



Testimony by Annette Bernhardt, Ph.D.
Senior Policy Analyst
The Brennan Center for Justice at NYU School of Law

Hearing before the Council of the City of New York
Committee on Economic Development
June 25, 2002

Good afternoon. My name is Annette Bernhardt, and I am a senior policy analyst at the Brennan Center for Justice. Thank you for the opportunity to provide testimony on the most important challenge facing the city today: how to rebuild a vibrant and productive local economy.

I would like to suggest that sectoral partnerships can play a key role in this economic development effort. The promise of the partnership model is that it supports highly productive workplaces, at the same time that it creates high quality jobs. This is a critical point, given the fact that New York has the largest gap between rich and poor of any state in the nation. As we rebuild our city's economic base, we must avoid repeating past practices, which have created an ever more polarized and unequal job structure. Sectoral partnerships offer an alternative path.

The question, of course, is how does public policy go about nurturing such partnerships. By way of answering that question, let me give you a sense of what some of the most successful examples look like.

Some examples of successful partnerships:

1. *The Wisconsin Regional Training Partnership* (WRTP) in Milwaukee is a consortium of manufacturers, unions, community colleges, and public-sector partners. It was founded in 1992, at a time when local manufacturing was suffering from stiff international competition and was threatening to move overseas. Having started with a handful of firms, today the partnership consists of more than eighty firms, employing more than 70,000 workers.

The Partnership has three goals: (1) helping plants to modernize and upgrade their production technology, (2) training current workers so that they can use the new technology, and (3) training inner-city residents to be the next generation of workers.

To date, the WRTP has kept thousands of manufacturing jobs in the region and added another 6,000 in recent years. Productivity has increased significantly among member firms, which invest about \$25 million of their own funds every year – annually training nearly 7,000 incumbent workers and another 500 new workers from low-income neighborhoods. There are high requirements for wages and benefit levels, and employers commit to hiring workers in advance. Given the success of this model, the WRTP is now moving into several new sectors: construction, health care, hospitality, technology, and transportation.

2. *The San Francisco Hotels Partnership* was created in 1994 with a similar structure, consisting of the 12 largest hotels in the city, as well as the largest union. While job flight overseas is not an issue in this industry, nevertheless hotels have come under intense competitive pressure in recent years.

The partnership does its work through joint problem-solving teams that address long-standing workplace issues. Some of the initiatives focus on training. But the most interesting ones have focused on reorganizing the hotel workplaces. In one pilot project, for example, the entire kitchen area was restructured: 27 job categories were collapsed into three job titles. This reorganization addressed one of the main concerns of the employers (that they needed more flexibility) while also preserving job security and job quality. This type of joint decision making is the hallmark of the partnership model in fully realized form.

3. Finally, *The Culinary & Hospitality Academy of Las Vegas* was established in 1993 to train and place the city's casino workers. Since its inception, more than 16,000 workers have graduated from the Academy and over seventy percent have been placed in good quality jobs. Employers report that turnover is 50 percent lower among graduates as compared to off-the-street hires. Both the placement and retention statistics, as well as the sheer scale of the program, easily surpass other programs in the region.

The Academy is funded almost entirely by contributions from employers, and they are getting a good deal. The training is highly tailored to the industry (there is an employer board that gives advice on curriculum) and the cost is significantly cheaper than at the local community college (\$780 versus \$6,000 per graduate). The system works so well that at this point, employers effectively treat the training center as their main source of entry-level workers – even non-union hotels want to hire the academy trainees. The Academy has been successful because it solves Las Vegas' severe recruitment and retention problems, while at the same time bringing in a new workforce of recent immigrants and ex-welfare recipients.

As Bruce Herman mentioned, there are other significant examples around the country, several in New York City itself. The best overview of these initiatives can be found in the *High Road Partnerships Report*, published by the AFL-CIO's Working For America Institute.

Why do sectoral partnerships work?

All of these examples have received considerable attention from policy makers, and with good reason. Sectoral partnerships work, they are viable over the long run, and they have been able to grow to scale.

What makes this model successful? The logic is simple. On their own, single firms are often not able to solve the chronic problems that keep them trapped in a constant cycle of low productivity, low wages, and high turnover. The result are “low road” strategies that are ultimately detrimental to the health of the regional economy.

What sectoral partnerships do is provide collective solutions to industry problems that single firms can’t afford or devise on their own, with the price tag of good wages and benefits, job security, and career ladders for workers. Partnerships do this by pooling resources, exploiting economies of scale, providing technical assistance, disseminating best practices, and drawing in public partners. Across the country, partnerships have developed industry-wide solutions around::

- Modernizing production and service delivery
- Introducing new technologies
- Reorganizing the workplace to be more productive
- Solving recruitment and retention problems through training

A key insight of this approach is that everyone contributes what they do best. So for example, employers and unions have the job openings and best understand skill requirements; community colleges have the training expertise; community-based organizations are good at identifying and recruiting workers; and the public sector can provide funding streams and support services. Rather than each group trying to do everything on its own (and inevitably failing), the goal is to have a well-coordinated division of labor.

What can public policy do to support high road partnerships?

Building sectoral partnerships takes an enormous amount of work and time; they are truly ten-year projects.

And they work best when centralized in an intermediary, a non-profit organization that has credibility and strong relationships with all the actors involved. This organization plays the role of honest broker – doing the initial research on industry needs, bringing the various partners together, providing the technical assistance on new technologies and machines, administering joint training funds and placement services, and so forth.

While the more mature partnership examples around the country are now self-sustaining, they required significant outside funding during their early growth years. This is perhaps the most important role that public policy can play: support the incubation of intermediary organizations that can anchor partnerships in specific industries. The U.S. Department of Labor for several years had such a funding program, but it now appears that state and city governments will need to take over this role.

One might think of other innovative ways to support this model; for example by using the resources of the Economic Development Corporation to encourage the private sector to engage in the partnership strategy.

Equally important, though, is that the City integrate its workforce and economic development efforts. This integration is at the heart of the sectoral partnership approach, and, in my mind, the key to New York City's economic future.

Thank you for giving me the opportunity to discuss this very important model with you, and I would be more than happy to provide additional details in the future.