# A Model for Rural Workforce Development that Works

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## Development of the Model—West-Central Minnesota

On a hot August afternoon in 1992, rural sociologist Randy Cantrell made a prediction to a group of foundation leaders in rural Minnesota that would result in the launch of one of the most innovative and successful workforce development programs in rural America. This is the story of that program, of two spinoffs modeled on it in other rural places, and of the recent changes in federal workforce funding that have made similar programs feasible across the entire nation.

In 1992, west-central Minnesota was just beginning to emerge from the ravages of the nationwide "farm crisis" of the 1980s that drove thousands of families off their land and resulted in the closing of hundreds of businesses dependent on farm spending for their existence. Unemployment soared to double-digit levels, and rural counties experienced large population losses as families left to seek work.

In 1986, six years prior to that prophetic August afternoon, a group of local leaders founded West Central Initiative (WCI), a regional community foundation, to address this crisis and help rebuild the economies of nine western Minnesota counties. WCI's early efforts focused on making affordable loans available to help small manufacturing firms grow. After some initial successes, progress slowed during the recession of the early 1990s.

WCI's board and staff met on that day in 1992 to plan their next investments in the region's economic recovery. They asked Cantrell to examine recently released 1990 census data and to share observations about important trends that might affect WCI's work. Most of his observations focused on well-known, long-term trends in the region, but one, a prediction of severe workforce shortages coming on the heels of decades of high unemployment, was so unexpected, counterintuitive and important that it transformed WCI's thinking and approach.

For 40 years, out-migration of young families seeking better job opportunities had reduced the number of youths entering the workforce. The farm crisis accelerated these losses. Women entering the workforce had masked the tightening labor market, but by 1992, this supply of new workers had been tapped out.

Cantrell predicted that severe workforce shortages would begin as soon as the recession ended and would persist for at least 20 years. There were simply too few children to replace retiring workers—even if every child remained in the region and entered its workforce. Moreover, at least two-thirds of the region's youths moved away to seek better economic opportunity after completing their education.

Cantrell also predicted that rapid changes in the nature of work would aggravate the problem. With the decline in agriculture, manufacturing was the strongest remaining pillar of the region's economy. However, manufacturing was experiencing a period of rapid technological change, requiring skills not generally present in the incumbent workforce. And, many of the region's most skilled workers would soon be retiring. Even if every young person trained in these skills, there simply weren't enough of them to fill the gap. Any solution would need to focus as much on upskilling the incumbent workforce as on training new workers.

While these predictions stunned WCI's board members, they responded quickly and vigorously. They committed $1 million over four years—more than 60% of WCI's annual grant-making budget—to address skilled workforce shortages in the region. In addition, recognizing that they were not the experts, they founded a regional Labor Force Development Council (LFDC) to plan and oversee the work.

Initial LFDC membership included representatives from business, government, labor, K-12 and postsecondary education, community action programs, nonprofits, the federal/state workforce development system, and

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*[Labor Force Development Council] membership included representatives from business, government, labor, K-12 and postsecondary education, community action programs, nonprofits, the federal/state workforce development system, and the unemployment and welfare systems.*

the unemployment and welfare systems. WCI contracted with an emerging regional manufacturer's association to manage the LFDC and ensure that the program maintained focus on the region's manufacturing workforce needs.

At the recommendation of the LFDC, WCI took a five-pronged approach:

1. Partner with individual companies to invest in short-term, industry-specific training for their current workers, to move workers up and fill skill gaps within the companies. Companies would match WCI's grants dollar for dollar, typically by paying workers wages while they were in training.

2. Continue to provide affordable loans to help the region's manufacturers grow and take on new technologies. Where feasible, couple loans with grants to support workforce training to facilitate the effective use of the new assets being financed.

3. Invest in research to determine, more specifically, what skill gaps existed that affected multiple companies (existing data were not granular enough to break out region-specific needs).

4. Where documented gaps existed and required enough trainees to support an ongoing technical college program, make grants to technical colleges for program development.

5. Support school-to-career programs to inform high school students and their parents about quality job opportunities in the region and to help prepare students for those jobs.

Initial demand for the grant funds was slow. It took some time for employers to recognize that workforce shortages were real and there to stay. Since companies were not familiar with the world of foundation grants, WCI had to identify an intermediary to walk them through the process. Completion of the research documenting workforce shortages was necessary before investing in technical college programs. However, all strategies were well underway within nine months.

WCI selected Minnesota's operator of the federal Manufacturing Extension Partnership (MEP) program—Minnesota Technology Inc. (MTI)[1]—to help manufacturers with this new BestForce[2] program. MTI already helped manufacturers identify and implement new technologies, and maintained relationships with many firms across the region, and so was ideally suited to run the program.

MTI's roles included:

- Help companies to assess and define their training needs
- Identify high-quality trainers from MEP's national database
- Solicit training proposals for company review and approval
- Write grant applications to WCI
- Accept and administer grant funds
- Reimburse companies for eligible expenses, track required matches and document project results
- Prepare final reports to WCI and refund any unexpended funds

MTI also benefited directly from this partnership. While WCI did not compensate MTI for its services, the grant funds that flowed to businesses through MTI's coffers qualified as matching funds for its federal MEP grant, allowing it to draw down federal funds to support its efforts.

The research commissioned by WCI to identify the region's workforce shortages bore mixed results. For the first time, the region had good local data available about its workforce needs, and a variety of shortages were identified. However, the data showed few opportunities that would respond to Minnesota's traditional solution for workforce shortages—creation or expansion of technical college degree and certificate programs.

With just 195,000 residents spread across 8,500 square miles and only two communities with more than 10,000 residents, few of the identified worker shortages were large enough to justify creating an ongoing local technical college program. Health careers, especially nursing, were the primary exception. However, further research showed that the region's technical, community and four-year colleges were training three to four times as many nurses as needed in the region, but wage rates in Minneapolis/St. Paul were twice those in the rural western Minnesota region, and so induced most students to leave after graduation.[3]

In addition, virtually none of the manufacturing skill shortages identified by the survey were good candidates for new technical college programs. This was true even for widely recognized shortages such as welding.

While a large shortage of welders existed, companies needed a variety of industry-specific certifications. Technical colleges could and did train in basic welding skills and some more common certifications; however, they lacked the cohort sizes and qualified instructors required to institutionalize training for more-advanced certifications. The only viable training option identified for more-advanced welding was to conduct the training within individual companies utilizing their already-certified workers as instructors.

As a result, WCI concluded that the only approach that would consistently work to address most identified shortages was customized, employer-specific training. This strategy became the core approach for all future efforts of the BestForce program and the driving force behind its impressive, long-term success. Support for creating a technical college program remained an option but was limited to the rare cases for which the colleges could document that the scale and nature of the skill shortage justified creation of an ongoing program.

In the final year of its initial funding commitment, WCI undertook a review of the outcomes of its investments. While there were insufficient data for an empirical analysis, anecdotal evidence clearly indicated that the program was achieving the desired results, including:

- Wage increases for virtually all workers completing training
- Ability of participating companies to take on more orders as skill bottlenecks eased
- Faster reported growth among participating companies
- Additional hiring to backfill positions vacated by promotion of trainees and to meet new orders
- Improved employee job satisfaction and reduction in turnover
- A cost to WCI of less than $500 per worker trained

With these outcomes in mind, in 1996 WCI's board of directors committed an additional $1.25 million in grant funds over five years and pledged to continue making loans to help companies grow. The new grant commitment primarily focused on expanding BestForce and supporting the LFDC. Grants remained available for technical college programs, but few viable proposals emerged.

WCI's second funding commitment achieved even greater successes than the first. More companies participated, more workers retrained, and companies reported better outcomes. At the conclusion of the five-year commitment, program evaluators noted one crowning achievement: *During the 2000-01 recession, the region experienced no net decrease in manufacturing employment*.

Participating companies became so convinced of the competitive advantage of a skilled workforce that some took extreme measures to avoid layoffs, such as retaining their entire workforce, moving to a 24-hour workweek and continuing to provide full benefits to all.[4] In addition, some companies used the respite from the frenetic prerecession pace to further invest time and money in training.

The strong performance of the program and clear positive impact on the region's employment led WCI to renew and increase its investment in 2006. After similar results, WCI again renewed the program in 2011, vesting its program partner Enterprise Minnesota[5] with full authority to decide which companies received support. The most comprehensive evaluation of the program was made at this time, with major results reflected in Table 1.[6] These results were reported while the economy was still recovering from the Great Recession.

TABLE 1

**Results, West Central Initiative Workforce and Business Lending Programs**

| REGIONAL INDICATOR | STATUS, 1986 | STATUS, 2010 |
|---|---|---|
| Average Weekly Wage | Lowest among 11 MN regions | Sixth among 11 MN regions |
| Manufacturing Employment | 4,345 | More than 10,000[7] |
| Average Weekly Manufacturing Wage | $365 | $761 |
| Regional Unemployment Rate[8] | ~13% | ~5% |
| Regional Population | 195,000 (decreasing) | 215,000 (increasing) |
| Out-Migration of Youth after Schooling[9] | More than two-thirds | Less than one-third |
| **REGIONAL INDICATOR** | | **OUTPUT OR OUTCOME** |
| Overall Number of Workers Trained[10] | | More than 10,000 |
| Estimated Unduplicated Percentage of Manufacturing Workforce Retrained | | 66%+ |
| Increase in Regional Employment—1987-2010 | | More than 35,000 |
| **COMPARATIVE INDICATOR** | **NATIONAL PERFORMANCE** | **REGIONAL PERFORMANCE** |
| Manufacturing Employment—1997-2009 | -33% | +104% |
| Average Weekly Manufacturing Wage—1997-2009 | -7.1% (net of inflation) | +13.0% (net of inflation) |

SOURCES: Analysis by the Aspen Institute Community Strategies Group of data from the U.S. census, U.S. Bureau of Economic Analysis and Minnesota Department of Employment and Economic Development, as well as internal program data, 2011.

After 24 years of operation, WCI allowed the BestForce program to sunset in 2016. In deciding to discontinue its support, WCI noted the strong culture of training that had developed among the region's manufacturers. In addition, two sources of government support had become available to address the need. The Minnesota Department of Employment and Economic Development now provided similar training investments, and recent changes to rules for the federal Workforce Innovation and Opportunities Act (WIOA) now allowed up to 20% of WIOA funding to be expended on incumbent workforce training.

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## Central Wisconsin Adaptation

In 2004, faced with the closing of two paper mills, costing the area 5,000 highly paid jobs, south Wood County, Wisconsin, was experiencing unprecedented hardship. The Incourage community foundation,[11] along with the Heart of Wisconsin Business Alliance, reacted by launching a Community Progress Initiative (CPI) focused on rebuilding the area's economy. After a year or two of preliminary efforts, one of the conclusions of the CPI was that skill gaps among area workers were a significant barrier to company and economic growth in the area.

The unionized paper mills had provided a highly structured workplace with rigid job descriptions. Workers were typically hired with little pre-employment training and trained on the job for only the specific duties of their assigned positions. Advancement was accomplished through seniority-based bidding and on-the-job training. Most workers displaced with the closing of the mills had few transferable skills that were desirable to other employers in the area.

Having learned about the success of WCI's workforce programs, CPI assembled a delegation of leaders—from business, K-12 and higher education, MEP, Wisconsin's jobs and training system, and nonprofit organizations—and organized a multiday bus trip to view WCI's efforts firsthand, meeting with employers and workers at multiple sites across WCI's region.

Following the trip, with the help of the Community Strategies Group of the Aspen Institute, CPI volunteers crafted a Theory of Change focused on necessary preconditions for workers to achieve their aspirations and employers to meet their workforce needs. Using this Theory of Change, they successfully applied to the National Fund for Workforce Solutions (NFWS) for a three-year grant to become one of its first rural demonstration sites.

Incourage and CPI adapted WCI's BestForce model, creating a WorkForce Central (WFC) program. WFC relied more heavily on pre-employment training for displaced and new workers, while retaining BestForce's close ties to industry and ensuring that all workers were trained for industry-specific job requirements applicable to multiple local employers. Because so many of the trained workers were displaced from paper mill jobs, WFC was able to utilize federal WIOA funding to support much of the training.

Major results of the three-year NFWS grant are reported in Table 2. While the formal efforts of WFC under the NFWS grant ended in 2016, the strong cross-sector partnerships among nonprofits, institutions and employers formed for the project remain, and the area continues to be a rural leader in innovating to meet area workforce needs.

## Appalachian Ohio Adaptation

Appalachian Partnership Inc. (API) was founded in 2012 to serve as the first business-led economic development organization focused on improving the economy of Ohio's 32 Appalachian counties. From the outset, API's business-leader board recognized that skilled workforce shortages were endemic among the manufacturing companies that form the backbone of the region's economy.

TABLE 2

## Cumulative Three-Year Results, WorkForce Central Program, 2009-11

| COMPONENT | NUMBER OF PARTICIPANTS | PERCENT COMPLETING ONE OR MORE COURSES | NUMBER OF CREDENTIALS EARNED | NUMBER HIRED, RETAINED OR ADVANCED IN JOB |
|---|---|---|---|---|
| Manufacturing Leadership Program | 79 | 90% | 18 | 79[12] |
| Food Manufacturing Science Certificate Program | 20 | 90% | 18 | 12 |
| Pathways Partnership[13] | 75 | 63% | 18–GED<br>29–Certificate | 49[14] |

SOURCES: Workforce Central Evaluation, University of Wisconsin Center on Wisconsin Strategy, and Incourage, January 2012; and Workforce Poster, a product of Incourage, January 2016[15]

In 2013, the Obama administration announced the Make It in America Challenge grant competition combining Department of Labor (DOL) H-1B work visa, MEP and U.S. Economic Development Administration funding to support three-year demonstration grants for innovative efforts to "re-shore" manufacturing jobs. API applied and was awarded a grant focused on four historically dominant manufacturing sectors in its region: automotive supply chain, metals, polymers and wood products. All four had suffered substantially from offshoring but remained major employers in the region.

The DOL portion of the grant focused on UpSkill, an incumbent workforce retraining program closely modeled after WCI's successful program.[16] The primary adaptation was in use of DOL funding to support incumbent worker training. API and Ohio Valley Employment Resource (OVER), one of the region's Workforce Investment Boards, forged a partnership to develop administrative systems to meet DOL's training, procurement, documentation and reporting requirements. OVER created an online portal for trainers to bid on projects to meet DOL procurement standards.

DOL funds supported a program coordinator at API, worker training and administrative expenses of OVER. API's MEP staff provided outreach, helped companies identify training needs and find qualified trainers, and apply for the training grants. Results over the three-year grant period are reported in Table 3.

TABLE 3

**Cumulative Three-Year Results, UpSkill Program, 2014-16**

| INDICATOR | OUTCOME | COST PER UNIT |
|---|---|---|
| Workers Participating in One or More UpSkill Training Programs | 1,168 | $948 |
| Industry-Recognized Credentials Earned | 1,273 | $870 |
| Number Not Completing Training | 1 | N/A |
| Number Employed upon Entering Training[17] | 1,148 | N/A |
| Number Completing Training and Obtaining or Retaining Employment | 1,167 | $949 |
| Estimated Average Annual Earnings of Workers Completing Training[18] | $38,197 | N/A |
| Program Expenditures[19] | $1,107,235 | N/A |

SOURCES: Final grant report to DOL and unpublished internal program data.

Shortly before conclusion of the grant period in 2016, DOL published regulations implementing the 2014 Workforce Innovation and Opportunities Act, which allowed investment of those WIOA funds in incumbent workforce training. Utilizing the procedures developed with the Make It in America Challenge grant, OVER and most other Appalachian Ohio regional Workforce Investment Boards amended their DOL WIOA plans to allow them to launch incumbent workforce training programs modeled after UpSkill. A volunteer working group, formed by API as part of a regionwide prosperity planning project, supports and helps coordinate these efforts.

Use of WIOA funds to upskill workers has largely been put on hold by area Workforce Investment Boards due to the need for the resources to serve workers displaced by the COVID-19 pandemic. Post-pandemic upskilling incumbent workers is expected to regain its position as a mainstay of the region's workforce and economic development efforts.

## Summary

While all three examples cited have their unique elements, they also have some common threads. Following are some of the most important similarities:

- They were planned and coordinated by a broad partnership of employers, government agencies and nonprofits.
- They were employer-driven, with all training focused on preparing workers for specific jobs within local companies.

- Upskilling of current employees was given equal weight to or greater weight than pre-employment training.
- Outreach through existing programs that regularly interact with targeted businesses, like Manufacturing Extension Partnership, kept overhead low and hastened program uptake by employers.

The situation facing west-central Minnesota in 1992 now faces most of rural and much of urban America. Communities and regions across the nation face upside-down population pyramids, with more workers retiring than youths entering the workforce. Availability of skilled workers is widely reported as one of the top two concerns in virtually all corporate location decisions. The pace of technological change has increased, and few parts of America have enough newly entering or displaced workers to fill employer skill gaps if workforce training programs continue their narrow focus on these two population groups.

The three cited examples amply demonstrate the value of employer-driven incumbent workforce training in filling critical industry skill gaps, and the value of multisector partnerships to plan and guide the training. In addition, the west-central Minnesota example provides a clear picture of additional synergies that can be gained by coupling incumbent workforce training with affordable loans to help small firms finance their growth.

Prior to 2016 when DOL published new regulations allowing WIOA funds to be used for incumbent workforce training, the principal barrier for implementing this approach was lack of sustainable funding to support training. Now, with a willing local Workforce Investment Board, any rural (or urban) community in America can adapt this model for local use.

## Reference

Incourage. "Workforce Poster." January 2016. See incouragecf.org/wp-content/uploads/2016/06/Workforce-Poster-11x17-1-4-16.pdf.

## Endnotes

1 Minnesota Technology Inc. was subsequently renamed Enterprise Minnesota.

2 The program was initially named Workforce 2001 and renamed Workforce 2020 before the BestForce name was finally adopted in 2011.

3 WCI and the region's colleges eventually succeeded in increasing retention of nursing graduates by creating a track in local nursing programs focused on upskilling existing nursing assistants and LPNs. Since these workers already had jobs, homes and families in the region, they were much more likely to remain after graduation despite the higher wages paid in Minneapolis/St. Paul.

4 New unemployment rules allowing workers to receive partial benefits if employed for reduced hours helped facilitate this arrangement.

5 Enterprise Minnesota was formerly named Minnesota Technology Inc.

6 Because of the close relationship between WCI's workforce grants and business financing programs, the two activities were evaluated in concert, and results were reported from the beginning of WCI's lending in December 1986.

7 The transition from the U.S. Standard Industrial Classification (SIC) system to the North American Industry Classification System (NAICS) by reporting agencies precludes exact comparison. The 2010 figure is estimated based on the 1986 classification system.

8 Regional unemployment rate is extrapolated from individual county rates; regional total was not published by reporting agencies.

9 Out-migration of youth after schooling is extrapolated by comparing census estimates of size of population age cohorts at five-year intervals.

10 The overall number of workers trained is a conservative estimate extracted from incomplete training session records; it includes workers receiving training on more than one occasion over an 18-year period.

11 Incourage was then-named Community Foundation of South Wood County.

12 Most Manufacturing Leadership Program participants were already in supervisory roles. Two were promoted into supervisory roles upon program completion.

13 Pathways Partnership is a pre-employment training program for the clients of Wisconsin FoodShare (the Wisconsin implementer of the federal Supplemental Nutrition Assistance Program, or SNAP) offering General Educational Development (GED) and gerontology tracks.

14 Six participants were employed before entering the program and retained employment throughout.

15 See Incourage.

16 UpSkill operated under the brand of API's Appalachian Partnership for Economic Growth (APEG) subsidiary.

17 Twenty slots supported through the grant were reserved for new workers hired contingent on successful completion of training. The balance of the training slots were reserved for upskilling incumbent workers.

18 Employers reported that virtually all upskilled workers received wage increases; however, there are insufficient pre-training data available to compute the amounts by which their wages increased. If those increases averaged just 50 cents per hour, net benefits to workers would have exceeded total program costs in less than one year.

19 Costs include nine months of outcome tracking, following a three-year training period. Overall training costs totaled approximately $800,000, with administrative costs at $300,000 of this total.