

# **The Infusion of Local Wisdom: Data-Driven Planning at the Substate Level**

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Virtually every state agency responsible for overseeing the investment of tax dollars in public programs has developed guidelines to help substate entities and local service providers conduct operational planning. ([http://www.twc.state.tx.us/boards/board\\_plan/integratedplan.html](http://www.twc.state.tx.us/boards/board_plan/integratedplan.html)) Planning guidelines for employment and training programs are based on federal and state laws, derivative regulations, and comprehensive strategic plans. Such guidelines specify, in part, how labor market data should be used by substate and local officials (herein after lumped together as “local decision-makers”) in targeting service delivery. The intent is to optimize the expenditure of tax dollars to enhance economic development in each service delivery area by bringing supply and demand for appropriately trained workers into balance while avoiding unnecessary duplication of effort.

State agencies supply much of the labor market data needed to drive substate and local planning. They do so for several reasons. Many state agencies—especially those involved in employment, training, economic development, and business tax collection—are mandated to gather, organize, and disseminate labor market data. They have the authority to spend administrative funds expressly set aside for that purpose. While local decision-makers may have discretionary administrative dollars at their disposal, there is no need to duplicate the effort especially since state agencies can achieve economies of scale and greater efficiency in data collection. Moreover, state agencies may have more resources at their disposal to recruit the technical expertise necessary for highly specialized roles in labor market analysis and the capacity to make the labor market analysis function a full-time job rather than an incidental or episodic task assigned to someone whose primary responsibilities and expertise lies elsewhere. Thirdly, involvement of state agencies fosters consistency in the way key variables are defined operationally and in the methods used to gather labor market data. Consistency is essential to comparability of data across programs and across substate regions. Finally, responsibility for overall strategic planning still resides at the state level.

The casual reader may wonder why local decision-makers play a role in operational planning at all if agencies at the state level prescribe the planning process and supply the data. Why don't state agencies themselves simply generate plans for all substate boards and local service providers? There are myriad reasons for local decision-makers' involvement in the planning process. This paper will explore the role of local staff in program planning and how the infusion of “local wisdom” and an understanding of the real world pitfalls of workforce development planning are essential to the success of program design and delivery.

First, local demand for services inevitably exceeds the resources that flow from federal and state coffers. Local decision-makers, not state-level officials, must make the truly hard choices. Given the limited resources available, who among the eligible populations actually can be served? Which of the permissible services can local entities really afford to provide? Which of the competing local vendors are most capable and effective in delivering those services? What, if anything, should be done to cover expenses not met with federal and state dollars: Raise local property taxes or the local sales tax surcharge? Raise tuition? Create a local special-use tax? Hold a bond election?

Local decision-makers take the heat when local taxes increase or when lack of capacity forces eligible persons to be turned away or under served. They must defend their procurement process when vendors complain about being passed over in favor of a competitor. They are the ones who are sanctioned if their

programs perform poorly. They also can be the beneficiaries of bonus and incentive dollars if their programs dramatically exceed performance standards. This is one of the most compelling arguments for local control. If local decision-makers ultimately are the ones responsible for program implementation and held accountable for results, then they should have commensurate authority for fine tuning operational plans.

Quite apart from the philosophy of coupling responsibility and authority, there are practical reasons for local control. Local decision-makers are closer to the situation. They have a better intuitive feel for which hard choices will be politically palatable in the community. They know which key stakeholders' support will be critical to successful program implementation. Experience tells them which vendors are likely to deliver services as promised.

Appreciation for local decision-makers' special expertise carries over into the data arena as well. Labor market specialists at the state level may have more sophisticated models and more powerful analytic tools. However, the data at their disposal are either historic or hypothetical projections based on trends extrapolated from historic data. All other things being equal, their forecasts are pretty reliable on a statewide level. The devil, however, is in the detail. Because the key factors are not constant and equal across all labor markets, there inevitably will be wide variance from one substate region to another. Local decision-makers may be in a better position to explain localized deviations from broader trends because they have "insider" information. This is another compelling reason for including "local wisdom" in planning guidelines issued by state agencies for employment and training programs.

But just what is "local wisdom"? Before answering that question directly, let's examine some behaviors at the local level that do not constitute local wisdom. Anyone who has played a role in local planning will recognize three common practices often disguised as local wisdom: (1) inertia, (2) political arm-twisting, and (3) shoddy research. A brief look at each will suffice to show that such behavior does not deserve to be called "local wisdom."

## **Inertia**

A seasoned regional planner once observed that the three most commonly used tools in planning at the local level are the photocopier, white out, and rubber stamp. The planning process in some places amounts to little more than photocopying last year's plan, using liquid paper to white-out last program year's dates, neatly typing in the upcoming program year's dates, then "rounding up the usual suspects" that can be counted on to wield rubber stamps in approval. The temptation to continue doing business-as-usual is hard to overcome; chiefly, it avoids coming to grips each year with the hard decisions.

In wrestling with hard decisions at some point in the past, a delicate balance was struck among eligible populations demanding services and among competing vendors. That balance became the status quo, the underpinnings of stakeholders expectations and the uneasy truce between political factions. To revive and reexamine long-buried decisions in light of new issues and circumstances is fraught with risks—particularly when local decision-makers cling precariously to their incumbency.

The line of least resistance is to "let sleeping dogs lie." This is particularly tempting for planners who are too inexperienced, lack the analytic tools, or do not have the self-confidence to use data to drive the planning process. When administrative dollars are scarce and the incentive structure rewards tangible services, the planning department is apt to get short-changed. In some cases, the planning department is but a one-person staff—perhaps even a seasonal job filled only two or three months out of the year by someone whose expertise lies in fiscal affairs or case management. Lacking any special training or necessary statistical software and

database management tools, part-time planners are put in the unenviable position of trying to make sense of complex and detailed labor market information in relative short order. Where there is doubt, it is always easiest to defend the status quo because, with inertia on its side, it is presumed sound. The burden of proof falls on the advocates of change.

### **Political Arm-twisting**

In some places, the competing factions are so evenly matched that the annual planning process becomes a battleground where self-interested stakeholders jockey to gain the upper hand. Even in places where the status quo represents a time-honored balance and truce, the time may come when new issues, changes in applicable laws and regulations, and/or shifting factional fortunes may be so pervasive that they necessitate planners do more than conduct business-as-usual. In either situation, local planners may be forced to abandon the photocopier and white-out. The usual suspects might not be agreeable to rubber stamping their approval of last years' plan without substantial revisions.

Where demand exceeds resources, operational planning becomes a zero-sum game. That is, a decision to meet the training needs of one segment of the economy may result in under-serving another segment. When occupations key to their worker shortages are left off a service delivery area's target list, influential employers will feel their needs have been neglected. While it may be politically unpalatable for them to argue openly that they deserve to have their firm-specific labor and training costs underwritten with tax dollars, they will argue circuitously that their industry sector is more crucial to local economic development—and there will be no shortage of less than scientific testimonials and anecdotal evidence to support such claims from every sector. Similarly, a conscious decision to recruit participants from one segment of the eligible population may result in underserving others. That, in turn, will elicit cries of neglect, discrimination and disenfranchisement from those who feel that they came out on the losing end. Likewise, selection of one training vendor to provide services may deprive a competitor of student customers and, more importantly, the tuition, fees, subsidies and vouchers they represent. The losing vendors may claim that the selection process was biased and fraught with favoritism or conflict of interest.

Sound data and rational planning models are likely casualties when stakeholders jockey to advance their self-interests without regard for the broader public interest as expressed in a program's mission and goals. Political arm-twisting in such cases may drive the planning process despite the reasonable inferences that can be drawn from the best available data.

### **Shoddy Research**

Political arm-twisting, if too blatant, can backfire. If decisions are too far out of line with available labor market information, it may be impossible to secure enough votes in the local entity to adopt the plan or to convince state-level oversight bodies that the plan is worthy of being approved. At some point, as a plan moves from the local draft phase to final state-level approval, someone will be asked to provide data to explain and justify the choices therein. If data supplied by state agencies don't support local decision-makers' preferences, then a two-pronged strategy commonly is launched: 1) find fault with data provided by the state; 2) substitute state data with the results of locally-conducted research.

Data provided by the state certainly is not infallible. Research conducted at the local level is not always flawed or biased. However, fair, meaningful and defensible standards for weighing the evidence are often tossed out the window when local decision-makers start with a partisan choice and work backwards to support it. Admitted flaws in state-provided data are exaggerated while serious flaws in "inspired" local research conveniently are overlooked.

“Poisoning the well” is a common tactic: “You can’t trust state data.” Such arguments miss the point. While electronic files may be supplied to local decision-makers by a state agency, virtually all labor market data initially are entered at the local level by intake clerks, case managers, job placement officers, local training providers, or local firms’ payroll and personnel clerks. State agencies, at most, serve as custodians of locally generated data. State-level management information systems specialists may edit-check the data for completeness and to capture the most obvious errors but they do not create the data. Programmers at the state level may wrap application software around locally-provided labor market information to make it easier to analyze and understand. Nonetheless, data quality control ultimately is a local responsibility.

Another common ploy is to proclaim that data provided by state agencies are too old and out-of-date. This, too, misses the point. Lag time is part of all research—even if conducted at the local level. “Freshness” of the data is no more important than rigor in the research design used in data collection and analysis. This is particularly true when locally conducted “inspired” research consists of asking a small, non-random sample of self-interested stakeholders for their opinions; e.g., where five out of five truck driver school owners in the service delivery area agree that truck drivers ought to be on the plan’s target occupation list. Even if the research questions are designed conscientiously, single snap-shot studies may uncover momentary “hiccups” in overall trends. No manufacturer in her right mind would alter her firm’s production schedule based exclusively on yesterday’s sales. Yet local entities under political pressure often seem perfectly willing to design an education and training pipeline for the long haul on the basis of locally-conducted single snap-shot research that tells them what they want to hear. They gloss over their selective perception by asserting that they value the freshest data. They may willfully ignore reasonable inferences that can be drawn from analysis of long-term trend data gathered through carefully designed and consistently executed longitudinal research.

Some local research efforts are well-intended but ill-conceived—what might be called “naive research.” For example, when state-provided data would not justify inclusion of hairdressers on a local workforce development board’s target occupation list, the board’s planner turned to the job openings posted in the classified ads sections of area newspapers. He found that for four consecutive weeks fully half of all ads therein were for hairdressers. He concluded that employment demand was sufficient to warrant inclusion of hairdressers on the board’s target occupation list. The research in this case was naive because the planner—taking employment ads at face value—presumed that they indicated wide-spread demand. In truth, the area’s beauty salon owners weren’t looking to hire recent graduates of Cosmetology programs as paid employees. Rather, the ads were being run perpetually as a circuitous way for salon owners to advertise booth space for rent and to raid their competitors’ business. They were looking for experienced hairdressers to “jump ship” and bring along their existing clientele. Consequently, what might appear to the naive researcher as an indicator of employment demand actually amounted to little more than high turnover among experienced hairdressers as they moved from one shop to another. Meanwhile, recent Cosmetology graduates, by and large, were unable to find salaried positions.

A more experienced labor market analyst would have questioned more closely the reliability and validity of classified ads as indicators of employment demand growth. In fact, an experienced labor market analyst would not even use a frequency distribution of genuine job postings from the classified ads to drive a local plan because those that are posted in newspapers are not likely to either be an exhaustive listing nor even a random sample of all available occupational employment. Moreover, they represent current opportunities. By the time an actual opening is posted, it’s too late to respond by tinkering with the education and training pipeline. By the time education and training providers ramp up to speed to address yesterday’s demands, those openings will have been filled. Current occupational employment demand inevitably must be filled from the current “inventory” of locally available job seekers and/or workers “imported” from other labor markets or else the demand itself will either “dry up” or “blow away.” That is, if local openings can’t be filled promptly, employers either: a) give

up trying to fill the openings and forego the related business opportunities; or b) relocate that portion of their business in some other labor market where their employment needs can be met (increasingly all too often, off shore).

At most, nimble education and training providers can react to current employment demand by offering less-than-semester length courses. “Planning,” however, is different than “reacting.” Planning has a more distant horizon—one commensurate with the time it takes to develop or modify a curriculum to address employers’ changing needs and to move students and adult learners through an appropriate sequence of courses and/or work-based learning experiences. Rational and effective planning, therefore, is driven by trend analysis and long-range projections—not by momentary “hiccups” in labor market activity as indicated (however inadequately) by job openings posted in the classified ads.

In contrast to inertia, political arm-twisting, and shoddy research, “local wisdom” involves rigorous analysis of data, much of which is provided by the state, coupled with objective research at the local level. Local wisdom is applied not to contradict the data already supplied by some state agency but, rather, to fill in the gaps. Rigorous analysis of state-supplied data may include but is not limited to the following:

### **Shift-Share Analysis**

What resources do various communities or neighborhoods have that are likely to give them comparative economic advantages over others in competing for a niche in the local labor market? To what extent are local firms ahead of or behind global, national, or statewide trends in their respective industries? To what extent are they caught up in or insulated from broader trends? To what extent do local businesses shape broader trends and lead their respective industries? What portion of aggregate trend data—e.g., the emergence of a new and unprecedented occupational cluster, is the result of local business activity? At what point, for example, will localized employment demand for an emerging occupation reach critical mass necessitating a commitment of resources to develop and deliver a responsive curriculum? (<http://socrates.cdr.state.tx.us/>)

### **Input-Output Analysis**

Given broad statewide trends and local comparative advantages, how are the effects of employment growth or decline in one industry likely to ripple through other sectors of the local economy? How will a new business or the expansion of an existing firm involving X employees and \$Y payroll impact the local tax base? Is the new/expanded business likely to do its banking, finance, accounting, and legal work, etc. locally? Can it depend on distant vendors or will it spawn spin-offs locally to provide supplies, parts and business services? Will its payroll be large enough and will its workers have sufficient spendable income to support new eating and drinking establishments or additional recreation and entertainment facilities, increase retail sales, and drive up demand for new construction and more personal services?

Objective regional data collection also is a necessary component of local wisdom. The key word is “objective,” as opposed to “inspired” research. The point is to not start with a foregone conclusion then search selectively for any shred of supporting evidence. Known gaps in state-provided data should be filled not by asking self-interested stakeholders for their opinions but rather by seeking valid, reliable and verifiable evidence from neutral parties. Consider the strategies below:

- 1) Ask county or municipal officers if any firms have taken out construction permits to build new facilities or to expand existing ones. Have any firms asked for variances in zoning laws in order to expand their operations or to offer products and services in locations where they may have been prohibited in the past from doing

business? What firms have made application for utility hook-ups? How much capacity do they want? What infrastructure improvements are they seeking? Such information should be a matter of public record.

2) Ask realtors and local bank officials what kinds of business are scouting the area for commercial space or making applications for business loans. Here, care must be taken to avoid any breach of confidentiality. A local planner does not need the name of the specific firms involved, only their industry sector and approximate size. Given this limited kind of information, a planner can plug into forecasting models to predict the likely occupational employment demands, multiplier or “ripple” effects, and potential impact on the education and training system.

3) Have economic developers from the local chambers of commerce brief you periodically on their prospects. (<http://www.tabcc.org/>) Again, for the sake of confidentiality, focus on industry type and size rather than specific firm names. The trick is to sort out the real probabilities from the over-confidence and boosterism that may characterize information imparted by persons perpetually devoted to “closing deals.”

4) Add local opinion data to the mix if and only if you solicit it from a scientifically-selected and genuinely random sample of citizens. If obtained through a survey instrument, wording of the questions must be truly impartial. Survey results should be adjusted for non-response biases. If obtained through focus groups, the facilitator must have no direct interest in the results. Focus group opinion should be judged in conjunction with other sources of data rather than out of context. Be wary of asking both employers or citizens to prognosticate or forecast future events. Most survey respondents are ill-prepared to do so.

If supplemental research is conducted locally, it should be part of an ongoing effort. It should not be done sporadically in the heat of the moment just before the plan must be submitted. It takes a modicum of distance from the immediacy of the planning process to draft impartial questions—It also takes time to: a) draw a random sample; b) pilot-test the survey instrument and revise it if necessary; c) engage in enough persistence effort to obtain a statistically sufficient response rate; and d) analyze the data. Local research should be conducted by someone who: has no direct interest in the results; is dedicated foremost to the integrity of the data; is trained in labor market analysis and is equipped with adequate analytic tools. Anything short of this kind of commitment will not enhance local wisdom.

Ultimately, “the proof is in the pudding.” Was the effort to gain local wisdom sincere or disingenuous? Have decision-makers tempered state-provided data with genuine local wisdom and blended the two into a justifiable plan? Do follow-up data provide post facto proof that the plan was reasonable; i.e., were the results achieved consistent with the program’s mission, goals, and objectives?

As a parting thought, it also is appropriate to suggest that the process of acquiring local wisdom should itself be subject to constant review and continuous improvement. What worked and what didn’t? How much weight should be given to data gleaned from building permit, utility hook-up and zoning variance requests relative, for example, to state-provided data or information supplied by commercial realtor and bank loan officers? Which economic development specialists can be trusted to supply accurate predictions? Which were prone to inflate forecasts? Just as labor market analysts at the state-level strive to fine tune their models and tools, local planners should work to refine their own practices from one year to the next. Blending available labor market information with the insight of local wisdom can go a long way in the design and implementation of a successful workforce development program.