

## Executive Summary

- Since the mid-1990s, state governments in the United States have pursued a confusing series of weak and strong roles on workforce development, acting either as weak sisters to the federal government or as big cops-on-the-block in relation to small business.
- This confusion has led Florida legislators to assume “market failure” in labor markets when no failure is evident. Indeed, the failure is most notably with the internally produced state education system, which has placed Florida at the low end of comparisons with other states.
- State legislatures are specifically permitted by the U.S. Supreme Court to resist federal program intrusions and mandates in the workforce policy field. In Florida, legislators have not yet embraced this notion, with deleterious results.
- In addition to big government mandates from Washington, the workforce regime has steadily grown in the state since the mid-1990s. The current *Workforce Innovation Act* is a behemoth of state largess, government regulation, and threats to commercial enterprise.
- Through the *Workforce Innovation Act*, regional workforce boards, and one-stop career centers, the state is putting staffing services (employment) agencies out of business. We examine the case of the Citrus, Levy, and Manatee Regional Workforce Board and its one-stops as egregious examples of state competition with private enterprise.
- Similarly, the private sector has faced a lack of support from state and local government agencies when industry coalitions have launched “better, faster, cheaper” training programs. A program in Sarasota/Manatee counties challenged the expertise and productivity of the state vo-tech community college training programs and was canceled for its efforts. The Florida Center for Manufacturing Excellence and its CareerWorks program is our case in point.
- We conclude by recommending that the state of Florida remove itself from the staffing services business and, in addition, we suggest that its agencies should live up to their own rhetoric on assisting private sector training initiatives. We also recommend that Workforce Florida, Inc., the state’s workforce bureaucracy, should be required to comply with certain sections of the *Workforce Innovation Act* in order to mitigate damage to the staffing services industry in the state.

*Only the expert knowledge of private economic interest groups in the business is superior to the expert knowledge of the bureaucracy. This is so because the exact knowledge of facts in their field is vital to the economic existence of businessmen. Errors in official statistics do not have direct economic consequence for the guilty official, but errors in the calculation of a capitalist enterprise are paid for by losses, perhaps by its existence. . . . Very frequently the measures of the state in the field of capitalism take unforeseen and unintended courses, or they are made illusory by the superior expert knowledge of [business] interest groups.*

Max Weber  
*Max Weber*, 1946

*[S]ince the United States is universally regarded as an example of federal government, it justifies us in describing the principle, which distinguishes it so markedly and so significantly, as the federal principle. By the federal principle I mean the method of dividing powers so that the general and regional governments are each, within a sphere, coordinate and independent*

Kenneth Wheare  
*Federal Government*, 2<sup>nd</sup> Ed., 1951

## **Introduction**

Since the mid 1990s, state governments have revealed some confusion in the ranks. They have understood that they ought to be taking greater control of the nation's big public policy issues; indeed, they have been encouraged to do so and in some cases mandated to do so by Congress and the president. And yet, when it came time to take up the challenge, more often than not state governments deferred to their federal counterparts on the substance of federal-state policy and programs. When states did muster the will to engage in autonomous action, there was a curious resort to aggressive public "entrepreneurship," where markets and individuals were "targeted" for state beneficence; but the benefits got muddled and heavy-handed, more likely than not offered in an "all thumbs and no fingers" manner, as the economist Charles Lindblom has noted. Thus, as cowering serfs to federal lords or as big bullies on the policy street, many state governments cannot seem to get their roles properly sorted out. We have observed this evident confusion in Florida's workforce development policy field.

## **Constraining the “Market Failure” Postulate**

Florida has been suffering from an emerging new mercantilism that is alarming many free market advocates in the state. This perplexing policy positioning was evident in a recent conversation with a Florida legislator. By all accounts this individual could be considered a conservative and, if asked, would regard himself as a free market advocate. And yet our “free market” legislator reflected such an alarming lack of appreciation on the implications of his views on workforce policy that one wonders if the rhetoric of free enterprise was truly understood. It was his view that local private sector employment agencies had to do a much better job of responding to industry and employer demands in local markets if they were going to make a valid case that regional workforce development boards ought to be limited in scope and that federally mandated “one-stop” employment agencies should be privatized. When asked whether he had any evidence of supply gaps in the provision of services by these private sector agencies, he could think of none. However, his remarks implied that such deficiencies must exist or one-stops would not be regarded as so successful, nor would they be so heavily financed by federal and state authorities. Market failures were simply presumed to exist.

For several decades, free market supporters in public policy circles have coped with this line of (un)reasoning and the presumed veracity of the “market failure” postulate. Whether in the identification of pure public goods (for example, defense), negative externalities (for example, pollution), incomplete or uncompetitive markets (for example, venture capital and software production), information imperfections (for example, insufficient information technology infrastructure), or “irrational expectations,” the justificatory rationale is always at the ready. Whether there have been gaps in supply and demand chains or not, it has never been apparent to advocates that the correctives to “market failures”—that is, state provision and regulation—have typically been inadequate, made the problem worse, could not solve the presumed problem, or that there was no evidence of market failure in the first place. Indeed, in the case of Florida’s workforce system, no reasonable rationale has been offered nor any empirical evidence presented that labor markets have been failing.

On the contrary, there is a compelling case that labor markets have succeeded. While businesses have faced difficulties in finding properly trained personnel in sufficient numbers, we ought not to be stampeded into the idea that there have been attendant markets failures just because state bureaucrats and legislators expected a “made-in-Florida” solution. When a state workforce official at a business conference in Sarasota several years ago advocated more government intervention to fill the labor gap, one corporate executive stood up in the crowd and said, “I’ve got two words for your labor problem: the Northeast.” Indeed, recruiting out-of-state in New England or out of the country in Canada or India has been precisely what large companies have done when local labor sources dried up. And if the price one paid for suc-

cessful business performance was increasing labor rates, then that price had to be paid. The resulting complaint might have turned on price, but it emphatically ought not to have been on quantity or quality. Indeed, when we observe that an estimated 700 people per day are moving into Florida and not all are retirees, then some part of the recruiting problem has already been solved.

But, of course, when workforce officials and in-state corporate managers are pressed on the issue, the real problem they identify is not the quality and quantity of Florida's access to labor, but rather the quality of education provided to students in state educational institutions. For too many years Florida's students have been stuck in the bottom quartiles of national educational testing results. Edwin Moore, in a recent JMI *Background*, reported that in the year 1999-2000, "40 percent of all high school students failed to graduate within four years." Moreover, Florida's K-12 system was recently ranked 46<sup>th</sup> in the nation on high school graduation rates, and only 15 to 20 percent of graduating high school seniors were fully prepared to matriculate to the postsecondary level. Many more matriculated but were not fully prepared and typically required academic remediation. These results have underscored the fundamental education problems in the state, and although they obviously have workforce implications, one could not have inferred from current conditions that labor market failures "caused" the education deficiencies. Fixing the *education* system with a *workforce* solution must be regarded as contradictory and counterproductive, notwithstanding corporate and chamber of commerce demands.

Moreover, workforce officials, when pressed, will also admit that the hidden face of the so-called workforce problem has been the search for long-term employment for former welfare recipients. Welfare reform legislation and welfare-to-work programs have been hugely successful in encouraging recipients to remove themselves from the welfare rolls. Welfare rolls have been reduced across the U.S. up to 70 to 80 percent and in some places in Florida, the figure has reached close to 90 percent. This outcome has been applauded but again, if former welfare recipients moving from the rolls have faced difficulties finding work, this condition could not be construed as a labor market failure. If former welfare recipients are hired in the open labor market, quite obviously we could judge this as a successful result. But market failure ought not be considered when functional illiterates and other unemployables have looked for jobs and could not find them. Thus, a significant contributor to the image of market failure has been the expansionary predilections of labor bureaucrats trying to solve welfare-to-work discontinuities.

Another fundamental problem on the economic face of workforce policy has been the government-induced demand for services created by the FUTA tax (Federal Unemployment Tax Act), a federal payroll tax that includes every employer in the state. Revenues collected under the FUTA tax have been used in part to fund state employment services that are mandated by the federal government, and "distributed"

currently by Workforce Florida, Inc., regional workforce boards, and one-stop career centers in the state. Florida employers are being marketed by one-stops to take up “free” in-house services on employee placements, because it is claimed by the one-stop managers and in regional workforce board advertising that employers have been “paying” for the services anyway through their FUTA payroll contributions. Thus, employers in the state are coached to press their demands for FUTA-paid services. The “free” services provided by one-stops are currently having devastating effects on the private sector staffing (employment) services industry. This attack on staffing services will be elaborated on in a case study to follow.

## **Preserving the Federal Principle**

Whereas in earlier decades, federal and state labor departments were satisfied to collect labor market information, enforce labor standards in the marketplace, craft employers’ codes of conduct, and dabble in workforce training, President Bill Clinton, Labor Secretary Robert Reich, and the 105<sup>th</sup> Congress changed all that. They altered the nation’s workforce financing and regulatory regime with a massive state expansion into regular workforce training, worker dislocation assistance, incumbent worker training, and employee placement. They also introduced reforms for an expansion of administrative structures at the regional and local levels. Education, economic development, and welfare policies were effectively integrated with labor market programs to form a huge and burgeoning field of government largess and regulation.

Through this process, state governments have been relegated to the role of conduit for federal programs and monies, in effect superordinate flow-through agencies, just happy to be in the federalism game. Indeed, state governments played the role of not-so-helpless victims, drawn to the lure of easy federal money. In doing so, they easily abandoned their sovereignty rights, jettisoned their priority setting duties, and undermined their capacity to ensure free labor markets. Caught up in their own rhetoric, state chambers of commerce and large corporations acted as cheerleaders in the background, pushing the states to “do something” about the “declining quantity and quality of labor.” Some private state organizations, putatively in roles as tax watchdogs, actually encouraged legislators to demand more federal spending. This logic worked against the state’s capacity to retain control of its own policy agenda. Workforce bureaucrats similarly repeated this mantra. When the problem of state sovereignty was broached with state officials, they cocked their collective heads in incomprehension and repeated the refrain that “we have to get our share of federal dollars.”

And yet we have never been without alternatives to this decline in state-active federalism.

The Oxonian scholar Kenneth Wheare held decades ago that federal governments are defined by the legislative sovereignty of their “general and regional” governments, particularly in the United States. As Wheare described it:

What is necessary for the federal principle is not merely that the general government, like the regional governments, should operate directly upon the people, but, further that each government should be limited to its own sphere and, within that sphere, should be *independent of the other* (my emphasis).

Other scholars have challenged this ideal of equivalent sovereignty between the U.S. national government and the states. Twenty years ago, Daniel Elazar argued that the trend toward centralization in the American system of government was well entrenched.

We have moved to a system in which it is taken as axiomatic that the federal government shall initiate policies and programs, shall determine their character, shall delegate their administration to the states and the localities to terms that it alone determines, and shall provide for whatever intervention on the part of its administrative agencies as it deems necessary to secure compliance with those terms.

Paul Peterson has observed that the decline of the states’ role was attributable to a series of historical events starting with the Civil War, a cataclysm that effectively emasculated the political legitimacy of states’ rights. Roosevelt’s New Deal and the U.S. Supreme Court’s broad interpretation of the commerce and spending clauses institutionalized the rise of national (federal) power. According to Peterson,

Modern federalism no longer meant dual sovereignty. . . . Modern federalism instead meant only that each level of government had its own independently elected political leaders and its own separate taxing and spending capacity.

But Thomas Dye forcefully reminded us that the federal principle did not merely mean “a decentralized national government; [t]he states [we]re not [simply] ‘middle managers.’” Federalism ought not to be trivialized as a political management concept and reduced to the organization of “intergovernmental relations,” said Dye.

[Federalism] is not an effort to achieve cooperation between the national government and state and local governments *in carrying out national policy*. Regrettably [some] have treated federalism as an administrative problem to be overcome in the implementation of national policy. Federalism is equated with efficient government administration, with improving the management of federal programs. But federalism is not an administrative or managerial concept.

Federalism, as Kenneth Wheare defined it 50 years ago, must be the coordinate political relation between national and state governments where each level is or ought to be autonomous and sovereign. Any other relation is a modification, perhaps even a corruption, of foundational purposes as envisioned by the Framers of the American Constitution of 1787. Even revisionists including the U.S. Supreme Court—no ardent defender of the federal principle—have acknowledged that in the nitty-gritty business of federalism where the national government has intimidated states with the loss of “federal” money, the states had the right to say “no.” According to the Supreme Court in *Hodel v. Virginia Surface Mining and Reclamation Association et al.* (1981), the Court stated: “Moreover, the states are not compelled . . . to participate in the federal regulatory program in any manner whatsoever.” Later the Court made this prohibition even clearer in *New York v. the United States* (1992):

The state need not expend any funds, or participate in any federal program, if local residents do not view such expenditures or participation as worthwhile. (Cf. *Hodel, supra*) Nor must the state abandon the field if it does not accede to federal direction . . .

But whether or not a particularly strong federal interest enables Congress to bring state governments within the orbit of generally applicable federal regulation, no member of the Court has ever suggested that such a federal interest would enable Congress to command a state government to enact state regulation. No matter how powerful the federal interest involved, the Constitution simply does not give Congress the authority to require states to regulate. . . . Where a federal interest is sufficiently strong to cause Congress to legislate, it must do so directly; it may not conscript state governments as its agents.

Thus the *New York* decision has had a positive influence in sustaining core elements of state sovereignty, specifically that states do not have to remain as the abused stepchildren of American federalism. The Court has entrenched the prerogative of states to resist federal intrusions, and go their own ways in important areas of public policy.

There were, however, even better reasons for the states to turn down federal workforce programs, particularly in Florida. Federal programs at the local level simply have not worked very well and they have taken up very considerable market and “policy space.” As observed from another case study to follow, federal-local program activities aided and abetted by state legislation and local agencies have scuttled local business initiatives aimed at producing cost-effective, high quality, and quickly delivered industrial training programs. These local initiatives have suffered from the active intervention and rejection by local workforce boards occupying the role of local fiscal agent with control over federal money (flowing through state governments). In addition, federally funded, local bureaucratic agencies known as one-stops have put private sector employment agencies out of business in central Florida, and caused

declining revenues and profits among others as the one-stops set themselves up as government subsidized competition. Republican Senate majority leader Jim King has suggested that private sector employment businesses may be “an expendable industry” in Florida, given the rise of one-stops. Florida businesses have indeed paid the price of the lure of easy federal money.

## **Legislative Background and Workforce Statutes**

Several pieces of legislation have shaped the current workforce regime in Florida. First, in July 1996, Clinton signed a Republican congressional initiative called the *Personal Responsibility and Work Opportunity Reconciliation Act*. This statute was the outcome of a conflict-ridden series of negotiations and setbacks that start with Clinton’s election platform of “changing welfare as we know it.” In effect, the new thrust in Washington was to do two things: integrate a revamped welfare system with workforce training, and shift welfare and workforce training down to the states. Coincident with the federal statute, the Florida legislature passed *The Workforce Florida Act, 1996*, which laid out an ambitious agenda of skills training, job creating incentives, apprenticeship programs, assistance to gain self-employment, and a streamlining of other programs. Eighteen months later, Congress and the president enacted the *Workforce Investment Act, 1998*, (WIA) replacing the *Job Training and Partnership Act*. WIA consolidated many of the foregoing plans on the workforce side, mandating states that signed on to establish a new workforce investment system. Some states, including Florida, anticipated the pending changes and tentatively put into place workforce structures such as one-stop career centers, the latter being assisted by federal transitional grants in 1996-97. States were directed to implement WIA on or before July 1, 2000, to cash in on federal grants and incentives.

In order to prepare for the transition to WIA rules, the Florida legislature commissioned the Office of Program Policy Analysis and Government Accountability (OPPAGA) in 1999 to review the state’s workforce system with a view to “identifying divisions, bureaus, units, programs, duties, commissions, boards and councils that could be eliminated, consolidated, or privatized.” In February 2000, OPPAGA released a voluminous study, which essentially provided an inventory of programs of state agencies involved in workforce functions. Capturing the complexity of the buildup of state activity over the years, OPPAGA compiled its (in)famous “spider diagram,” graphically displaying 272 state and local entities involved in workforce planning and administration. Indeed, 10 state agencies held direct responsibilities for workforce operations, including two state policy boards: the Workforce Development Board inside Enterprise Florida and the state WAGES board attached to the governor’s office. The OPPAGA report noted that many agencies and program were already being eliminated, but significant consolidation opportunities remained. OPPAGA suggested that there were three general problems areas:

- programs providing effectively the same services,
- programs serving the same populations groups, and
- programs providing the same services to the same populations groups.

It became evident from the OPPAGA study that, notwithstanding any attempt by Washington to expand workforce functions at the state level, Florida already had a burgeoning workforce regime.

The state conduit for this expansion of federal power would be the Senate Select Committee on Workforce Innovation, an initiative organized in the Florida legislature in the autumn of 1999 by Senate President Toni Jennings. Jennings laid out her plan:

The Select Committee will . . . work to develop legislation creating a statewide, integrated workforce system including school-to-work, welfare-to-work, and high skill/high wage [programs].

Chaired by Senator Jim King, the select committee's terms of reference were initially crafted to bring "private sector" ideas into play with an around-the-state consultations tour. But the tour got bogged down in Tallahassee, with only three hearing outside the capitol in Jacksonville, Tampa, and Miami, from November 1999 to February 2000. In addition, while Jennings touted the input of business representation in the formation of the new workforce statute, only nine of the 113 presenters to the committee were *bona fide* business owners or managers. Their "participation" was restricted to answering the following six questions:

1. How can the one-stop career centers be made more useful for the employer business community?
2. How can Florida maximize the use of electronic technology to improve service delivery at the state and local level?
3. What mechanisms should be in place to address the needs of employers and employees who cannot be served solely through electronic technology?
4. What are the skills most needed by the staff of the one-stop career centers?
5. What role should private sectors companies (for example, staffing agencies) play in workforce service delivery at the state and local level?
6. What recommendations do you offer for addressing any of the priority issues identified by the select committee?

On the last question, the committee identified the following eight issues.

1. There is a disconnect between the workforce system and the state's economic development strategy.
2. There are an insufficient number of potential employees with technical or professional skills to meet the needs of Florida employers.
3. Florida's workforce is insufficiently educated, trained, and work ready.
4. There are problems with welfare transition recipients and other working poor Floridians related to wages and benefits, transportation child care, and other employment support services.
5. Employers need employees who can operate in a high technology working environment.
6. Small businesses need assistance on recruiting and training.
7. Florida businesses are not satisfied with the quality of Florida graduates.
8. Florida's workforce administrative structures are multiple and fragmented.

During its spring 2000 session, the Florida legislature passed the Workforce Innovation Act, a voluminous statute also signed and promoted by Bush. Former Florida Senate President Toni Jennings, appointed as chairperson of Workforce Florida in July 2000, labeled the new workforce regime as the state's "human resource department." Having oversight of more than \$1 billion in federal and state tax money, the new structure would indeed be one of the largest HR government departments anywhere in the United States.

As noted, the Senate Select Committee designed the Workforce Innovation Act and in doing so, divined eight legislative strategies to be included in the statute. The following is a review and critique of these strategies.

### ***Strategies 1 and 2: Consolidate Workforce Administration and Realign Workforce Functions***

Under the rubric of consolidation and realignment, the *Workforce Innovation Act 2000* replicated the requirements of Title 1 of the federal *Workforce Investment Act, 1998*, and brought most state workforce functions under the policy and administrative leadership of Workforce Florida, Inc., (WFI) and the Agency for Workforce Innovation (AWI) housed within the Department of Management Services. WFI was structured as the overall policy organization charged with setting up its own organization, producing a budget, revising a five-year state workforce plan in confor-

mity with the federal WIA statute, and chartering and auditing the already established 24 regional workforce development boards. The AWI would monitor the administration of 24 regional workforce agencies and 171 one-stop career agencies, renamed “delivery systems.”

Some rather important changes occurred in this consolidation. First, the welfare-to-work organization, the state WAGES board, and all its local subsidiaries were amalgamated into the WFI/AFI/local workforce boards structure. At first, welfare functions appeared as if they were being integrated as an afterthought, but clearly they were the tail wagging the dog, as the most important functions of WFI and AWI have been focused on welfare clients. Indeed, this organizational arrangement underscored how the integration of workforce and welfare functions, starting with the *Personal Responsibility Act, 1996*, has wound up subordinating workforce issues to the welfare function. We are faced with a set of statutory arrangements that has effectively encouraged welfare dependency for large corporations, small businesses, and ordinary citizens through a series of state (federal) subsidies and services promoted through the federal *Workforce Investment Act* and the state *Workforce Innovation Act*.

The designated operating arms of Workforce Florida and the Agency for Workforce Innovation are the regional workforce boards. These regional boards march to their own drumbeat; they have exhibited considerable autonomy in terms of expansionary bureaucratic aims and a resistance and lethargy toward intended state workforce goals. While the statute assigned policy coordination and oversight functions to WFI and AWI, they have become toothless tigers. The state board and its administrative agency have been unable to develop useful productivity and outcome measures and to gauge effective performance of the regional boards, notwithstanding a statutory requirement to do so (Section 445.009 (9a) F.S. 2000).

Workforce restructuring has also been caught up in the politics of privatization and the apparent failures of other state agencies. To a considerable extent, consolidating workforce functions became a platform for privatizing sections of the state Department of Labor and Employment Security (DLES). But in the transformation the spirit of privatization got lost, as 1,600 Labor Department jobs have been transferred from DLES to the Agency for Workforce Innovation. It is not entirely clear what benefit was derived from this change.

Moreover, Enterprise Florida was stripped of one its central functions, *workforce development*. The Workforce Development Board under the umbrella of EFI, part of the “public-private” economic development experiment put into place in 1996, was simply dismantled. Although many of the senior administrative staff working for EFI’s Workforce Board were transferred to Workforce Florida, again, figuring out the useful purpose of this shifting of bureaucrats from one “public-private part-

nership” to another would escape most Floridians. The evident outcome, effectively, was to remove Enterprise Florida from salience in the workforce domain and to undermine a central element of its economic development mandate.

### *Strategy 3: Integrate and Simplify Funding*

The multiple revenue streams for up to 10 state agencies were to be channeled through Workforce Florida and its administrative arm, the Agency for Workforce Innovation, including money going to local workforce development boards and one-stops. AWI would take on a financial coordinating role for the one-stops.

### *Strategies 4 and 5: Connect the Workforce System and Business Community and Improve Workforce System Service Delivery*

The Senate Select Committee referred to one-stops as the “cornerstone of the new workforce system,” where all state workforce programs would be integrated locally under a “single roof.” Up to 171 one-stops have been established in the state. Miami/Dade, for example accounted for 30 one-stops, the St. Petersburg/Clearwater region initiated 15 one-stops, and the Citrus, Levy, and Marion region established 12 one-stops. Regional workforce boards marketed one-stops as full employment services *open to all Floridians*: one-stops provided the following services targeted to two constituents, individuals and corporations.

- 1) Job search, referral, and placement assistance
- 2) Career counseling and educational planning
- 3) Consumer reports on service providers
- 4) Recruitment and eligibility determination
- 5) Support services, including child care and transportation assistance to gain employment
- 6) Employability skills training
- 7) Adult education and basic skills training
- 8) Technical training leading to a certification and degrees
- 9) Claims filing for unemployment compensation services
- 10) Temporary income, health, nutritional, and housing assistance.

Quick Response Training (QRT) was also identified under this strategy. QRT has served as a grant program to Florida corporations for industrial training for several years. Many industries have set up their own internal training facilities and the money going to businesses can be quite significant. In December 2000, \$6 million was budgeted by the legislature. For example, Merrilatt Industries received approval for \$373,000 in May 2000; Ohio Transformer received \$104,512 in March 1999; Sysco Foods received \$124,758 in July 1998; and Superior Electronics received \$337,650 in October 1996.

Incumbent Worker Training (IWT) came under this section of the statute as

well. It was established by the state in 1999 to upgrade skills of ordinary workers on the job. From July 1999 to November 2000, the state approved 95 grants to corporations covering 6,800 workers. The state took some of its 15 percent portion of discretionary federal money authorized by the *Workforce Investment Act, 1998* to finance this program; this amounted to \$1.6 million in 1999 and \$2 million in 2000. To underscore the growing reliance on this kind of corporate welfare, note that Florida industries made application for \$3.6 million in 2000, well in excess of budgeted funding.

In addition, the statute provided for a “small business workforce service initiative,” which assisted small businesses in applying for state workforce incentives. In effect, this “initiative” encouraged small business to take up government grants and other handouts. Fortunately, last year, this section was demobilized when Governor Bush defunded it in his package of vetoes. A recent survey of northwest Florida small businesses sponsored by the former state WAGES board found that a large majority of small businesses did not even recognize incentives programs apparently targeted to them. Whether the legislature will continue to insist that small businesses be introduced to another form of corporate welfare remains an open question.

Curiously, the statute also mandated the development of “marketing materials” to promote the state’s workforce programs. Marketing programs have been adopted by local one-stops and have been used to compete against private employment/staffing services agencies.

The statute also mandated the formation of a Workforce Development Institute. This Institute, when fully developed, is intended to train workforce trainers. Not only will one-stop staff and regional workforce staff be trained, but so will members of regional workforce boards and other private sector “partners.” Inevitably, of course, business “partners” will be socialized in the language, customs, morays, and culture of bureaucracy, thus circumventing entirely the intended role of business participation, which was to bring independent commercial advice to the government workforce table. To paraphrase Karl Mannheim’s famous dictum for bureaucrats, ultimately all questions of business are turned in questions of bureaucracy.

Finally, in this section of the statute, the Occupational Forecasting Conference was renamed the Workforce Estimating Conference and mandated to compile occupational demand estimates and to recommend “locally targeted occupations.” In the past, the Forecasting Conference’s survey estimates have been plagued with inaccuracies and gaps that are endemic to any attempt by government to capture the scope, complexity, and nuances of constantly changing labor markets. In addition, this labor market tool has been politicized by community college administrators, who have demanded that occupations which conform to existing college programs be included in the labor surveys.

### *Strategy 6: Connect Education to Economic Development*

If the state were to do nothing else on the workforce file other than to ensure the operation of a highly productive education system, its job would be complete. A properly functioning education system is crucial to a properly trained workforce. And yet it has been precisely in the education sector that the building blocks of a ready and able workforce have been falling down. In spite of the governor's best efforts through his A-Plus Education Plan, Florida remains a state with a large proportion of poorly performing students who in general have not been able to fulfill the demands of an advanced, technology society. In recent test results, Florida's ninth and tenth graders averaged near the bottom third in the country on reading skills using the Stanford 9 reading test. Ninth graders fared somewhat better on math scores, in the 52<sup>nd</sup> percentile, and tenth graders in the 54<sup>th</sup> percentile. Moreover, staffing services companies have continued to report that applicants face difficulties in filling out basic application forms. Functional illiteracy continues to constrain Florida's economic development.

On the matter of the linkage of education to economic development, the designers of the statute offered a series of education incentives. The statute contained, for example, an initiative to provide incentives to students who pursued programs "critical to Florida's future." And the criteria for what would be critical to Florida's future was to be decided by bureaucrats at Workforce Florida "based on economic and workforce forecasts." That bureaucrats and typically flawed economic forecasts would be the basis of decision making for students' career choices could not be regarded as a comfort.

But these incentives targeted already highly motivated and reasonably competent students who ostensibly have been solid performers and ambitious about educational alternatives they wished to pursue. We have not needed to assist the motivated and informed; the unmotivated and underperforming ought to have been the state's educational targets, in addition, of course, to a properly delivered general education curriculum. The statute did not address these more difficult problems.

We have other examples of the feckless nature of changes contemplated by the statute. Vocational standards and industry-driven benchmarks for certificate and Associate of Science degree programs in community colleges were to be updated every three years, and other programs updated every five years. But it is evident that drafters of this legislation did not fully appreciate the highly compressed product and service cycle demands of Florida's high technology economy. In this economy, literally whole industry sectors have risen and fallen within these three- and five-year timelines. Software and hardware technologies have changed within months; dot-

com commerce changes within 12 months. Community college administrators keeping to the legislated time frames would shortly be left behind in Florida's technology sweepstakes.

Moreover, the drafters also became transfixed by faddish concepts. For example much was made of the need to respond to "displaced homemakers," defined as unskilled homemakers, former welfare recipients, those divorced and over 35 years of age. "Displaced homemakers" as a welfare category have effectively risen in the ranks to match the most established welfare category, "mothers with dependent children." However, it is entirely unclear that this category can be empirically validated. In a survey conducted for the Suncoast Workforce Development Board (Sarasota and Manatee counties) in mid-1999, the results indicated that there were simply too few "dislocated" homemakers in the labor force to be meaningful as a category of workforce provision.

Not all education items in the statute defied usefulness. The legislature recommitted itself to school apprenticeship programs, even though this commitment apparently has been inordinately difficult to operationalize in the past. And in the category of picayune but important, the statute reaffirmed the enforcement of school attendance at the secondary and primary levels.

In general, the foregoing initiatives failed to connect education to economic development even in a cursory fashion, and thus the provision was more symbolic than substantive.

### *Strategy 7: Strengthen Florida's Working Poor Families*

This section of the *Workforce Innovation Act* dealt with welfare and welfare-to-work provisions and, as such, has less relevance for this *Backgrounder*. For example, there were provisions for "diversion" activities for recipients of Temporary Assistance for Needy Families (TANF), the successor program to Assistance to Families with Dependent Children (AFDC). Diversion activities have assisted in keeping those in distress off the welfare rolls by facilitating reemployment. Various services are offered, including education and training, relocation assistance to find jobs, and health care assistance for children. Indeed, WFI and the AWI would serve Florida well if they spent most of their time and paid most attention to these welfare transition functions.

### *Strategy 8: Develop IT Technologies and Systems to Implement Workforce*

## *Initiatives*

This section of the statute specifically laid the groundwork for an enhanced information technology capability for one-stop career centers. This statutory provision has not been fully implemented but when the hardware is purchased and put into place, this initiative can potentially obviate most private sector labor market exchanges. We can only hope the legislature will not fully fund this program and thus avoid additional harm to the private sector employment industry. The state attack on commercial staffing services has already started and has unleashed devastating effects for an industry that has been thriving for more than 50 years.

### **The Problem of Intrusive One-Stops in Ocala, Florida**

The staffing services industry in Florida has a demonstrated record of economic achievement and has been a significant employer. “In 1999 the industry was responsible for daily employment of 148,714 Floridians and \$2.2 billion in sales ... for temporary jobs.” But, of course, the staffing services industry has placed more than just “temps” into Florida’s workforce. It has developed into quite a sophisticated industry where up to 90 percent of industrial firms have used staffing services to recruit entry-level personnel. Indeed, in most regions of the country, staffing services firms have provided multiple levels of service, including direct placement of executives, professionals and specialty occupations; placement of temporary employees who later become full-time placements known as temps-to-perms, in addition to short-term placements including special project placements, and finally daily and occasional placements; typically day laborers for the construction industry. A growing parallel industry has occupied the field known as staff leasing services where employees are “leased” to employees, and the leasing firms look after all the personnel issues away from the worksite. Many staff services firms have become public companies with shares traded on American stock exchanges. The horizontal structure of the industry in Florida has embraced multinational corporations, national corporations, regional companies, and local independents. American nationals typically retain ownership control. It has been an industry that has been good to and good for America and Florida.

As noted previously, one-stops are defined as the publicly financed employment centers authorized by the federal *Workforce Investment Act, 1998* and administered by the state of Florida under the authority of the *Workforce Innovation Act, 2000*. One-stops have experienced continuous growth in terms of numbers and functions in Florida; at least 171 have been established statewide, and 12 in the Citrus, Levy, and Marion (CLM) counties region. One-stops have offered a wide array of services not just to the unemployed and welfare-to-work “clients” but they have captured the so-called “underemployed” market, individuals seeking job upgrades. In addition, they have extensively marketed themselves to large corporate employers as a source

of “free” employment services. This expansion of one-stop services has appeared with astonishing salience in the CLM region, and this growth has caused a great deal of commercial damage to the private sector staffing services industry in the city of Ocala, a medium-sized manufacturing and services community with a population of 102,468 in north central Florida.

And yet Florida legislators have at least symbolically acknowledged the contribution of the staffing services industry to the state. The Select Committee declared in March 2000:

Because of their strong ties to the business community, staffing services firms can be *effective partners* in the state’s workforce system.

The *Workforce Innovation Act* (Section 445.009 [9] F. S. 2000) underscored the desire for a cooperative linkage between staffing services companies and one-stops.

To the maximum extent feasible, the one-stop delivery system *may* use private sector staffing services firms in the provision of workforce services to individual and employers in the state. Regional workforce *may* collaborate with staffing services firms in order to facilitate the provision of workforce services. Regional workforce boards *may* contract with private sector staffing services firms to design programs that meets employment needs of the region. All such contracts must be performance-based and require a specific period of job tenure prior to payment.

As we see, the language for cooperation in the statute was made permissive, not mandatory.

However, the rhetoric of the importance of this industry has not been made evident in Ocala. Since 1997, the Citrus, Levy, and Marion Regional Workforce Board and its one-stops have managed to put two staffing services (employment) companies out of business—one left town and the other sold out to another firm—and they have reduced the gross revenues and net profits of most others by one half to two thirds. Moreover, employment at all staffing services offices has declined, down to a skeletal staff of two to four persons. Most of the damage to these private sector companies has been concentrated in the city of Ocala. The story of this state workforce agency attack on staffing services in this small community has strained the comprehension of most objective observers until it is realized that the damage actually happened, that the state government used Ocala as a pilot project to mobilize a monopoly interest in the provision of employment services in the region, and that the abuses to market competition have continued unabated.

Indeed, the *Ocala antibusiness workforce model* has worked so successfully

that it has been exported to other regional workforce organizations in the state. Evidence of this has emerged in the Orlando region and in Palm Beach, Brevard, Polk, DeSoto, Hardee, Highlands, Pinellas, and Miami/Dade counties.

Recently, the regional workforce executive director in Volusia County has taken up the tactic of threatening a takeover of staffing services functions—in accordance with the Ocala antibusiness model—on the pretext that staffing services firms did not conform to his interpretation of a memorandum of understanding, which allowed his organization to take credit for private sector recruiting placements. The threat, of course, was to ensure “industry cooperation.”

Under regional workforce board direction, the one-stops have virtually taken over large sections of the staffing services business, particularly the lucrative temp-to-perm business. And they are poised to launch into the more lucrative executive placement business, as well as placing high school age youths—all with the knowing or unknowing approval of the state elected representatives.

The costs to staffing services firms have been manifold. Firms ordinarily placing temp-to-perm individuals have lost an average \$2,000 per placement from employers. It has been estimated that CLM one-stops have appropriated and continue to appropriate at least 1,000 placements per year from the private sector. This has represented a minimum \$2 million loss of business per year. With the cooperation of the Marion County Staffing Services Association, JMI has been able to document a net loss of business by members to be at least \$6.6 million from 1997 to 2000. The fallout has meant that staffing services firms have suffered a zero-sum disadvantage through the CLM one-stop intrusion. During this period they have not been able, cumulatively or collectively, to make up the lost business from other parts of the local economy as a result of the one-stops’ intrusion. The one-stops have appropriated private sector commerce and it has not been replaced.

According to the CLM Workforce Board’s current marketing plan for 2000-01, the target audience for one-stops is “underemployed individuals and employers.” Evidently, the regional workforce board has moved beyond merely serving welfare-to-work applicants and the unemployed; they have fully moved into the mainstream employment services market and have been marketing directly to employers. It is evident the CLM Regional Workforce Board adopted a plan to dominate the employment services marketplace in its region, and every sign indicated the board’s intention was to monopolize the entire employment service market. The following excerpt from the board’s marketing plan revealed the scope of its ambition.

One-stop[s] should be the first place job seekers come when looking for a first job or a better job. One-stop[s] should also be the first place employers come to when looking for someone to fill an open position.

The board’s ambitions have not been empty rhetoric; spending on one-stops

has soared since 1997. In FY 1996-97, the board ran a \$1 million operation, but this rose steeply in FY 1997-98 to \$6 million, with \$3 million allocated for “direct client services.” In FY 1998-99, spending ballooned to \$10.5 million with \$9.2 million spent on direct client services. Finally, in FY 1999-2000, spending “leveled off” at \$12.6 million with \$11.2 million having gone to direct client services. For the fiscal year 1999-2000, the CLM Workforce Board made claims that it had placed 9,399 individuals. If so, the board had “placed” anywhere from 9 to 10 percent of the entire regional labor force in this one-year period—truly an astonishing claim. Moreover, going into 2000, the board planned to provide 16,800 “job seeker services” to the region. Cutting through the bureaucratise, this appeared to have meant that the one-stops sought to provide some form of service on 16,800 person-visits to the one-stops. (In the period before one-stops, pre-1996, the Jobs and Benefits service of the state Department of Labor in the CLM region was satisfied to channel 68 percent of its placements through staffing services firms—14 percent being welfare placements.) In addition, the board and one-stops targeted 350 “employer customer counts” in CLM region, which we take to have meant 350 visits by one-stop officials to make sales pitches to industrial employers. One-stops have demonstrated themselves to be big operations; they have grown by leaps and bounds; they have been enormously expensive; and they had intruded mightily into legitimately exclusive private sector activities.

Taken individually or in combination, the foregoing intrusions have placed the CLM Regional Workforce Board and its one-stops in contravention of the *Workforce Innovation Act, 2000* since May 2000. F.S. 445.009(2b) has stipulated that:

... Workforce Florida, Inc. must require the regional workforce board to demonstrate that safeguards are in place to ensure that the one-stop delivery operator will not exercise an unfair competitive advantage or unfairly refer or direct customers of the one-stop delivery system to services provided by the one-stop delivery system operator.

Quite evidently, the CLM one-stops have defied the legislative prohibition on unfair competitive practices.

Regional employers have been surprisingly inured to the turmoil on the human resource supply side of their businesses. In fact, in the face of the economic damage to staffing services, their previous suppliers, local corporations have been downright determined to get their “monies worth” from government merchants. Government grant and subsidy programs are regularly marketed to large corporate firms in the region, and there has been an unfortunate willingness to take advantage of these programs. Large regional businesses have effectively allowed themselves to be turned into recipients of state welfare. It has become evident that corporations have rushed to fill the welfare “gap,” lining up to feed at the federal-state corporate welfare trough.

The state plan has evidently become insidious and here is how it has worked.

All the one-stop services are provided to employers “free-of-charge,” in a manner of speaking. One-stop officials have convinced employers that their federal unemployment insurance (FUTA) taxes have been earmarked to pay for the one-stop services. While FUTA taxes are supposed to pay for Employment Services for the unemployed, there has been no provision for these taxes to pay for placement of the underemployed, the group currently being targeted by the CLM Workforce Board. Large corporate employers in the CLM region have been encouraged to sign exclusive agreements with the one-stops, thus under-“selling” and shutting out private staffing services companies.

In addition, the CLM board has produced and distributed to employers several different brochures highlighting the free services of the one-stops. They have produced film and print advertising for movie theatres, newspapers, and magazines, and well over a dozen billboards have been leased throughout the region. There has also been an active television advertising campaign, and community networking by one-stop officials with presentations at social and entertainment events. Newsletters have been produced; messages and news media releases have been faxed out by the hundreds through the chamber of commerce and economic development council, all with very considerable effect. In 2000, the CLM board spent \$166,115 on marketing and advertising, \$55,450 of which was targeted to regional industries. This advertising and marketing budget far exceeded the spending and financial resources of the entire staffing services industry in Ocala.

And what did corporate employers get for their willingness to take advantage of these free services? One-stops recruited possible employees through job fairs, newspaper and other advertising; they collected employee applications and assisted recruits in actually filling out the application forms; they screened applicants, including tests for the presence of illicit drugs; they conducted aptitude tests and assessments—apparently with unqualified personnel, according to staffing services managers — they recruited executives, and they performed all the necessary paperwork for employers to accept the recruits.

But the benefits to industrial employers went well beyond no-charge services. Employers also received a series of direct subsidies, styled “incentives” if they accepted one-stop recommended placements. For example, the Work Opportunity Tax Credit offered employers 50 percent of nominal wages for a former welfare recipient (in the previous 18 months), up to \$2,400 per employee per year. The Welfare Transition program offered employers wage subsidies for similar welfare recipients (in the previous 24 months) assuming the employee was retained in 30, 60, 90, 120 and 180-day increments. Since the median employee received \$8.50 per hour, over the course of six months, the incentive was worth \$6,120 per employee. Other incentive programs included the WAGES Business Registry Incentive, the On-the-Job Training program,

and the WAGES Work Supplementation program. The CLM Workforce Board is literally in the business of paying local corporations to employ recruits.

In the CLM region, the executive director has claimed that these incentives have not risen above \$134,000 for the fiscal year ending June 30, 2000; however, from other sources we have learned that there was at least one QRT award in May 2000 for \$373,000.

Quite obviously, it cannot be possible for one segment of the business community to be significantly advantaged by government handouts, while another segment is so significantly disadvantaged, simply because the former makes claims for services in exchange for FUTA taxation. Those who claim to support free enterprise and a pro-business agenda must not be captured by state agencies willing to place industrialists in a position of welfare dependency and concurrently placing staffing services owners in a position of government-subsidized competitive risk.

The central problem with one-stops is the autonomy they have been granted under Title 1 of the federal *Workforce Investment Act* and the state *Workforce Innovation Act*. These statutes have facilitated and enhanced the aggressiveness of local boards and bureaucrats. Apart from state information requirements mainly related to welfare activities, and periodic performance audits, there are no direct controls in place by the state oversight bodies on one-stop activities. WFI and AWI cannot instruct regional workforce boards to carry out specific functions nor order the carrying out of those functions in a specific manner. In effect, regional workforce boards have been established as relatively autonomous agencies of the *federal* government.

When the executive director of the CLM Board was asked to justify his aggressive posture, he said under the new federal and state legislation, local workforce administrators can finally act “efficiently.” They can do the job of workforce development with business-like efficiency without the usual restraints attached to governments. They have finally been unleashed to do the job they have been capable of all these years.

But the CLM executive director’s rationale may be more related to state and the expansionary predilections of bureaucrats than any efficiency claims. For example, it is apparent that for the fiscal year 1998-99, the ratio of total costs to total number of placements by the CLM one stops was close to \$5,040 for adult services, and \$8,836 for dislocated workers, per placement; that is, for every placement made by the one-stops taxpayers were charged a minimum of \$5,000. By comparison, the private sector ratio was considerably less, \$50:1 at a maximum. Evidently, the private sector had a productivity advantage.

And getting back to one of our original themes, we have no evidence of market

failure. Staffing services companies in the past have easily filled the demands of industry finding the proper quantity and quality of labor. Industry had to pay for this service. But *paying for* services rendered is precisely what firms do in a free market economy. Private sector services are not expected to be given away without charge, and government services similarly ought not to be given away. If the regional workforce board were a true “competitor,” a real “entrepreneur” it would be charging the market rate for its services, not giving away services under the guise the FUTA tax.

Thus, in the end, on the matter of serving the underemployed or anyone else in the local economy, there is no legitimate role for the regional workforce board to supply regular labor to the marketplace. And, similarly, state governments and the federal government have no legitimate purpose in paying for labor going to industries in local markets across America. Federal and state legislators should vacate this field of commerce and leave it to those in the private sector capable of doing the work.

### **The Problem of Failed Support for the CareerWorks Program in Sarasota, Manatee and Taylor counties, Florida**

In August 1996, a coalition of business and education interests came together in Sarasota and Manatee counties to form a nonprofit organization known as the Florida Center for Manufacturing Excellence (FCME). This coalition was led by Tropicana Products, Inc., the largest private employer in Manatee County and known worldwide as a premium orange juice producer. Tropicana had identified a worker replacement problem within its North American operations; human resource and production executives needed to replace up to 400 workers within a few years. After an early round of discussions and experience with the local community college, executives were not confident that graduates coming from community colleges and technical institutes were properly trained in basic manufacturing crafts, and they were unhappy with the long training cycles within the college system. For Tropicana, taking 18 months to train an entry-level journeyman was thought to be excessive.

At about the same time, Dr. Gene Denisar, Superintendent of the Manatee County school district, decided to focus attention on this training problem, and he hired a business liaison coordinator to work with industry. His coordinator shortly entered into discussions with Tropicana and they arrived at an agreement. Tropicana and the Manatee County school district would reach out to create the coalition. Within a few months, more than 60 manufacturers, service providers, education centers, and local economic development organizations were brought together including the Sarasota-Manatee Manufacturers’ Association, and the Sarasota and Manatee Counties Technical Institutes. Local corporations such as Taylor Made Systems, Cheetah Technologies, Dana Corporation, Sysco Food Services, Edwards Systems Technolo-

gies, Ohio Transformer, Protek Electronics, Sun Hydraulics, and VICO Technologies threw resources into the pot to ensure the initiative got a solid foundation for its start-up. In 1997, FCME became an incorporated not-for-profit training organization.

During the 1997 legislative session, “the Florida Senate agreed upon a two year *Job Opportunities and Business Stimulus (JOBS)* (workforce training) initiative,” which consolidated funding from general revenues (\$2 million) and the federal *Job Training and Partnership Act*, the predecessor to the federal *Workforce Investment Act, 1998*. Funding and administration for the initiative was assigned to Enterprise Florida and the Office for Tourism Trade and Economic Development (OTTED), and a pilot job training grant program was established. Under the aegis of OTTED, four projects would be approved at \$500,000 each. EFI would receive money through *JTPA*. Enabling legislation laid the groundwork for the projects; they were to be “innovative, cost-efficient and performance-based.” Six applicants submitted proposals under the OTTED funding arrangement and a proposal called CareerWorks from FCME was approved on the condition that it was combined with a Taylor County proposal and performed under the rubric of FCME’s CareerWorks brand name. Grants started flowing to FCME and CareerWorks in February 1998. Under the proposal, local industry was to match the \$500,000 grant with in-kind services, donations or other support.

After early consultations with industrial partners, mainly human resource management professionals, FCME crafted a curriculum. It focused on entry-level applicants who would be fast-tracked through a series of skill and employability training. The craft training included: soldering and electronic assembly for computer electronic equipment, welding, machine work, mechanics, electrical assistance, as well as other training such as warehouse training and hydraulic operations (fork-lift operations).

The CareerWorks program took 10 weeks; obviously it was a considerably shortened program compared to typical community college and vo-tech programs lasting up to one year or more. Indeed, a “speed-to-market” goal became quite important for FCME supporters.

A couple of basic problems emerged for the FCME directors and the CareerWorks program on service delivery and on recruiting. First, even though industry representatives designed the curriculum and FCME board approved it, difficulties were experienced with local educational institutions that delivered the training. FCME was in effect the retail purchaser of training services from local educational institutions and so the problems experienced were not under FCME’s direct management control. FCME could articulate what the board wanted in relation to training outputs, but vo-tech trainers in local educational institutions were in control of what actually happened in the classroom. The problems centered on the quality of

training and administration of an orally agreed upon payment plan for training services. The first dispute concerned the most appropriate “occupational completion points” (OCPs) or levels of proficiency required to certify a students as ready for employment, typically measured in hours of class time. At 250 hours and by FCME’s design, the CareerWorks program was at the low end of the normal OCP range, according to vo-tech administrators; and at 150 hours for craft training, class hours for this segment were well below typical institutional standards. Thus a conflict emerged between proscribed institutional standards and business demands. Then, part way through the program delivery period, Manatee Technical Institute raised its fees for CareerWorks training services, which, of course, for business people amounted to unprofessional conduct, and also created budgeting difficulties for FCME. In its final report to the Florida Senate Committee on Commerce and Economic Opportunities, FCME Executive Director, Larry Chalfant (the Manatee County school district business liaison officer) noted that prior “letters of agreement among agencies would [have] improve[d] efficiency and minimize[d] cost[s].”

In reference to the recruiting problem, while Taylor County faced jobs shortages and an unemployment problem, Sarasota and Manatee Counties experienced a very low 2 to 3 percent unemployment rate. Thus, in Sarasota and Manatee, recruiting candidates for the CareerWorks program became a significant challenge, and perhaps more onerous than initially believed by FCME promoters. Even though tuition for students was free of charge, applicants continued to be hard to find. And so, some rather innovative approaches were pursued. For example, recruiting through a local women’s resource center produced good results, as did reliance on a local outlet of Goodwill Industries, local churches, and community associations. Through these venues, CareerWorks found the hard-to-employ, under-the-radar high school dropouts, former WAGES clients, pre-college applicants, single mothers wanting higher paying jobs, and even former felons. Fortunately, FCME’s innovative technique yielded sufficient numbers. With its innovative training program, very shortly, local manufacturers began to rely on FCME for decent quality graduates. Graduates had been drug-tested, given employability skills, introduced to a good work ethic, and they had usable and marketable skills to match employers’ needs.

By most accounts, notwithstanding a quick start-up and some administration growing pains, FCME and CareerWorks prospered and indeed became a model training program for attentive business people and economic developers around the state. Within its 10-month cycle, FCME graduated 159 of its enrolled applicants—229 actually entered the program—and FCME placed 143 in manufacturing jobs. The goal for placements had been set at 150 and so FCME had met 95 percent of it goal. At least 18 local companies hired CareerWorks graduates.

The cost per completion of CareerWorks graduates turned out to be \$3,250,

about 20 percent less than traditional technical training at the state educational institutions, and, of course, these graduates were turned out at a pace weeks and months ahead of traditional training schedules adopted by some public technical institutes and most community colleges.

In addition, FCME and CareerWorks attracted the attention of external business interests with the board's plan to expand the program to other communities around the state. FCME developed a proposal with associates in Lee, Orange, Polk, Martin, and St. Lucie counties. This expansion of industry-led training would have required \$2.3 million in funding for the 18-month period, July 1999 to December 2000. Up to 800 enrollees were expected for the second round and per placement costs were budgeted at \$2,913; 10 percent below previous completion costs and about 30 percent below training costs in the state education system.

But after this successful display of volunteer business planning and administration, CareerWorks lost its support in Tallahassee. In hindsight, it is not clear those involved ever seriously contemplated the refinancing of the CareerWorks program at the state level. CareerWorks was a pilot project and once the first year funding had run out, the end was near. As a result of some careless budgeting instructions by the Senate leadership and a willingness by Senate staffers to make personal choices on program priorities, the CareerWorks budget line got erased without much forethought and no consideration for implications to the local businesses. To the Senate staff bureaucrats it was just another cut-and-paste budget exercise, one of many, all done in a rush. Senate staffers subsequently claimed future funding was never anticipated, even from the beginning, but this was not communicated to FCME. If local promoters at FCME had known how casually and easily they were written off, they would likely have halted their efforts to refinance, and certainly would have pulled back from promoting the program with attentive business, economic development, and education interests elsewhere in the state.

Along the way, efforts to gain support from Enterprise Florida also hit a brick wall. To some extent the FCME directors evinced a fatal naiveté with respect to the politics of state agencies. Enterprise Florida had been founded in a spirit of cooperative business-government relations; indeed, it was touted as a model public-private partnership. But the rhetoric of private sector cooperation never really went into effect. Independent business initiatives were never really wanted by EFI and the idea that industrial training curricula and training delivery ought to be controlled by business interests was horrifying to EFI workforce development bureaucrats. When FCME directors were finally given leave to address the Enterprise Florida Board, quite a lot of lip service was given the merits of the CareerWorks initiative, but no real support materialized. Indeed, EFI Workforce Board bureaucrats ensured that no local business initiative would get in the way of "good planning" of their labor market strategies,

particularly nontraditional training as they labeled it. As a result, FCME's petitioning went nowhere.

Moreover, FCME almost immediately encountered local political resistance. Most of the problem occurred at the nexus of two local bureaucratic agencies, the Suncoast Workforce Development Board and the Sarasota Economic Development Council (a subsidiary of the Sarasota County Chamber of Commerce). Again, in spite of all the rhetoric about assisting and cooperating with business and industry on workforce and training issues, these agencies created a layer of deadening inertia. The Suncoast Workforce Board offered no useful assistance to FCME during any of its planning and operation phases. Indeed, the board and its bureaucrats became conduits for nervous vo-tech educators and their representatives, particularly the president of Manatee Community College. A strategic planning analysis by University of Tampa MBA students captured the problem:

FCME [did] not [get] a great deal of cooperation from the Suncoast Workforce Development Board, a state government agency charged with assisting people gaining employment. Working successfully with Suncoast [was] considered to be vitally important when applying to the state for public grant money. To induce Suncoast to be involved in FCME's efforts, representatives from Suncoast [were] included on FCME's Board of Directors. Additionally, Suncoast was appointed as FCME's fiscal agent. As such it was paid \$25,000 to disburse checks on FCME's account and to facilitate the required quarterly reporting for the OTTED grant. Despite this involvement, members of FCME [found] Suncoast to be unresponsive to its needs.

When FCME made its application for refunding and expansion of CareerWorks elsewhere in the state, the Suncoast board and the Sarasota Economic Development Council "damned it with faint praise."

This lack of cooperation could perhaps have been discounted as standard operating procedure for local bureaucracies, except that the Suncoast board and the economic development council had been charged with the responsibility of taking a leading role on workforce issues. The chairwoman of the Suncoast board publicly accepted this leadership role in a community "visioning" exercise undertaken in January 1999, sponsored by a local community foundation, the Argus Foundation. At the time of the visioning exercise, most interested business people in Sarasota County were surprised and disappointed that the Suncoast board accepted this formal responsibility, since it had demonstrated virtually no leadership in previous years. When asked to explain this failing, Mary Helen Kress, the executive director of the Suncoast board, dismissed the declaration of leadership as an unwanted role and insisted that she was limited simply to administering federal labor programs. She stated, "I am basically a federal employee."

It became evident early on that the CareerWorks training model would be a

competitive threat to established educational interests, principally a few salient vo-tech interests. Vo-tech administrators at Manatee Community College construed FCME's CareerWorks as inappropriate intrusion into their vocational training jurisdiction. Vo-tech administrators operated within an institutional framework and a world that had little connection to the rigors of the marketplace. They were motivated by a different set of incentives, which did not necessarily coincide with business quality standards and production cycles. (It should be noted that the Sarasota County Technical Institute and the Taylor Technical Institute welcomed the CareerWorks initiative, and by all accounts performed superbly in the delivery of CareerWorks training.) Moreover, the very idea that FCME intended to export its CareerWorks program around the state, competing with training programs for 20 to 30 percent less in costs and in a fraction of the time compared to conventional programs, was an anathema to vo-tech administrators and to college presidents such as Sarah Pappas, head of Manatee Community College. It became evident that the vo-tech "educracy" preferred to serve its own institutional interests first.

After the CareerWorks program failed to obtain continuing state support, some FCME board members from the manufacturing sector second-guessed their overall strategy and wondered if they had erred by not producing training from the private sector. For whatever reason, FCME never pursued arrangements with private business colleges and private technical training centers. FCME might have achieved more successful results and better client-supplier relations.

Thus state and local "bureaucratic politics" defeated this industry-led training initiative. The program was also defeated by legislative politics, as Florida legislators have been inclined to accept short-run policy fixes and attendant symbolic politics in response to policy issues that demand more structural change and more committed treatment. Moreover, it is not entirely clear why candidates and incumbents voice their support on the hustings for more business cooperation and involvement, indeed, even "partnerships," then blithely ignore serious business attempts to turn this cooperation into something real and useful. In the end, since the legislature and state and local agencies were not serious about business cooperation, it probably would have been better not to waste the time of busy corporate executives and sympathetic education administrators affiliated with FCME.

## **Conclusion**

The workforce problem in Florida is a serious business issue. Given current organizational and programmatic arrangements, the state has a long way to go to assist the needs of business and industry. Perhaps the first step toward a truly productive response would be for the state to remove itself from the business of managing labor markets and providing public institutional programs on industrial training. Specifically, this would mean invoking the *Workforce Innovation Act, 2000* (Section

445.002 [6a] F.S. 2000) and requiring Workforce Florida to eliminate one-stops across the state, or at least confining their functions to referring the unemployed and welfare recipients to private sector staffing agencies. Failing this, the permissive language of Section 445.009 (9) F.S. 2000 ought to be replaced with mandatory language. Moreover, Workforce Florida Inc. is currently out of compliance with Section 445.009 (2b) F.S. 2000 in reference to the CLM region, “safeguards” established by the *Workforce Innovation Act, 2000*, “to ensure that the one-stop delivery operator will not exercise an unfair competitive advantage.” These safeguards ought to be enforced.

Following the logic of more productive private sector training described in the Sarasota-Manatee counties case study, the state ought to consider transferring the provision of vo-tech education to private technical and business colleges, and to eliminate the vo-tech mandate from state community colleges. The legislature ought to offer at least a portion of the existing regime of tax credits to industry and commerce to train workers in private colleges, in a scheme similar to FCME’s CareerWorks, on the condition that matriculating students have job prospects available to them upon timely graduation. Right now, almost all the focus in training is on satisfying the preferences of individual students and their career aspirations without any real connection to the number and kinds of jobs available. Who best to determine what training is required than those who post the jobs? By placing the focus on business demand and not on individual preferences in determining where workforce tax dollars are spent, the state can adopt a more productive role. Training people for occupations without jobs is counterproductive.

If the foregoing recommendations required the legislature to repeal major sections of the state *Workforce Innovation Act, 2000* and collaterally challenge Title 1 of the federal *Workforce Investment Act, 1998*, then this logic ought to be followed. Doing so would ensure the integrity of the state’s own policy priorities and sustain at least some semblance of American federalism.

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## Endnotes

<sup>1</sup> One-stops are federally funded and state managed employment centers currently in competition with the staffing services industry.

<sup>2</sup> For a review of related arguments see William C. Mitchell and Randy T. Simmons, *Beyond Politics: Markets, Welfare, and the Failure of Bureaucracy*, Boulder: Westview Press, 1994.

<sup>3</sup> Taken from Edwin H. Moore, *Education Performance in Florida: A Need for Change*, Tallahassee: *JMI Backgrounder*, Policy Report #30, Mar. 2001, p.5.

<sup>4</sup> For an elaboration of this problem see Pietro S. Nivola, "Does Federalism Have a Future?" *The Public Interest*, number 142, Winter 2001, pp. 44-60.

<sup>5</sup> K. C. Wheare, *Federal Government*, 2nd Ed., London: Oxford University Press, 1951, p. 15.

<sup>6</sup> Daniel Elazar, "Is the Federal System Still There?" Advisory Commission on Intergovernmental Relations, *Hearings on the Federal Role*, Washington, D.C.: U.S. Government Printing Office, 1980, pp. 84-85.

<sup>7</sup> Paul E. Peterson, *The Price of Federalism*, Washington, D.C.: The Brookings Institution, 1995, p. 10.

<sup>8</sup> Thomas R. Dye, *American Federalism: Competition Among Governments*, Lexington: Lexington Books, 1990, p. 4.

<sup>9</sup> *Hodel v. Virginia Surface Mining and Reclamation Association et al.*, 452 U.S. 264 at 288.

<sup>10</sup> *New York v. United States*, 505 U.S. 144 at 174 and 178.

<sup>11</sup> For an elaboration of this concept see Merilee Grindle and John Thomas, *Public Choices and Policy Change*, Baltimore: Johns Hopkins University Press, 1991.

<sup>12</sup> Interview with the author, Apr. 12, 2001.

<sup>13</sup> See Steven M. Teles, *Whose Welfare: AFDC and Elite Politics*, Lawrence: University Press of Kansas, 1998, pp. 177-187.

<sup>14</sup> Office of Program Policy Analysis and Government Accountability, *Review of the Workforce Development System*, Report 99-34, Feb. 2000.

<sup>15</sup> Select Committee on Workforce Innovation, *Final Report on the Workforce Innovation Act, 2000*, The Florida Senate, Mar. 2000.

<sup>16</sup> From the files of the Florida Senate Committee on Fiscal Policy.

<sup>17</sup> Select Committee on Workforce Innovation, *Final Report on the Workforce Innovation Act, 2000*, the Florida Senate, Mar. 2000, pp. 4-6.

<sup>18</sup> Much has been made of the corporate structure of WFI as a "public-private partnership," as if the presence of a handful of corporate HR managers on the WFI Board somehow offers legitimate "private sector" representation. Let us be clear about WFI's actual status. It was established as a corporate entity, albeit a nondepartmental entity, entirely at the behest of the state legislature. Its mission and operational mandate is proscribed by the state as laid out in the *Workforce Innovation Act*; it remains entirely financed by state (and federal) funds. There is precious little that is market-oriented or commercially based in WFI plans and operations. WFI is indeed, as Harold Seidman would describe, a "government corporation." Since WFI looks, walks and quacks like a bureaucracy, we are reasonably certain it is indeed a bureaucracy, notwithstanding the nomenclature and attendant disinformation by its administrators, and board chairman. Cf. Harold Seidman, *Politics, Position and Power*, 3rd Ed., New York: Oxford University Press. 1980.

<sup>19</sup> *Workforce Innovation Act, 2000*, Section 445.009 (1) F.S. 2000. There has been some confusion among Florida legislators that one-stops are exclusively directed to Welfare Transition (formerly WAGES) and other welfare recipients. This is not so. A majority of one-stop "clients" are non-WAGES, nonwelfare recipients, in essence, regular Floridians looking employment or better jobs. The other leading client base for one-stops are Florida corporations. Some workforce bureaucrats have claimed that the government has been in the employment services business since Roosevelt's New Deal. This, of course, is a distortion of the reality since Employment Services previously was almost entirely targeted to the unemployed, not welfare recipients and not the general population as one-stops are currently targeted. During the New Deal period Employment Services were restricted to providing employment counseling.

<sup>20</sup> Interview: Senior administrator, Workforce Florida Inc., Aug. 2000.

<sup>21</sup> "Florida Scores Near the Bottom Third on National Reading Test," *Sarasota Herald-Tribune*, Sept. 27, 2000 (Internet Edition).

<sup>22</sup> Steven Dale Greenlee, "Work force study slammed," *Gulf Coast Business Review*, Oct. 29, 1999, p. 1, 8.

<sup>23</sup> Florida Staffing Services Association documents, 2000.

<sup>24</sup> Florida Senate Select Committee, *Workforce Innovation Act, 2000*, p. 27.

<sup>25</sup> Interview, manager, private staffing services firm, Volusia County, Mar. 20, 2001.

<sup>26</sup> Lisa Trapp, "One Stop, FY 2000-01 Marketing Plan," Ocala: Citrus Levy Marion Regional Workforce Board, June 14, 2000, unpaginated (p. 3).

<sup>27</sup> These figures are taken from the board's audited financial statements.

<sup>28</sup> Memorandum: Thomas Skinner, executive vice president, CLM Workforce Board to Terri Welch, City Manager, Kelly Services, Ocala, Fla., Mar. 14, 2001, confirmed in an e-mail to the author Mar. 23, 2001.

<sup>29</sup> Some portion of these person-visits would have been repeat customers; otherwise these folks had served about 16 percent of the labor force in one year.

<sup>30</sup> For the Palm Beach Regional Workforce Board the figure for fiscal year ending June 30, 2000 was \$490,000; in the Orlando region it was \$261,000; in Collier, Lee and Charlotte, it was \$182,364; in Volusia-Flagler, \$170,000, and in Pasco-Hernando it was \$139,356. Source: Regional Workforce Board data received by The James Madison Institute, Mar. 2001.

<sup>31</sup> This information came directly from Merrillatt's HR Department, Apr. 2001.

<sup>32</sup> These figures come directly from the CLM Workforce Board *Annual Report, 1998-99*, which appeared on the CLM Workforce Board website in Apr. 2001.

<sup>33</sup> The foregoing figures must be construed as gross estimates since it is entirely unclear how many placements were actually made by the one-stops. As the previous reference made evident, the local regional workforce board and their hirelings were evidently "cooking the books." They were taking credit for private sector hires that were conducted at one-stop job fairs. When a recruit was signed up by a private staffing services firm at a one-stop sponsored job fair, the regional workforce board and bureaucrats insisted on taking credit in their ledgers for the hire. They were then given a bonus for these hires out of 15 percent discretionary funds coming from the state board, Workforce Florida, Inc.

<sup>34</sup> The Florida Senate Committee on Commerce and Economic Opportunities, *An Effectiveness Review of Florida's Job Training and Programs*, Interim Project Report 98-09, Feb. 1999, p. 1.

<sup>35</sup> The timeline for the program would be as follows: 150 hours of craft training, i.e. training in any of the above craft areas; 15 hours in forklift operations; 30 hours of OSHA safety training, and 55 hours on employability skills.

<sup>36</sup> "Manufacturing Center Dubs '98 a Success," *Gulf Coast Review*, Dec. 11, 1998, p. 18.

<sup>37</sup> CareerWorks had also received 543 applications and demonstrations of interest.

<sup>38</sup> Interviews: former Florida Senate staff official and OTTED official.

<sup>39</sup> Marc DiPiero, Cheryl Getzen et al. *Florida Center for Manufacturing Excellence*, University of Tampa MBA Project, Dec. 3, 1998, pp. 9-10. Interview with an official in the Office of Tourism, Trade and Economic Development (OTTED), Office of the Governor, July 14, 2000.

<sup>40</sup> From personal notes as Associate Editor, *Gulf Coast Review*, Sarasota, Fla., Dec. 1998.

<sup>41</sup> President Sarah Pappas sat on the FCME Board.



