken without structural change. ★★★

[6] This article is derived from a publication edited by Mark Troppe, Workforce Development Strategies Group at the National Center on Education and the Economy. Aziza Agia, Gretchen Cheney, and Pam Anderson researched and wrote the individual case studies in the full report, which is available from NCEE at www.ncee.org. We are indebted to the US Department of Labor, Employment and Training Administration and the Ford Foundation for their support of this work.