

**Reconstructing the Local Labor Market:  
The Wisconsin Regional Training Partnership and BIG STEP**

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**Introduction**

Over the last two decades, the American labor market has become increasingly polarized. Both in terms of wages and skill content, job growth has been concentrated in the upper and lower tails of the occupational distribution (Autor, Katz, and Kearney 2006). Along with a relative decline in the growth of mid-level jobs, the job ladders connecting entry-level jobs to higher skill, higher wage jobs have collapsed. As businesses have restructured to become more flexible, they have dismantled internal labor markets and increasingly turned away from the traditional model of employment in which employers developed skills internally and sought to keep workers for the long term (Cappelli et al. 1997). The results for labor markets have been bleak. More than 40 million workers in the US are now stuck in low-wage, dead-end jobs (Dresser and Rogers 2003).

In the postwar economy, large, vertically-integrated firms with their internal labor markets provided relatively clear career pathways and stable employment relations for much of the economy. But with intensified international competition and a severe profit squeeze hitting in the 1970s, corporate American began its long drive for flexibility, turning to increased outsourcing and subcontracting, downsizing, use of contingent employment arrangements, and lean staffing strategies based on flattened hierarchies and collapsed job categories. As a result, labor markets have become increasingly fragmented and obscure. Lower skill workers and job seekers, as well as displaced workers with obsolete skills, are unsure of how to navigate the new labor market. Meantime, employers face intense competition to compete on wage costs – hence, low-skill employment – and those that seek to compete on quality with highly-skilled, functionally flexible workers

face severe recruitment and retention problems in the disorganized American labor market. Internal training would seem an obvious solution, but employers competing in a single local labor market are discouraged by a collective action problem: why spend money on training workers if your competitor can hire them away without incurring the training costs?

In response to these changing labor market conditions, a new breed of organization, known as workforce intermediaries, has emerged to address the growing market failure in terms of job placement, training and career advancement. Workforce intermediaries are part of a larger group of labor market intermediaries that seek to facilitate matches between employers and job seekers and/or provide training services. Workforce intermediaries are typically non-profit or public organizations led by labor and community leaders, and are distinguished from other labor market intermediaries – such as temporary service firms, for-profit employment services, and/or technical colleges – by going beyond job placement and training to focus on long-term job retention and career advancement, as well as a tendency to focus specifically on low-skilled workers. The most successful of these intermediaries have begun to reconstruct their local labor markets by working closely with employers to improve job quality and establish career pathways from entry-level jobs.

Formed in 1992, the Wisconsin Regional Training Partnership is one of the oldest and most successful workforce intermediaries in the US. Around 2001, WRTP began working very closely with the Building Industry Group Skilled Trades Employment, and the two are now known collectively as WRTP/BIG STEP. Since 1992, WRTP has placed more than 4,000 Milwaukee residents into family-supporting jobs, with average annual earnings raised by 165% in the first year of the job and a 12-month retention rate of over 70%. Of its 473 job placements in 2006 – at an annual average wage of \$14.82 per hour plus benefits – 61% were black and 9% were Latino. WRTP/BIG STEP has identified and facilitates training for 12 career paths manufacturing, construction, health care, and other industries.

There has been a great deal of work by academics and policy researchers documenting the growth of workforce intermediaries in the United States and evaluating their performance (Carpenter et al. 2002; Fischer 2005; Giloth 2004; Maguire et al. 2009;

Reynolds 2004; Zeitlin and Trubek 2003). WRTP/BIG STEP exemplifies many of the characteristics that researchers have found to be central to successful intermediaries.

First of all, it is a *sectoral program*, focused on particular industrial sectors – mainly manufacturing and construction – with a primary mission of identifying and providing solutions to problems common in a sector.

Second, it uses a *dual customer approach* to workforce development, focusing on providing employers with job ready, skilled workers, and job seekers with information about family-supporting jobs in the regional economy.

Third, the program is *employer-driven*, focusing first on the needs of regional employers to ensure workers are trained in the appropriate skill sets. WRTP/BIG STEP operates within a membership-based organizational structure, in which member firms formally join into the partnership, which functions to embed the organization in an employer network that provides a rich source of up-to-date information on the regional economy. A key tool in this regard is its employer assessment tool, an annual survey given to all its members to stay current on sectoral needs.

Fourth, it targets high wage, *family-supporting jobs* and clearly identified career pathways, providing job seekers a range of resources for ongoing training.

Finally, in addition to its dense employer network, WRTP/BIG STEP, again like other successful workforce intermediaries, seeks to *develop deep connections* within low-income communities and with other workforce development agencies and service providers in the regional economy.

The WRTP model of being “employer driven, worker centered” is rooted in a “high road” model that seeks to build industry competitiveness through firm modernization and workforce development. In this model, firms utilize high skill workers to aid adoption and effective use of the latest technologies and organizational strategies. Improved skills and increased worker voice are seen to aid organizational competitiveness. WRTP/BIG STEP has won multiple local and national awards, and it continues to enjoy extremely strong support from the business, labor and workforce development communities in Milwaukee.

While the national recession and the global financial crisis have certainly provided some challenging and worrying conditions, WRTP/BIG STEP has so far been

able to weather the storm. Its funding has been precarious over the last year or so, but it appears that the organization was able to secure enough emergency financing from federal stimulus package to avoid having to layoff any employees. The federal stimulus package totaling around \$787 billion, officially known as the 2009 American Recovery and Reinvestment Act, was signed into law by President Obama in February 2009 and the money began to make its way into Wisconsin in April.

Perhaps the two primary reasons for WRTP/BIG STEP's ability to ride out the recession are its cultivation of multiple funding streams and its flexibility to adjust to the changing economy. According to Rhandi Berth, Associate Director of WRTP/BIG STEP, the organization is often described as very "nimble." This nimbleness follows from the organization's intimate knowledge of the regional economy – largely a function of its employer-driven strategy and high quality relationships with its partners – and from its visionary leadership and progressive organizational culture, which combine to make it a highly adaptable organization. By making it a strategic priority to stay on top of industry trends and always target firms and industries able and willing to pay family-supporting wages, WRTP/BIG STEP is able to build effective partnerships and efficiently use its limited resources to focus on providing training and placements only where there are good jobs. Given its embeddedness in the regional economy and its increasing financial independence from charitable foundations, the future outlook of WRTP/BIG STEP appears to be very good.

### **Manufacturing decline and the birth of WRTP**

The Milwaukee metropolitan area remains one of the United States' major manufacturing centers. It is home to a number of high-profile manufacturing multinationals, including Harley-Davidson, Rockwell Automation, and Johnson Controls, and is the center of a larger manufacturing cluster located in southeast Wisconsin. The manufacturing cluster includes brand-name prime contractors and a range of small and mid-sized supplier firms specializing in machinery and heavy equipment, metal fabrications, and foundry parts. The Milwaukee economy also includes some large banks and insurance companies, as well a diverse array of small and mid-sized firms spanning the range of industrial classifications. Despite this diversity, manufacturing has historically been central to the

regional economy, providing a clear pathway into the middle class for tens of thousands of families in the region.

After the intensification of international competition in the 1970s and the recession of the early 1980s, manufacturers in Milwaukee began to dramatically increase their outsourcing of production. This was a first wave of outsourcing – preceding the more recent wave of global offshoring – in which manufacturers outsourced from more expensive, unionized plants in cities to rural non-union locations. While overall manufacturing employment in Wisconsin grew by 13,201 employees between 1979 and 1995, manufacturing employment in the Milwaukee metro area declined by 76,242, or 35.5%, over the same period (Bernhardt, Dresser, and Rogers 2004).

Within this context, labor leaders in Milwaukee realized they had to become more involved in helping shape firm restructuring, and businesses became more open to the idea of high road competition based on directly engaging skilled workforces in high quality production. Working together with the Wisconsin AFL-CIO and leaders from the regional business and workforce development communities, the Center on Wisconsin Strategy (COWS), a research center based at the University of Wisconsin-Madison, facilitated the development of a multi-employer framework, based on labor-management partnership, which eventually became the WRTP. From the outset, WRTP was rooted in a vision of an employer-driven but worker centered approach, with an explicit goal of trying to influence firm behavior throughout the manufacturing sector by providing an institutional infrastructure for high-road workforce development. WRTP sought to build a partnership composed of employers and unions committed to improving productivity and competitiveness based on high road principles, including high levels of training and skill, investment in technology, and worker voice in firm governance (Bernhardt, Dresser, and Rogers 2004).

### **Digging in and branching out**

WRTP has evolved from its focus on stemming regional manufacturing decline to play a central role in workforce development for the metropolitan area. Over its first decade, WRTP built deep connections with an array of community and faith-based organizations, workforce development agencies, high schools and technical colleges, and multiple

training providers. It succeeded in developing rich network ties to a variety of stakeholders and key actors in the regional economy. Because of widespread recognition for its efforts in manufacturing, WRTP received requests from other sectors in the region (as well as in regions outside southeast Wisconsin) to help form partnerships. The first major effort outside manufacturing was the Milwaukee Hospitality Employment Partnership, with several major hotels and HERE Local 122, to help address recruitment and retention, customer service, and training and advancement.

Around 2000, WRTP began to develop partnerships in health care. As part of the usual procedure, they developed steering committees of employers and unions to develop workforce development programs aimed at providing training and career paths for entry-level health care workers. The health care sector provided a good outlet for WRTP as manufacturing began another downturn. However, WRTP became frustrated with the relatively low wages and lack of progress in getting employers to commit to developing clear career paths. Around this time WRTP was also beginning to work in the construction sector. Because there were far better wages in construction and high demand for skilled workers – at the time, much of construction employment in the region was filled by workers from outside the area – they decided to focus mostly on construction (along with manufacturing). They effectively got out of health care around 2002. While WRTP continues to work with employers and unions on a range of initiatives, their core focus is currently in construction and manufacturing.

WRTP got into construction through its collaboration with BIG STEP, an organization started in 1976 to help attract minorities and younger workers to the construction trades by preparing them for entry into an apprenticeship. BIG STEP was a very small organization with a great local reputation but very few resources. WRTP had identified construction as a sector with great demand for skilled workers and the ability to provide family supporting jobs. Initially, WRTP procured funding for a project in construction and passed all the funds directly to BIG STEP, which was highly effective yet nearly bankrupt. As the two organizations worked together, they developed a very close working relationship that resulted in some key synergies, as some of the tools WRTP used in manufacturing were seen to be very useful for construction, and vice versa. The two organizations became increasingly integrated over time and now are

known collectively as WRTP/BIG STEP, although they do retain two separate boards of directors.

WRTP/BIG STEP has developed pre-employment training programs in utility line construction, road construction, carpentry, bricklaying, and sewer and water. In 2005, WRTP/BIG STEP launched the Center of Excellence, a clearinghouse for assessing, preparing and placing job-ready candidates in high skill, high wage positions in construction, manufacturing and other industries. In its first two years, the center placed 773 workers into skilled jobs in 2005 at an average of \$15 per hour. When the Center was opened, among southeastern Wisconsin's 475 contractors there were 11 white apprentices for each black apprentice and 14 whites for each Latino apprentice (Dresang 2007). However, within just two years of WRTP/BIG STEP focus on increasing diversity in the trades, 24.3% of new construction trades apprentices were minorities, thus reaching parity with the 23% of minorities in the four-county metro area.

Although located in a new building with a lot of space for in-house training, the Center of Excellence is considered by WRTP/BIG STEP to be more of a concept than a physical location. Training is always done where it makes the most sense, whether at the community colleges or in the field. Whatever the case, nearly all of the training is contracted out. WRTP/BIG STEP works with companies, unions, potential workers and community agencies, doing all of the coordination and, crucially, helping to develop standardized programs for multiple employers, but leaving most of the training to the relevant experts.

WRTP has always offered three core services. *Pre-employment training* has become the flagship program. In this program, WRTP/BIG STEP identifies career paths into family sustaining jobs. The mix of career paths for which they offer training varies depending on where there is active demand. Some training program paths are more active during particular times of the year. A second core service is *manufacturing modernization*. In terms of technical expertise, WRTP works with the Wisconsin Manufacturing Extension Program (WMEP), which is an independent, publicly funded organization dedicated to helping small and mid-sized manufacturers upgrade their operations. WRTP and WMEP work closely together in a well-defined division of labor. WMEP sends engineers to manufacturers to offer direct technical assistance. For those

firms wishing to upgrade their operations within a framework of labor-management partnership, WRTP provides experts to facilitate such partnerships inside firms (Vidal 2004). As a third service, WRTP also provides customized services to help individual firms set up *incumbent worker training* programs.

WRTP/BIG STEP also provides two additional sets of services, both of which are new for WRTP. The first is a one-on-one *tutorial program*, carried over from BIG STEP, for construction workers who need to get up to speed for the apprenticeship tests. The second is a *mentoring program*, in which they train organizations on how to set up a mentoring system for new workers. The idea is that each new worker will have someone on the job to help them out who is not a manager or supervisor. This mentoring program helps facilitate the goal of providing ongoing training for workers. As of May 2009, WRTP/BIG STEP is about ready to launch an industry-wide mentoring program for the electrical industry. This mentoring program was mandated in the new contract for the International Brotherhood of Electrical Workers for southeast Wisconsin, covering perhaps seven counties. Every new apprentice will have a mentor on the job.

### **Economic crisis and future outlook**

The US recession officially began in December 2007, but the diversity of the Milwaukee economy helped it to stave off recession for a few months longer than the national economy as a whole, with job loss hitting Milwaukee later than many other metropolitan areas. However, by mid-year job losses were stacking up and by the end of 2008 the regional economy was in full recession. Slowing exports and the credit crunch combined with declining consumer spending to hit Milwaukee industry hard. In January 2009, the Wisconsin unemployment rate of 5.6% was still below the national rate of 6.7%.

However, due to heavy job loss in the manufacturing sector, by April 2009 the state's unemployment rate hit 9.4% – a 27 year high – just surpassing the national rate of 9%. In terms of construction, WRTP works with both commercial and residential firms. These sectors have been going relatively strong over the last 8 years. The residential sector was hit very hard after the housing bubble burst, but a number of high-profile projects, including some major highway projects, has kept the commercial side of the industry going relatively strong ("Doyle Kicks" 2009).

WRTP/BIG STEP has faced two primary challenges resulting from the financial crisis and recession. First, like most other organizations in the economy, it has had financial problems due to the credit crunch and bank crisis. Second, in terms of its operations and mission, the central challenge has simply been a lack of jobs due to layoffs and hiring freezes.

The main operational challenges stem from the virtual halt in new hires associated with the contracting economy, which means fewer opportunities for placement. In response, WRTP/BIG STEP staff have shifted their emphasis, as they normally during recessions, from helping disadvantaged workers and job seekers to helping displaced workers. Beyond the lack of opportunities for new placements, they have been able to ride out the economic crisis relatively well. This is due largely to the organization being very nimble. In particular, the leadership focuses on the changing economy and its needs first, and then only on funding. They find out where the opportunities are for placement into good jobs and then they go after funding to start new programs. More generally, they have been able to adjust to changing needs and circumstances. For instance, if there are few opportunities for placements in manufacturing, they can switch their efforts to construction. And they can switch projects within sectors: from pre-employment to incumbent worker training, from training to partnerships and modernization, etc.

To date, WRTP/BIG STEP has been able to maintain funding and employment, although they have been recently examining the possibility of reducing work hours for some full-time staff. Their funding situation did begin to look gloomy as the financial crisis set in, but the federal stimulus package money came to Wisconsin just in time, providing crucial finance for them and for the regional economy. Stimulus money was particularly important for the commercial construction industry, which comprises a core component of WRTP/BIG STEP membership. When I spoke with Associate Director Rhandi Berth in May 2009, she indicated that they had come close to having to lay off a couple of employees, but it was looking as if they were going to be able to avert this. It appears that the federal stimulus money is going to be sufficient to help them ride out the economic crisis, assuming that the regional economy does not continue a downward slide.

Part of the reason why WRTP/BIG STEP has been able to weather the financial storm is because they have diversified their funding sources to the point where they now rely much less on charitable foundations, which indeed do not have much money to provide in the current economic climate. Funding for the WRTP originally came entirely from foundations and public sources. Their budget has grown from roughly \$600,000 in 1998 to around \$2 million in 2006. In that year, fully 39% of funding came from the private sector, with 36% from the public sector and 25% from philanthropic foundations. A major source of their private sector funding comes from the construction industry, from which they receive \$0.02 per hour for every union employee in the Milwaukee construction industry. This funding, dedicated to training, has been negotiated into the collective bargaining agreements of nearly every building trade in the metro area.

The reputation of WRTP remains excellent in Milwaukee. They are widely referred to by businesses, unions, state agencies and other partners. The future outlook of WRTP looks good, largely because they have such a good track record placing workers and helping companies, and also because the organization has learned to be quite agile, as its leadership keeps a close eye on the regional economy and focuses on finding opportunities and problems where it can have a big impact.

My review suggests that WRTP/BIG STEP's success is rooted in its combination of a membership-based, partnership structure with visionary leadership and progressive organizational culture based on the worker-centered, high road model. The partnership structure facilitates timely information and responsiveness, while the vision and leadership promote commitment from all partners. The organization has cultivated quality relationships with the member firms as well as the range of intermediaries and agencies in the regional economy.

In terms of vision and leadership, the question remains whether they have been able to institutionalize the high road strategy in a way that will allow it to continue under new leadership in the future. The immediate answer would seem to be a tentative "yes." It seems that WRTP has successfully practiced what they preach, specifically, the fundamental importance of recruiting appropriately-trained workers and of continual workforce education. That is, WRTP has recruited expert staff who are dedicated to the vision of high road development. And it has emphasized staff mentoring to ensure

systematic organizational capacity (Carpenter et al. 2002). The outcome so far has been a progressive organizational culture dedicated to the WRTP vision.

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