



Investing in Baltimore's Workforce: LEVERAGING OPPORTUNITY AND MOVING TO SCALE

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Over the past 50 years, changes in the labor market have put pressure on workers to attain at least some education or training beyond high school. Those who lack post-secondary training often struggle to find employment, and when they do, have limited opportunity to move beyond low-wage, entry-level positions.

This is particularly true in Baltimore, where many residents have either dropped out of high school, or completed and gone no further – and suffer from high unemployment and low wages as a result. Half of all city adults have no more than a high school credential. Among the lowest educated workers – those without a high school credential – more than 25 percent are unemployed, and many more do not participate in the labor force at all. Wages remain low for those who do work, with half of city earners taking home less than \$33,000 per year. For those without a high school diploma, average wages come in at about \$20,000.¹

Given currently low levels of educational attainment and income among city workers and the evidence of effectiveness from adult training and education, the Baltimore Integration Partnership commissioned the Job Opportunities Task Force to conduct a review of trends in public funding for adult education and workforce in Baltimore and Maryland and around the country and offer recommendations for local action. This brief is the product of that review.

JOTF

Baltimore Integration
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www.baltimorepartnership.org

New Ways of Working Together to Build a City that Works

This paper argues that Baltimore leaders need to find new ways of working together to ensure more residents access quality employment. In the sections that follow, this brief:

- Highlights the scale and nature of the city's workforce challenge, focusing particularly on its struggling adult workers;
- Describes how and through what organizations and mechanisms workforce training resources are currently allocated, and how declining funds are having an impact on their ability to successfully train residents and help place them into jobs; and
- Provides a series of recommendations for how existing resource constraints might be overcome, citing examples of promising models employed throughout the country from which Baltimore and Maryland might learn.

In particular, this brief recommends that leaders in the city and state – where the majority of public investments in worker training are made and managed – work together to:

- ***Explore Creative Public Funding Strategies:*** From a developer fee in Boston, general fund support in Texas, to Unemployment Insurance (UI) training funds in states such as California, many states and jurisdictions generate their own resources for investing in their workforce. By creating a sustainable revenue source, Baltimore and Maryland would have more capacity to expand what works, more flexibility to innovate, and greater ability to meet the demand for training.
- ***Link Infrastructure Investments with Human Capital Development:*** Each year hundreds of millions of dollars are invested in economic and infrastructure development projects. Though these projects are major drivers of employment, disadvantaged local residents are too often left on the sidelines as development happens around them. Through innovations in policy and practice, local and state leaders can create demand for local workers – and provide the training and placement opportunities that lead to shared success.
- ***Actively Engage Employers in Workforce Development:*** Having a skilled, job-ready labor pool is critical to the region's economic development – and a key ingredient in building and maintaining a healthy business climate. In some states, employers have stepped to the forefront to advance training that meets the needs of their industry. By working with industry, Baltimore and Maryland can create win-win solutions that provide career track employment opportunities and meet employer needs for skilled workers.

- ***Build a More Coordinated Workforce Training Pipeline:*** Baltimore City is home to numerous workforce development and training programs – operated by the public sector, nonprofit providers, and private institutions – that are not well coordinated or easily accessible to job seekers or employers. In Hartford, Connecticut, local stakeholders dealt with this challenge by building a Jobs Funnel to smoothly connect disadvantaged residents with job opportunities emerging from major construction projects. With the Red Line, school construction, and other infrastructure projects on the horizon, now is an opportune time for Baltimore to build a clearer pipeline that brings residents in the door for customized, seamless training and then 'funnels' ready workers to employers.
- ***Bring Career Pathways Programs to Scale:*** To streamline Maryland's adult education and training systems, they must also coordinate more effectively with community colleges. Career pathways efforts that begin with strong bridge programs provide a model for integrating these systems. Maryland should build off the lessons learned from recent pilot projects to bring career pathways to scale across the state. In the long run, this will improve outcomes both for disadvantaged workers and for local businesses that rely on a stable pool of skilled employees.

Finally, we urge increased and coordinated action to address the city's workforce challenge and develop its human capital.

The fact is, too many Baltimore City adults are on the sideline. Almost 20% of adults in the city have no high school credential; nearly two-thirds of those without a diploma are either unemployed or not in the labor force at all. An additional 30% of adults have only a high school degree as their highest credential – 40% of whom are not employed or in the labor force.²

A diffuse set of agencies and actors, with strained and limited resources, play a role in providing adult education and training. As this brief recommends, we must explore every possible opportunity to increase investments in effective training and supports and import new and promising practices from elsewhere. We must also find new ways to work together across agencies, between sectors, and with both business and philanthropy – and with greater urgency and effectiveness – to coordinate existing programs and resources, monitor and share progress and drive towards scale. Only by doing so can we truly build a Baltimore that works.

Investments in Training Yield Returns

Investments in training and support for workers can produce a return on investment to workers through higher wages and increased employment; to businesses through reduced turnover and greater productivity; and ultimately to government through an increased tax base and reduced need for public benefits.

In the face of a tough fiscal climate at the federal, state, and local level, however, current state and local investment in training is limited, and federal funding has been steadily eroding. Over the past decade, for example, despite meeting or exceeding performance expectations, Baltimore City's allocation of federal Workforce Investment Act funding has been cut in half. This unfortunately comes at a time when unemployment remains extremely high in Baltimore and the need for training resources has never been more important to help residents access jobs and position themselves for new opportunities as the economy strengthens.

INTRODUCTION

Over the past 50 years, changes in the labor market have put pressure on workers to attain at least some education or training beyond high school. Employers are increasingly reliant on trained, educated workers in order to thrive. As a result, those who lack post-secondary training often struggle to find employment, and when they do, have limited opportunity to move beyond low-wage, entry-level positions. This is evident in the City of Baltimore, where many residents either drop out of high school, or complete and go no further – and suffer from high unemployment and low wages as a result. In turn, businesses face recruitment challenges and high turnover, which impacts the city's economic climate as a whole.

Government, civic, business, and nonprofit leaders in the city are working to change these trends by helping workers build the skills needed to compete for good jobs with family-supporting wages, and by creating pathways through training and into high-demand fields identified by local employers. Such investments are vital to the long-term economic health and prosperity of both residents and the city as a whole. They produce a return on investment to workers through higher wages and employment rates; to businesses through increased retention and productivity; and ultimately to government through an increased tax base and reduced need for public benefits.

Research has confirmed these impacts. An experimental study of sectoral training strategies, for example, found that graduates earned 20 percent more and experienced employment rates 10 percent higher than the control group.³ Research on Workforce Investment Act (WIA) training recipients in Baltimore found that taxpayers recoup their return on investment after just two years thanks to greater tax payments and a reduced need for food stamps and child care vouchers.⁴ Another study found that firms making significant investments in training had 24 percent higher profit margins and measurably higher returns to shareholders.⁵

Nonetheless, in the face of a tough fiscal climate at the federal, state, and local level, current state and local investment in training is limited, and federal funding has been steadily eroding. This unfortunately comes at a time when unemployment remains high in Baltimore and the need for training resources to help connect residents to jobs in growing employment sectors is critical.

This paper argues that we need to find new ways of working together to help more Baltimore residents access quality employment opportunities, and to advance economic development by ensuring that employers have access to a skilled, reliable labor pool. It begins by highlighting the scale and nature of the city's workforce challenge, focusing particularly on its struggling adult workers. It then describes how and through what organizations and mechanisms workforce training resources are allocated, and how declining funds are impacting their capacity to train residents and help place them into jobs.

Finally, the report provides a series of recommendations for how existing resource constraints might be overcome, citing examples of promising models employed throughout the country from which Baltimore might learn – many of which are built on a foundation of strong employer engagement. By doing so, the Baltimore Integration Partnership and the Job Opportunities Task Force hope to stimulate new thinking about how public, nonprofit, and private sector stakeholders can work more collectively and effectively to create a workforce prepared to meet the demands of a 21st century economy – today, and in the decades to come.

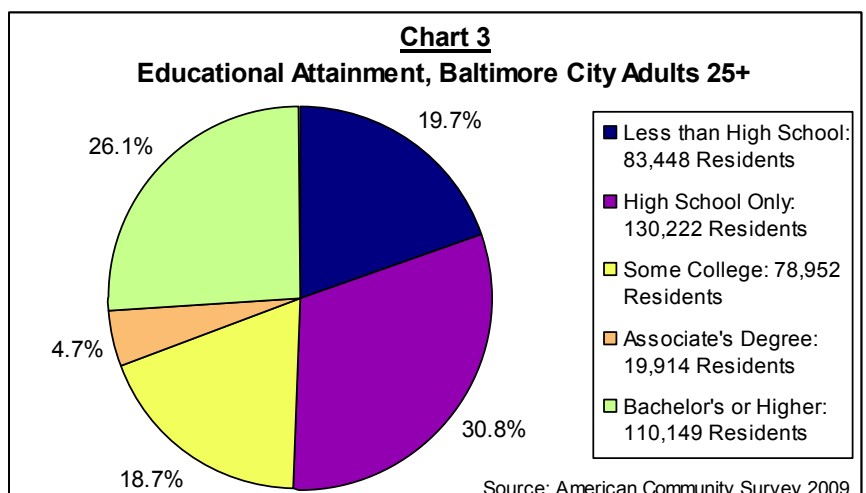
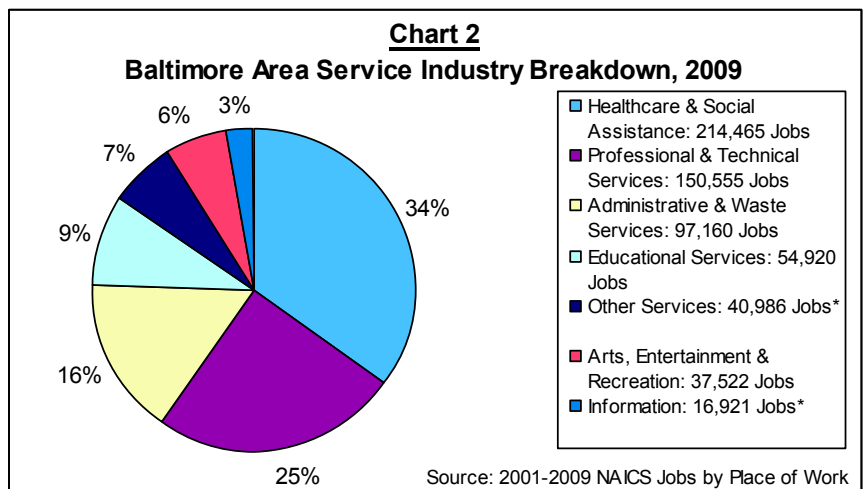
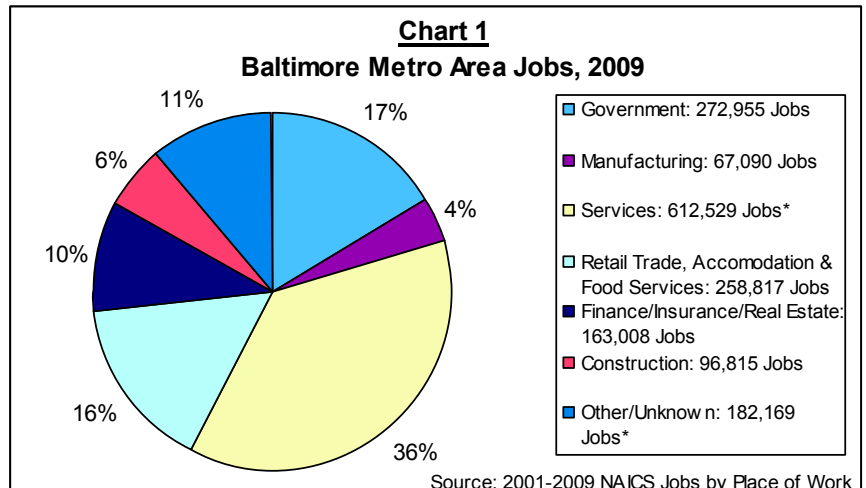
BALTIMORE'S WORKFORCE CHALLENGE

A strong city workforce necessarily begins with strong public schools and sturdy linkages between high school and the post-secondary system so that students can seamlessly continue to advance their skills. But while continued efforts to improve the city and region's traditional K-16 systems are critical, two-thirds of the 2020 workforce and 45 percent of the 2030 workforce are already beyond those systems' reach.⁶ In other words, a large proportion of tomorrow's workers are adults already engaged in the labor force today. Leaders must place equal priority on education and training for adults who want to move up the economic ladder.

In generations past, the Baltimore economy had room for workers to make their way into the middle class through hard work and informal hands-on training. Over time, however, many opportunities to attain low- to middle-skilled jobs that pay family-supporting wages have disappeared. Overall, between 1969 and 2009, the Baltimore metro area lost more than 140,000 jobs – 95,000 of them in Baltimore City alone.⁷ The shift away from manufacturing has had a notable impact on the employment landscape. Today only about 4 percent of Baltimore area jobs are in manufacturing, down from about 20 percent four decades ago.⁸

Meanwhile, the size of the region's service economy more than tripled between 1969 and 2009, and now represents more than one-third of all jobs, as seen in Chart One.⁹ The trend towards service jobs has been especially pronounced in Baltimore City, where the service industry has steadily grown while every other segment of the private sector has lost jobs. This is largely driven by the growing demand for healthcare workers. As of 2009, nearly 14 percent of metro area jobs – and a full 20 percent of Baltimore City jobs – were in the healthcare and social assistance sector.¹⁰ Chart Two illustrates the full breakdown of service industry jobs. It is important to note that retail trade, accommodation and food services are counted as an independent industry, rather than a subset of the service sector. These jobs make up another 16 percent of the metro area economy.¹¹

Many service and retail jobs require little education or formal training. But unlike many of the goods producing jobs of decades past, these jobs generally pay low wages. On the flip side, service jobs that *do* pay a better wage often require at least some post-secondary education and training.



For middle-skill jobs in fields such as healthcare, for example, workers must generally have industry-specific training or certification, and for high-skill jobs in fields such as finance, workers must typically attain at least a Bachelor's Degree.

Here lies the heart of Baltimore's workforce challenge.

As shown in Table One, most of the high-demand occupations for workers with a high school credential or less are in low-wage retail, food service, or other service-related fields. While most of these jobs pay just enough to bring workers above the official poverty line, they do not pay enough to establish self-sufficiency and offer little room for advancement.¹² Nonetheless, these are the jobs for which most local workers find themselves competing. Nearly 20 percent of city adults lack a high school credential, and half have nothing more than a diploma or GED. This stands in contrast to the state as a whole, where nearly 62 percent of adults have at least some college experience.¹³

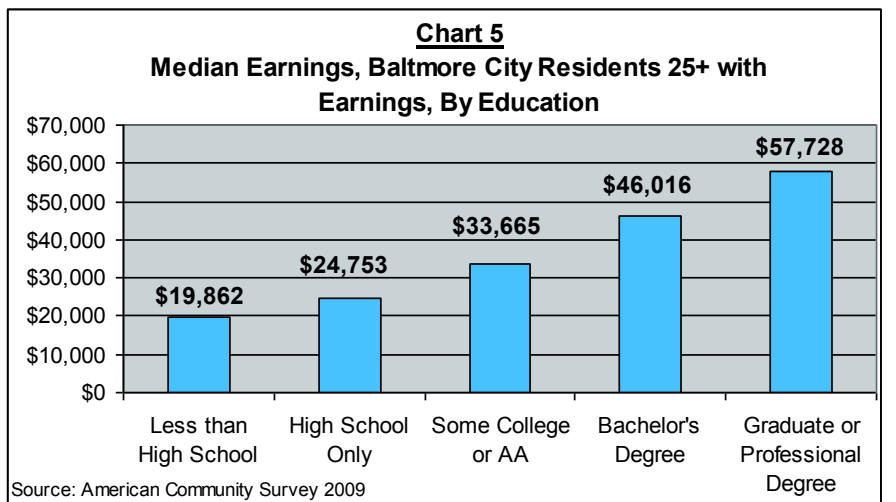
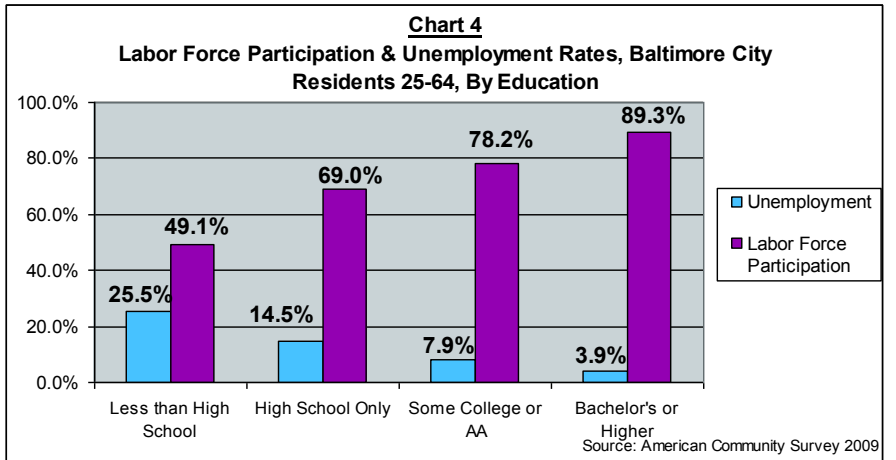
These statistics help explain why Baltimore City workers earn a median wage of just \$33,000 per year – a number which drops to less than \$20,000 for city residents without a high school credential.¹⁴ And that's if they have a job at all. Without the education and training needed to compete in the 21st century labor market, lower-skilled workers consistently face higher rates of unemployment, and have much lower rates of labor force participation. In Baltimore City, workers without a high school credential face unemployment rates of over 25 percent, and less than 50 percent participate in the labor force at all.¹⁵ This has both social costs – from high crime rates to poor health outcomes – and economic costs, including a smaller tax base and a greater strain on public benefit systems.

To break Baltimore City's cycle of poverty and underemployment, working residents need more and better opportunities to gain the skills needed to compete for higher-wage jobs. Although there are many players in Baltimore's workforce development system, the scale and effectiveness of existing education and training funds are currently inadequate to the task.

Table 1
Top Demand Occupations for Workers with a High School Education or Less, 2008-2018

Title	Openings	Median Wage
Cashier	3,525	\$18,450
Customer Service Rep	1,640	\$35,250
Counter Attendant	1,595	\$18,775
Laborer/Freight Handler	1,565	\$28,575
Office Clerk	1,485	\$30,050
Janitor	1,375	\$23,575
Waiter	1,375	\$15,850
Retail Salesperson	1,310	\$23,275
Police/Sheriff Patrol Officer	1,235	\$57,150
Food Prep/Serving Worker	1,195	\$17,375

Source: Job Outlook 2008-2018, Baltimore City Workforce Area. Maryland Department of Labor, Licensing & Regulation. Sept. 2011.



A SNAPSHOT OF WORKFORCE TRAINING FUNDING

Baltimore relies on a patchwork of funding streams to support workforce development. Federal Workforce Investment Act (WIA) funds – the largest and most integral pool of resources – flow into the city through the Mayor’s Office of Employment Development (MOED), whose budget is supplemented with a mix of federal, state, and local funding. A number of state-administered programs are also critical to the workforce education and training landscape, from customized training, to adult and correctional education, to education and training at community colleges. The nonprofit sector is also a major provider of workforce development services, operating with a mix of public, private, and philanthropic dollars.

Baltimore’s workforce partners are challenged by the structure and scale of available funds. In the first place, workforce resources are often targeted toward specific populations, making it hard to combine them with other funds, and challenging for residents to access appropriate programs. At the same time, many existing workforce programs are at or over capacity, leaving resources too strained to expand the programs that are most successful, or to implement innovative new strategies. This mismatch between supply and demand – combined with the unpredictability of funding flows from one year to the next – also contributes to an ongoing tradeoff between providing basic services to all those in need and providing, improving, and maintaining more in-depth training opportunities.

A look at how Baltimore’s workforce funding is allocated and utilized provides some insight into the scale and nature of these challenges.

Baltimore City's Public Workforce System

MOED is at the heart of Baltimore City's public workforce system, managing a network of One-Stop career centers with services targeted towards unemployed and underemployed adults, as well as providing a menu of programs tailored to youth skill development. MOED is funded through both formula grants and other project-specific sources.

Formula Funding: WIA and TANF

As Baltimore City's primary source for workforce development funding, WIA enables One-Stop career centers to provide a range of services to job-seekers, including job search and placement assistance, development of individual employment plans, youth services, and training services. WIA funds also support individual training accounts (ITAs) and customized training in partnership with employers. ITAs provide job seekers with up to \$3,000 to enroll in an approved hard-skill training program.

Over the past decade, however, national WIA funding has steadily declined. Despite meeting or exceeding performance expectations, Baltimore City's allocation has been cut in half leaving the city with a WIA budget of \$6.6 million for 2012 (shown in Table Two).¹⁶ Only \$3.3 million of this total could be used for adult and dislocated jobs seekers – the balance was allocated toward youth services and administration.¹⁷ The decline in WIA funding is due in part to cuts at the federal level, and in part to the formula mechanism that divides funds between the workforce areas. Other Maryland counties have experienced relative increases in population, poverty, and unemployment, and have seen their share of federal workforce funds rise as a result.

Despite these declines, the WIA system continues to serve thousands of Baltimore residents each year. Based on federal guidelines, WIA operates under a "jobs first" model – directing workers to services that will most quickly connect them to employment, and providing training and more intensive services only when basic services do not lead to a job. When adult or dislocated workers enter a One-Stop, they begin by exploring self-service offerings, where they independently conduct job search activities, access labor market information, and use computers.

A much smaller sub-set moves on to receive staff-assisted services, beginning with career counseling and placement assistance, and progressing to intensive counseling, case management, and pre-vocational services.

Only a small portion of customers ultimately receive WIA-funded hard-skill training. In fact, less than two percent of participants have used ITAs to enroll in WIA-approved training in the city over the past five years.¹⁸ Customized training opportunities vary from year to year, but are also limited. There are a few reasons for this. First, if a participant is able to find employment through placement assistance and other services, they do not move on to the next tier of service where they would become eligible for training. Second, the demand for employment services has increased significantly over the past five years, which has stretched MOED's already declining service budget. In 2010, Baltimore served nearly 30,000 WIA participants – up 25 percent from the number served in 2006.¹⁹ This increase in demand means that Baltimore has gone from an average of \$307 per WIA

participant in 2006 to \$247 in 2010.²⁰ With funds spread so thin, and costs of training so high (the average approved program cost is \$4,246)²¹, there is limited capacity to fund intensive occupational training for all clients who would benefit.

To supplement WIA's limited capacity to meet the need for training, MOED also directs One-Stop customers to training funded through other federal, state, municipal, and private grants. For example, MOED is part of a cybersecurity training partnership with the Anne Arundel Workforce Development Corporation (AAWDC). AAWDC is currently managing a \$4.9 million federal grant to help 1,000 workers from the region obtain cybersecurity certifications.²⁴ MOED is able to refer job seekers to opportunities like this without tapping into WIA funds – another key mechanism for expanding access to training.

Baltimore City also relies heavily on federal Temporary Assistance to Needy Families (TANF) funds, which are used to provide workforce services to welfare applicants and recipients. The state Department of Human Resources (DHR) and the Baltimore City Department of Social Services (DSS) contract with MOED to provide job readiness prep to TANF clients. The city spent \$4.8 million on these services in FY 2012.²⁵

Other Federal, State, and Local Resources

Though far smaller in scale, MOED also solicits project-specific federal grants to support initiatives that go beyond what is allowable under WIA and TANF. Such one-time grants have allowed the city to implement innovative, targeted programs – such as those focused on people with criminal records – but they are an erratic source of funding.

The state, too, provides some additional support for Baltimore's workforce programs, though those resources are also limited, and not always predictable. For FY 2012, the city received \$500,000 in state support for its ex-offender initiatives, an amount that only begins to address the needs of the thousands returning from prison to local communities each year. Baltimore also received \$1.1 million to support the YouthWorks 2011 summer employment cohort and help offset the loss of ARRA funds that supported the program in 2009 and 2010.

The city supplements federal and state dollars with its own general fund allocations to support MOED. In recent years the city has committed about \$6 million per year to support MOED's administration, supplemental workforce services, the Youth Opportunity (YO!) program, and the YouthWorks summer jobs program. YO! Baltimore serves 600 disconnected youth annually while YouthWorks serves an average of 5,000 individuals each year. As an example of the benefits of these types of local investments, YO! Baltimore has shown that it helps foster increased employment and earnings for program participants, reduces criminal activity, and strengthens education gains.²⁶

Still, Baltimore does not have a dedicated funding stream to ensure sustainable funding and fully meet the demand for training. Each year MOED competes for funding with other priorities, from public safety to recreation centers to sanitation, and budget constraints will continue to stretch resources for the foreseeable future.

Table 2
Workforce Investment Act Funding History

	Federal	Maryland	Baltimore City	Baltimore City - Adult/ Dislocated Portion
FY 02/PY 01	\$3,490,505,000	\$42,362,816	\$13,677,055	\$6,973,928
FY 03/PY 02	\$3,287,591,707	\$43,213,653	\$12,778,816	\$6,562,090
FY 04/PY 03	\$3,022,727,915	\$36,683,382	\$10,075,052	\$5,261,571
FY 05/PY 04	\$3,047,212,050	\$32,357,495	\$9,428,590	\$4,577,155
FY 06/PY 05	\$3,051,980,612	\$31,133,452	\$8,636,847	\$4,391,521
FY 07/PY06	\$2,960,242,760	\$29,794,584	\$7,264,592	\$3,806,586
FY 08/PY 07	\$2,832,271,579	\$28,394,872	\$6,756,117	\$3,540,166
FY 09/PY 08	\$2,947,666,797	\$32,079,895	\$7,193,136	\$3,825,679
ARRA	\$2,895,421,764	\$27,750,512	\$6,144,936	\$2,585,985
FY 10/PY 09	\$2,947,968,575	\$28,324,163	\$6,453,345	\$3,667,159
FY 11/ PY10	\$2,947,572,929	\$37,546,287	\$7,276,747	\$3,795,665
FY 12/PY 11	\$2,884,379,782	\$33,929,430	\$6,616,594	\$3,320,845
Percent Change	-17.40%	-19.90%	-51.62%	-52.38%

Source: WIA Quarterly State Spending Reports, Mayor's Office of Employment Development Internal Data & Maryland Department of Labor, Licensing & Regulation Workforce Investment Field Instructions

State-Administered Training Funds

While local workforce agencies like MOED are the most direct point of contact for residents seeking public workforce services, most states also invest in statewide training initiatives. Often, state programs support customized training partnerships that bring employers to the table to directly address critical staffing needs. In some cases, these programs train workers to move into new jobs, and in others, they help build the skills of incumbent workers to meet the changing demands of technology and industry.

Maryland makes limited investment in state-level training programs, and in recent years funding for existing programs has been cut or eliminated. The Maryland Industrial Training Partnership – a Department of Business and Economic Development (DBED) program that funded training for new employees at companies expanding or moving to Maryland – was phased out in FY 2010, leaving The Partnership for Workforce Quality (PWQ) as DBED's only remaining source of training funding. PWQ provides matching grants to small and mid-size technology and manufacturing companies to increase the skills of incumbent workers. For FY 2012, Maryland allocated \$165,000 to the program, down from \$250,000 in FY 2011 and from \$1,237,954 as recently as FY 2007.²⁷ In FY 2010, the program supported training for 547 employees at 24 companies.²⁸ Unfortunately, PWQ currently lacks clear job quality standards and reporting requirements as seen in model programs of this type (such as the Texas Skills Development Fund described on page 13). As a result, it is unclear whether the program has led to wage gains or other job quality improvements.

Maryland has demonstrated a stronger commitment to creating pathways into apprenticeship, however – an important pathway for workers to move into skilled, well-paying jobs. The state has launched a new Apprenticeship Training Fund, its first attempt to leverage employer support for directed workforce training. The state law authorizing the fund requires contractors on state-funded projects to either participate in an apprenticeship program or contribute \$0.25 per labor hour to the fund. Contributions will be used to support workforce training, with a focus on pre-apprenticeship. Though the fund is likely to take in less than \$200,000 per year once fully implemented, it is expected to increase participation in formal apprenticeship programs.²⁹ While it is a step in the right direction, there is still opportunity to build a system with a wider breadth of training options – for example, following the model of states with Unemployment Insurance training funds as described below.

Finally, Maryland legislation passed in 2009 created a new quasi-governmental agency charged with leveraging and managing new workforce resources. Though not a source of funds for training per se, the Maryland Workforce Corporation's mission is to seek, create, fund, and manage innovative, demand-driven workforce development programs. Each year, Maryland may use a portion of its total WIA allocation for statewide projects. A portion of these discretionary funds were used to seed MWC.³⁰ Now a 501(c)(3) that works on behalf of the state of Maryland, MWC works to bring otherwise-untapped workforce resources to the table, including grants from the federal government and private foundations.

To date, MWC has served as the administrative entity for projects that include a regional green-economy consortium, a career pathways pilot project, and a re-employment program for unemployment insurance exhaustees. Although it is still too early to assess the ultimate impact MWC will have on the availability of training, it represents a good example of how the state can use federal funds to creatively leverage investment and innovation.

Table 3
Baltimore City WIA Enrollment & Employment Outcomes

	Total Participants Served ²²	Number Enrolled in Training	Entered Employment Rates		
			Adults	Dislocated Workers	Youth ²³
2003	6,956	689	89.5%	89.4%	93.7%
2004	6,310	385	83.4%	91.2%	94.4%
2005	3,556	434	86.4%	93.1%	95.5%
2006	23,681	417	73.7%	80.5%	72.4%
2007	23,928	345	78.0%	88.3%	73.6%
2008	28,497	500	70.5%	88.1%	70.2%
2009	29,973	427	73.1%	73.4%	66.4%
2010	29,428	589	67.5%	74.7%	75.6%

Sources: 1) Annual Reports, Workforce Investment Act Title I-B, Program Years 2003-2010. Department of Labor, Licensing & Regulation. 2) FY 2003 - FY 2007 and FY 2006 FY - FY 2010 Report on Occupational Training Funded via the Federal Workforce Investment Act (WIA) in Maryland. Maryland Higher Education Commission. April 2008 and June 2011.

Table 4
Baltimore City General Funds Budgeted for MOED

	FY 2010	FY 2011	FY 2012
Career Center & Training Services	\$811,615	\$809,506	\$866,214
Administration	\$282,226	\$217,668	\$209,849
Out-of-School Youth (YO!)	\$2,519,051	\$2,503,129	\$2,544,264
YouthWorks Summer Employment	\$1,672,139	\$1,672,089	\$1,633,489
Career Connections for In-School Youth	\$0	\$890,332	\$0
Ex-Offender Services	\$249,819	\$0	\$0
Oversight of Special Programs	\$839,852	\$862,245	\$924,937
Total	\$6,374,702	\$6,954,969	\$6,178,753

Sources: FY 2011 and FY 2012 Agency Detail, Board of Estimates Recommendation, Vol I. City of Baltimore and Mayor's Office of Employment Development Internal Data.

Table 5
Maryland Adult Education Instructional Grant Funding

	Federal	State	Total
FY 2004	\$8,334,072	\$2,513,622	\$10,847,694
FY 2005	\$7,995,200	\$2,513,622	\$10,508,822
FY 2006	\$8,781,819	\$3,433,622	\$12,215,441
FY 2007	\$8,665,751	\$5,433,622	\$14,099,373
FY 2008	\$8,060,992	\$6,933,618	\$14,994,610
FY 2009	\$7,972,433	\$6,933,622	\$14,906,055
FY 2010	\$7,293,922	\$6,933,622	\$14,227,544
FY 2011	\$6,814,797	\$6,933,622	\$13,748,419
FY 2012	\$6,814,797	\$6,933,622	\$13,748,419

Source: FY 2005- FY 2012 Operating Budget Detail, Maryland Department of Budget and Management.

The Adult and Correctional Education Systems

Maryland's adult and correctional education systems are also important components of the workforce development infrastructure. To better align Maryland's adult and correctional education programs with the demands of the labor market, these systems were recently transferred from the State Department of Education to DLLR.

To deliver adult education, DLLR provides service grants to community colleges, public school systems, libraries, and community-based organizations. These grantees in turn offer adult basic education, GED preparation, External Diploma Programs, English for Speakers of Other Languages (ESOL), and other literacy services. Maryland budgeted \$13.7 million for grants to these non-correctional adult education programs in FY 2012 – approximately half from federal funds and half from the state general fund. After increases in 2006, 2007, and 2008, state funding has remained level for the past five years, and demand for services continues to outpace supply. Though more than 350,000 Maryland adults between 18 and 64 lack a high school credential, adult education programs can only accommodate approximately 40,000 students per year.³¹ Based on data reported to the U.S. Department of Education, for each adult without a high school diploma, Maryland invests \$34.83. This amounts to about half of the national average of \$64.49, and ranks the state 27th in adult education investment.³² While Maryland's public K-12 system is often ranked the best in the nation, we still have work to do when it comes to adult learners.

On the correctional side, Maryland invests in a range of education and training services for inmates. Programs include adult basic, secondary, and special education, ESOL classes, library services, and occupational training. Nearly 1,000 inmates receive occupational certificates each year and 700 earn a high school diploma – though over 1,600 inmates remain on the waiting list.³³ These services are primarily supported by the state general fund and federal adult education dollars, though the Special Inmate Welfare Fund – which is comprised of profits from inmate commissary, telephone, and vending purchases – also supports education and training. For FY 2012, Maryland dedicated \$13.8 million to correctional education.³⁴

Community Colleges

Community colleges also play a crucial role in Maryland's workforce development system, offering many certificate programs and short-term occupational training courses in addition to their two-year degree and transfer programs. Baltimore City Community College (BCCC) serves thousands of local students each year, and receives funding directly from the state – having been converted to a state agency in 1990 in response to a lack of financial capacity at the local level. BCCC's main revenue streams are state general fund support (\$40.8 million in 2012) and student tuition fees (\$18.8 in 2012).³⁵ Currently, BCCC offers 36 associate degree and 14 certificate programs, in addition to non-credit enrichment and training courses.³⁶

BCCC serves a non-traditional population. Only 40 percent of BCCC's nearly 7,000 students attend full-time, and 34 percent of the full-time equivalent student count is enrolled in non-credit courses. The institution's graduation rates, meanwhile, are low. Fewer than 17 percent of students from the Class of 2005 graduated or transferred by 2009 (compared to a statewide average of 35 percent), and of this group, only 3.5 percent completed their two-year degree.³⁷ The need for intensive remediation is one of the main contributors to BCCC's low graduation rate. Indeed, more than 90 percent of BCCC students need remediation in math before they are eligible to pursue most credit-bearing courses. Such a statistic underscores the need not only to improve the level of education students acquire in high school, but also to invest in programs that can help them sharpen basic skills while simultaneously getting the more in-depth training they need to compete for quality jobs.

Nonprofit Sector

Because both public and private dollars support the nonprofit sector, there is no clear measure of exactly how much is invested in the dozens of nonprofit workforce training programs in Baltimore City. These programs vary considerably in capacity and in the type of training they provide – from those that address basic skills, to those that help individuals achieve a GED, to those that provide an industry-recognized credential. Some of these training programs are supported through public funds, including a small number that are approved to receive WIA funding. Most operate outside of this system, relying on support from foundations, private donors, and churches. This sector plays an important role in providing training opportunities, case management and other supports to Baltimore City residents, and adds considerable capacity to assist a high need population. It also adds to the complexity of measuring and navigating the workforce system - making it all the more important to build strong mechanisms for coordination, collaboration, and referral.

BUILDING A STRONGER BALTIMORE WORKFORCE

The barriers facing local workers and the systems that serve them are not unique to Baltimore, raising serious questions about how the nation will be able to meet the needs of workers and employers in the decades to come. How, for example, can states and cities build a workforce whose skills align directly with the needs of businesses – and a labor pool attractive enough to promote economic development? How can they make sure such a system is inclusive, with on-ramps and success strategies for workers from all socio-economic backgrounds? How should they prepare now, in a recessionary time with slack demand, for the wave of baby boomer retirements just around the corner? And how can they do it with limited and declining resources?

While no city or state has all the answers, a number have implemented promising models aimed at increasing the resources available for training, and/or making the delivery system more coordinated and effective. Maryland and Baltimore ought to follow their lead, in five key ways:

1 *Explore Creative Public Funding Strategies.*

Many states and some cities have developed creative strategies to provide ongoing funding for workforce development. Texas has made a significant general fund commitment to training, while many other places have created alternative dedicated funding streams to ensure money is always set aside to support it.

The Texas Skills Development Fund, for example, provides training dollars to help workers build skills that align directly with the demands of the regional labor market. Supported through the state general fund and administered by the Texas Workforce Commission (TWC), the Fund facilitates customized training partnerships between community colleges and businesses, private-sector consortia, or unions. Regarded as a workforce training model for other states, the Fund not only helps create a steady supply of qualified, job-ready workers for new jobs, but also helps re-train incumbent workers to meet the changing needs of private industry. (See sidebar.)

Though the economic downturn may have constrained states' ability to support training programs through general funds, as Texas does, other mechanisms can also ensure that funding for workforce development is more sustainable and predictable. In many states, for example, unemployment insurance is a vital source of training resources. In fact, half of all states have created special workforce training funds supported through unemployment insurance (UI) tax surcharges.³⁸ UI training funds give states the flexibility to offer programs that may not fit within the rigid confines of federal funding streams, and to increase the capacity of innovative strategies. And because UI surcharges provide a dedicated funding source, they also shelter workforce training from the risk of budget cuts.

The California Employment Training Panel (ETP) is the country's oldest such example and is often viewed as a model for other states. ETP is a state agency that helps employers build and maintain a competitive workforce through performance-based training grants. The ETP is principally funded by a .001 percent surcharge paid by employers through the unemployment insurance system, up to a maximum of \$7 per employee per year. Employers also match at least one dollar of private money for every ETP training dollar. Though it operates as a state agency, it is governed by an appointed panel representing both business and labor. In this way, the employer community is bought in not just financially, but also programmatically. The system is also performance-based, and contractors earn funds only if training results in employment for least 90 days in a training-related field, and at a required wage.³⁹

Despite fiscal challenges in FY 2009-2010, ETP awarded \$8.7 million to 208 new contracts. These contracts supported training and employment retention for 22,576 workers, with a focus on priority industries, small businesses, and high unemployment areas.⁴⁰ ETP has also begun to fund pilot programs targeting special populations such as veterans, ex-offenders, at-risk youth, incumbent healthcare workers, microenterprise operators, and seasonal agricultural workers. All told, ETP has provided close to \$1.25 billion over two decades for the training and employment retention of 766,000 workers, for approximately 77,200 California businesses.

Maryland should look to such employer-based programs as models, and make a similar commitment to workforce training. The state's workforce is one of its greatest resources. Making the investments needed to build a ready workforce should be a top state priority. By creating a stable state-level revenue source, Maryland would have more capacity to expand what works, more flexibility to innovate, and better ability to meet the significant need for training.

The Texas Skills Development Fund: A Direct State Investment Model

Created in 1995, the Texas Skills Development Fund supports targeted workforce initiatives, which are screened and chosen by the Texas Workforce Commission. Under this model, an employer identifies a specific training need and then works with community college partners to submit proposals, develop curricula, and conduct training. The Fund pays for the training, the college administers the grant, and businesses create new jobs and improve the skills of their current workers.

Responding to employer's urgent demand for skilled labor and the opportunity for job creation, for FY 2010 the Texas Legislature appropriated \$40 million in State General Revenue and \$10 million in American Recovery and Reinvestment Act funds to the Fund. With \$50 million set aside for workforce training, it was able to award 49 grants, serve 207 Texas businesses, facilitate the creation of 5,736 new jobs, and upgrade the skills of 20,982 incumbent workers. To keep up with the demand for skilled labor in Texas's petrochemical industry for example, one community college partnered with four petrochemical businesses to up-skill the local workforce. A grant of \$1,335,274 provided training for 75 new and 565 incumbent workers on new manufacturing equipment needed to keep plants operating at optimal levels of safety and productivity. Another community college was awarded a grant for \$808,066 to upgrade the advanced technology skills of 25 new and 428 incumbent workers and help manufacturing businesses improve productivity.

Maintaining a strong state-funded program also gave Texas the flexibility to respond to the emerging needs of workers impacted by the recession. To manage chronic unemployment and the economic challenges faced by businesses, approximately \$5.5 million from the Skills Development Fund was used to support the Texas Back-to-Work Initiative. The program encourages businesses to hire unemployment insurance recipients, and employers who hire unemployed workers who earned less than \$15/hour in their previous job receive wage subsidies if they commit to retain employees for at least 120 days and 30 hours per week. To qualify for funding, businesses must specify what benefits trainees will receive (such as health insurance, 401(k) and vacation time), the number of jobs created and/or upgraded, anticipated hourly wages, and anticipated wage gain for incumbent workers. For all projects, wages must be equal to or greater than the prevailing wage for the area, and there must be a positive economic impact on the local region. In FY 2010, workers trained through the Fund were paid an average wage of \$26.07.⁴¹

2 *Link Infrastructure Dollars with Human Capital Development.*

Each year hundreds of millions of dollars are invested in economic and infrastructure development projects. Though these projects are major drivers of employment, disadvantaged local residents are too often left on the sidelines as development happens around them.

To help remedy this, Maryland announced in late 2011 that it would take advantage of a provision that allows states to dedicate up to 0.5 percent of their federal transportation funds to training and in the 2012 legislative session made this allocation permanent. The funds will support a new program within the Maryland Department of Transportation (MDOT) known as BuildUp, which is currently providing training in carpentry, computer aided design, and commercial driver's licensing to a cohort of on-the-job trainees. By creating this new program, Maryland joins Missouri, Michigan, Minnesota and Wisconsin, all which have leveraged federal funds to create robust training models focused on pre-apprenticeship, subsidized on-the-job training, and other services targeting minorities, women, and economically disadvantaged workers. This is a critical issue in Maryland, where minorities and women remain underrepresented in the construction industry.⁴²

Now that MDOT has committed to provide the training needed to link workers to infrastructure jobs, two important next steps ought to follow. First, for the program to be successful, the service delivery plan must be well designed. Services must be targeted to the local residents who need pathways to employment, marketed through trusted community partners, accessible to disadvantaged workers, and coordinated with the existing public workforce system. The curriculum, case management, and job placement assistance must be tailored toward the target workers, and comprehensive enough to remove the range of barriers faced by them.

Furthermore, MDOT must carefully align the chosen training with the jobs expected to emerge from scheduled projects – whether they be roads or transit. For the program to truly be effective, there must be a clear plan for connecting graduates to specific jobs. As the Red Line and Purple Line transit projects unfold, a portion of the training funds should be used to develop a workforce pipeline into project-related jobs.

Maryland joins Minnesota in being one of two states to make a permanent commitment to training for the transportation workforce. Now, MDOT must ensure the training is meeting the needs of both employers and participants. To this end, the program must be monitored, measured, and improved over time.

The city and state should also explore other strategies that promote human capital development alongside infrastructure development – and ensure that economic inclusion is consistently braided into the way we do business. At the state level, Maryland should take a close look at the contracting process for major projects and work to include stronger workforce provisions. Work can also be done at the local level. The Boston Neighborhood Jobs Trust, discussed in the sidebar, gives one example of a proactive local approach.

The Boston Neighborhood Jobs Trust

To ensure that local residents benefit from commercial re-development, the City of Boston established a Neighborhood Jobs Trust in 1987. Large-scale developers are required to support the city's economic development by contributing to the trust. The requirement applies to developers undertaking commercial projects over 100,000 square feet that require a zoning variance. For each square foot over 100,000, the developer contributes \$1.57 to the fund.

The Trust supports programs that help low-income city residents advance in the workforce through adult education, English for Speakers of Other Languages, and job training. In FY 2012, the fund awarded hard-skill training grants to ten programs in areas such as healthcare, culinary arts, weatherization, and office skills. The Trust also awarded three grants to English for Employment programs, which help people advance their English skills in preparation for skills training or employment. These grants will serve over 200 enrollees with an outcome goal of at least 135 jobs at a living wage rate of at least \$13.10 per hour.⁴³ The Trust allows Boston to support programs that are under-funded at the state and federal level, and to implement innovative projects that may not fit within the restrictive guidelines of existing programs.

3 *Actively Engage Employers in Workforce Development.*

Building and maintaining a skilled workforce matched to employers' needs is critical to the success of local businesses. As such, employers should be a key player in building and supporting the local education and training pipeline.

Some states, like Alabama, have aggressively focused on engaging business around workforce issues. Faced with a growing shortage of skilled construction craftsmen and negative misconceptions about the industry, in 2009 the state government created the Alabama Construction Recruitment Institute (ACRI), an employer-funded initiative that seeks to recruit skilled labor and encourage students to pursue careers in fields that are crucial to the maintenance of the state's infrastructure. This was no government-initiated mandate, however. Realizing the importance of maintaining a qualified workforce, a rare coalition of labor and management came together to support the enabling legislation, including the Associated Builders and Contractors, the Alabama Association of General Contractors and the Alabama AFL-CIO.

With large waves of skilled workers on the verge of retirement and a growing number of infrastructure projects on the horizon, ACRI's mission is to ensure that Alabama has a pipeline of skilled workers. Go Build Alabama, ACRI's flagship project, markets the industry, recruits and educates young workers about construction careers, and connects individuals to training opportunities. To fund ACRI, construction employers are assessed a small surcharge on wages paid to craftsmen, apprentices, and laborers. The fee – currently .0015 percent – is adjusted to bring in \$1.75 million annually.⁴⁴

Maryland's state and local workforce investment boards (WIBs) should consider how a model like the ACRI might fit into the state's workforce context. By identifying industry areas with recruitment challenges and skill mismatches, workforce and industry stakeholders would have the information needed to establish a dialogue about potential solutions. On the Upper Shore, for example, the local WIB conducted a labor shed analysis to identify projected openings in the region, along with job titles, average wage, educational requirements, and the largest employers for each occupation. The WIB also engaged employers in the data validation process, a step which not only ensures training is tailored appropriately, but also secures the buy-in needed to make employers willing to hire graduates.

The Baltimore Workforce Investment Board (BWIB) 2010 Talent Development Pipeline Study, which provides a detailed outline of supply and demand within critical local industries, provides Baltimore City with a good starting point from which to work. Policymakers, educators, service providers, and employers can build on this type of information to target the gaps and promote investments that are well-aligned with business needs.⁴⁵

The Hartford Jobs Funnel

In the late 1990s, stakeholders in Connecticut used the re-development of downtown Hartford as an opportunity to build an integrated model now known as the Hartford Jobs Funnel. The process began with conversations between the Capital City Economic Development Authority (CCEDA) – the local quasi-governmental agency overseeing a portfolio of new developments – and community groups, foundations, unions, construction firms, and training providers. Through the process, they established a goal to fill 30 percent of project jobs with local residents. The Jobs Funnel was established to help meet this goal, and to more smoothly connect disadvantaged residents with emerging job opportunities concentrated in construction. The Funnel is managed by Capital Workforce Partners, Hartford's local WIB.

The Jobs Funnel is designed to recruit and screen residents with diverse needs and career goals, connect them to the appropriate service provider, and move them along the training and employment continuum. Partners from around the city identify and refer candidates to the Funnel, where they begin by attending an orientation session. Those who choose not to proceed are referred back to local One-Stops and non-profits for general job placement assistance. For those who are interested in the program, the next step is the TABE test, an assessment that measures math and language skills. Those who score at or above the 8th grade level are enrolled in the program and assigned a case manager. Those who score below the 8th grade level are referred to partner agencies for adult education services before moving on to training.

After developing an individualized career plan with their case manager, participants begin a 20-hour pre-employment workshop, which includes topics such as interviewing, money management, team building, basic math, and an OSHA 10-hour workplace safety course. From here, participants move to a hard-skill training program best aligned with their qualifications and interests. Participants receive training for a range of occupations, including pre-apprenticeship in the construction trades, weatherization, and brownfields remediation. During training, participants receive support services such as transportation, child care, and stipends. After graduation, trainees receive placement assistance, and retention specialists provide follow-up.

While the Jobs Funnel was developed to create pathways into the construction industry, Hartford was able to use the model to place local residents in hospitality and retail jobs linked to the city's new convention center. By the end of FY 2011, the Jobs Funnel made contact with 8,066 residents, tested and assigned case managers to 5,382, and placed 2,231 in jobs.⁴⁶ An evaluation of the program found that the average starting wage for those placed in jobs was \$13.01.⁴⁷ By offering coordinated screening, training, and retention services through the Jobs Funnel, CCEDA has come close to meeting the 30 percent local hiring goal. In FY 2010 and FY 2011, 28 percent of CCEDA jobs were filled by Hartford residents.⁴⁸

The Jobs Funnel was initiated as a pilot project with financial support from local foundations and the state, and in-kind support from the local WIB, and by FY 2008, it was operating on an annual budget of \$969,034. The Office for Workforce Competitiveness, Capitol Workforce Partners, and the Hartford Foundation for Public Giving still provide core funding. Support has also come from the Annie E. Casey Foundation, private developers, the local utility company, and the Laborers-Associated General Contractors Training Fund.⁴⁹

4 *Build a More Coordinated Workforce Training Pipeline.*

While building sustainable funding sources for training is critical, this is only the first step to building an effective workforce pipeline. Declining funds notwithstanding, the city is in fact already home to numerous workforce development and training programs – but with so many of them operating independently, they are not always well-coordinated. Local workers often bounce from one program to the next without finding the right resources. At the same time employers, especially those looking to hire local residents, remain unsure where to go to find pre-screened and qualified workers. The Hartford Jobs Funnel, discussed in the adjacent text box, presents one city’s model for establishing a more coordinated pipeline, with a primary focus on construction jobs created by major infrastructure projects. With major projects on the horizon from transit to school construction, now is an opportune time for Baltimore to build a similar pipeline that brings residents in the door for customized, seamless training and then ‘funnels’ ready workers to employers.

To begin to address the need to better connect ready workers with employment opportunities, in June 2011, Mayor Stephanie Rawlings-Blake issued an Executive Order intended to strengthen the city’s approach to first-source hiring. Known as “Employ Baltimore,” the goal is to promote the hiring of qualified city residents on publicly-funded projects. Bidders awarded city contracts of \$50,000 or more must meet with the Mayor’s Office of Employment Development to discuss their workforce needs, and market all project job openings with MOED for seven days before advertising elsewhere.

The city has also begun to implement a number of transportation employment initiatives related to the Red Line, a new 14.5 mile east-west transit line. While the project is still in the planning phase, the city’s Red Line Economic Empowerment Office is exploring strategies for connecting local workers to the 10,000 jobs that will be created during construction. Currently, the city is overseeing a pilot that offers employers incentives for hiring trainees from local workforce programs and a grant program to develop youth training options.

These are both small but important steps towards building a workforce pipeline on local infrastructure projects. But to create a sturdy link between economic and workforce development, Baltimore must make the system seamless for workers and well-aligned with the needs of employers. Baltimore could benefit, for example, from a more inclusive pipeline that would incorporate existing resources and initiatives such as WIA and TANF programs, as well as funds flowing through housing and transportation. For instance, most federal HUD funds passing through Baltimore Housing are subject to a provision known as Section 3, which ensures that local low-income residents have priority access to job and contracting opportunities.

Finally, a pipeline approach provides an opportunity to create a linkage between the public infrastructure as well as the nonprofit workforce training providers in Baltimore City that can provide assistance to individuals that are not job ready. Baltimore City stakeholders are piloting this connectivity in conjunction with the East Baltimore and Central Baltimore workforce pipelines serving targeted neighborhoods. An effective pipeline serving a broader geography could coordinate with all of these system components, allowing easier access to multiple program and training opportunities for workers, and streamlining the screening and referral process for employers. An entity like BWIB – comprised of members from the public sector, nonprofits, organized labor, the philanthropic community, and private employers – is well-positioned to play a central role in spearheading a broader initiative of this sort.

5 *Bring Career Pathways Program to Scale.*

As this paper has described, attaining some education or training beyond high school has become vital to achieving success in the workforce. Unfortunately, many low-skill workers are ill-prepared for post-secondary programs, and struggle to succeed due to limited math and language skills. For students who need adult or developmental education, the path to earning a credential can span many years, and many students lack the time, money, and academic skills to persist.

Career pathway programs can help residents of all skill levels earn the credentials they need to enter and subsequently advance in high-demand careers with the potential for upward mobility. Bridge programs are often the first step on these pathways, helping students meet their adult basic education, GED, or ESOL needs while also learning occupational skills. By integrating basic education and hard-skill training, these programs streamline the student experience and provide a full menu of services and supports within a single program. From there, an effective career pathway should have re-entry points that allow workers to progressively gain new skills, allowing them to advance to higher-wage, family-sustaining careers.

While some states have established statewide career pathway programs – such as Washington’s Integrated Basic Education and Skills Training program (I-BEST), Minnesota’s FastTRAC initiative, and Wisconsin’s Regional Industry Skills Education partnership (RISE) – Maryland has just begun developing them. A grant from the federal Department of Labor allowed Maryland to conduct planning and implement a pilot project on the Upper Shore. The pilot put nine English Language Learners through a tailored Certified Nursing Assistant (CNA) training course in the fall of 2011.⁵⁰ At the same time, the Maryland Workforce Corporation has used funding from DLLR and the Annie E. Casey Foundation to pilot the Maryland Integrated Basic Education and Skills Training (MI-BEST) bridge program at five community colleges.

Though small, these pilot projects have given Maryland the opportunity to build a deeper understanding of model programs in other states – what strategies best meet the needs of local workers and employers, and why. The state should now build off these lessons to build out a statewide career pathways program that can be infused into the community college system. Each pathway should allow students to move along a continuum with clear progress markers, including credit and certificates. Community colleges should also hire a job developer or placement coordinator who can help ensure that the program sees students through to placement, rather than only to graduation. A variety of funding streams can be braided together to support this model, including community college FTE funding, adult education grants, WIA, TANF, need-based aid grants, and Supplemental Nutrition Assistance Program funding.⁵¹

Finally, we urge increased and coordinated action to address the city's workforce challenge and develop its human capital.

The fact is, too many Baltimore City adults are on the sideline. Almost 20% of adults in the city have no high school credential; nearly two-thirds of those without a diploma are either unemployed or not in the labor force at all. An additional 30% of adults have only a high school degree as their highest credential – 40% of whom are not employed or in the labor force.⁵²

A diffuse set of agencies and actors, with strained and limited resources, share partial responsibility for adult education and training. As this brief recommends, we must explore every possible opportunity to increase investments in effective training and supports and import new and promising practices from elsewhere. We must also find new ways to work together across state and local agencies (governmental and nonprofit), with employers, philanthropy and business – and with greater urgency and effectiveness – to coordinate existing programs and resources, monitor and share progress and drive towards scale. Only by doing so can we truly build a Baltimore that works.

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JOTF

The **Job Opportunities Task Force** works to develop and advocate policies and programs to increase the skills, job opportunities, and incomes of low-skill, low-income workers and job seekers.

Job Opportunities Task Force
217 E. Redwood Street, Suite 1500
Baltimore, Maryland 21202
410 234 8040 tel
www.jotf.org

Baltimore Integration



Partnership

www.baltimorepartnership.org

The **Baltimore Integration Partnership (BIP)** advances opportunities for Baltimore City residents to participate more fully in the regional economy while supporting the physical revitalization of communities in East, Central and West Baltimore. It is funded, in part, through the Living Cities Integration Initiative. Living Cities is an innovative collaborative of 22 of the world's largest foundations and financial institutions; the Integration Initiative supports cities that are harnessing existing momentum and leadership for change, overhauling long obsolete systems and fundamentally reshaping communities and policies to meet the needs of low-income residents.

The Baltimore Integration Partnership
c/o the Association of Baltimore Area Grantmakers
2 East Read Street, 2nd Floor
Baltimore, Maryland 21202
410 727 1205 tel
www.baltimorepartnership.org

For more information please contact Andrea Roethke at 410.234.8303 or andrea@jotf.org.