Cooperation Across Boundaries:
An Examination of Intra- and Interstate Cooperation
under Workforce Development Policy

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The Workforce Investment Act (WIA) of 1998 provides a unique opportunity to examine both intra-state and interstate cooperation in economic policy. With this act, for the first time, the federal government recommends that states engage in regional economic development planning across their borders as well as within in them to improve outcomes in employment and training policy. The potential for intra-state and interstate cooperation opens up more opportunities to help the economically underserved in metropolitan areas and to improve our understanding of factors that contribute to successful outcomes. Although the Act recommends economic planning across and within state lines it has yet to be determined whether it provides an opportunity to establish sufficient mechanisms for cooperation for the economic well being of metropolitan areas. Conventional wisdom suggests that interstate policy cooperation is more difficult to achieve than cooperation among policy makers within a region in a single state but new institutions may emerge to facilitate unprecedented cooperation and coordination.

Findings in this study show that WIA has resulted in new interstate cooperative arrangements. Some of the arrangements are formal as found in St. Louis (MO-IL) and others are informal or ad hoc as seen in Louisville (KY-IN), Cincinnati (OH-KY-IN) and Chicago (IL-IN). In St. Louis a formal self-governing body has been created to facilitate regional planning in workforce development. In Louisville there has been some data sharing across state lines and a formal acknowledgement that the labor market crosses state lines. In Cincinnati a group of administrators, chambers of commerce and economic development representatives have come together to share information about obstacles and successes they have experienced in workforce development. In Chicago local workforce boards in Indiana and Illinois worked together to obtain grant funds from the Department of Labor for workforce development needs. These successes point to some features necessary to achieve interstate cooperation, such as sharing information and open and frequent communication. Yet, it appears that WIA falls short of providing sufficient mechanisms for obtaining sustainable cooperation to improve the economic welling being in both intra- and interstate metropolitan areas. This is the case because the institutions created to facilitate cooperation lack the fiscal and authoritative capacity to provide inducements and sanctions to assure members will work together. This capacity is absent even in St. Louis (MO-IL) where the Governors of two states have agreed to regional planning across their state lines. An additional theme that emerges from this study concerns WIA. In order for WIA to have sustainable success it needs to provide more structure to align goals and systems across programs. WIA also needs to provide more flexibility in the way funding can be spent to better serve clients across programs.

Cooperation in Workforce Development

As is true of many American social policies, federal workforce development policy has been plagued by a lack of cooperation. One reason is that there is a long history of interstate rivalry and difficult cooperation in many areas. A second is that interstate cooperation is particularly difficult to achieve in the area of economic development where both labor and capital are mobile and the economic stakes are high. A third is that interstate cooperation in economic development is particularly difficult to achieve in workforce development, where clients are potential voters. Politicians lack an incentive to provide benefits to a constituent who can then remove both their skills and their vote from the politician's jurisdiction. However, conventional wisdom may be wrong. It is possible that the opposite is true: economic policy cooperation is easier to obtain across state lines than within them. This may be the case because the players, rules, and norms about collective behavior are less firmly established across state boundaries than within them. The absence of former formal and/or informal institutional impediments permits an opportunity to reframe the problem and provide new solutions to such collective action problems.

Because of these coordination and cooperation problems, workforce development programs have fallen short of their potential to help underserved urban populations. There have been many attempts to improve cooperation in employment and training programs from their inception. The first coordination attempt began in 1961 with the Area Redevelopment Act (ARA) which created "new partnerships" among the Housing and Home Finance Agency, the Small Business Administration and the federal departments of Agriculture; Interior; Labor; and Health, Education and Welfare (Congressional Record 1961, 21887). The 1962 Manpower Development and Training Act (MDTA) also tried to provide integrating coordination. In 1973 the Comprehensive Employment and Training Act (CETA) attempted to create localized coordination through decentralization to local elected officials and decategorization of employment and training programs for economically disadvantaged participants and private sector participation (Franklin and Ripley 1984, 161-172). In 1982 the Job Training and Partnership Act (JTPA) was established to make federal job training a public-private partnership that would be more efficient than previous programs (Congressional Record 1997, H2805).

The most recent reform of employment and training policy, the Workforce Investment Act of 1998, encourages not only cooperation among programs within states, but also interstate policy cooperation for the first time. WIA consolidates over sixty programs into three targeted block grants in its attempt to create a comprehensive employment and training system (Congressional Record 1998, H6865). Specifically, WIA mandates that state and local bodies oversee the participation of at least seventeen federal programs[1] administered by four federal agencies (DOL, DoED, DHHS, and HUD) that participate in local "one stops" (U.S. General Accounting Office 2001, 2). One stops are career centers that provide information about and access to job training, education, and employment services for employers and employees alike in a single neighborhood location (U.S. Department of Labor 1998,1-4). By 2001, the seventeen WIA federal partner programs combined received fourteen billion dollars to provide employment and training services (U.S. General Accounting Office 2001, 3-4). The large number of programs and, in turn, federal dollars being spent on employment and training point to the importance of developing policy cooperation that will reduce duplication, expenses, and improve outcomes.

Potential for Intra- and Interstate Cooperation

The absence of information on state to state intergovernmental relationships makes the study of interstate cooperation both theoretically and practically important. It fills a major gap in our understanding of economic cooperation in regions that are integrated economically but not politically. The first comprehensive book on interstate relations was only just published in 1996 (Zimmerman 2002, 1). Zimmerman notes that, “Political scientists generally have paid relatively little attention to the politics of interstate

[1] The seventeen programs are: Adult Worker, Dislocated Worker, Youth, Wagner-Peyser Employment Service, Trade Adjustment Assistance Training, Employment and Training Services to Veterans, Unemployment Insurance, Job Corps, Welfare-to-Work, Senior Community Service Employment, Migrant & Seasonal Farmworker Employment and Training, Native American Employment and Training, Vocational Rehabilitation Services, Adult Education and Literacy, Carl D. Perkins Vocational Education, DHHS Community Services Block Grant, and HUD-administered employment and training.

relations in recent decades although such relations affect directly thousands of business firms and millions of citizens" (Zimmerman 2002, ix).

The literature on intergovernmental relations (IGR), collective action, and international relations each speak to the way cooperation develops among political jurisdictions. However, these literatures tell us little about the way economic cooperation occurs across state lines specifically. The IGR literature notes that economic and employment problems seem to ignore the boundaries that make up intergovernmental relations (Wright 1988, 356 & 460). The IGR literature also suggests that cooperation should be particularly difficult across state lines because there are more legal and political obstacles to interstate than intrastate cooperation. Moreover there are fewer examples of interstate than intrastate cooperation. The IGR literature points to specific elements such as jurisdiction, boundaries, and turf as creating complex relationships because of the overlapping responsibilities of these governing entities in terms of their political, fiscal, and administrative relationships. In general, the concepts of jurisdiction, boundaries, and turf that work against state and local relationships (Wright 1988, 333) may be especially daunting for state-state relationships in metropolitan labor markets that cross state lines. The IGR literature notes that formal compacts are one element that can facilitate cooperation. There are a large number of formal and informal interstate administrative agreements (Zimmerman 2001,1), 243 according to the Council of State Governments (Voit and Nitting 1998, 135-160) but there is little evidence of formal or informal interstate cooperation on issues closely tied to economic development. In addition to formal interstate agreements, this literature identifies several other independent variables that affect cooperation: frequent and open communication among the participants, and clarity about the participants' roles, responsibilities and boundaries (Wright 1988, 397-398).

The IGR literature does not account for other obvious obstacles to cooperation such as geographic barriers like rivers and capacity in terms of authority and leadership. Since states may be constrained by factors beyond their control such as mobility of capital and people and there is an absence of a national policy to address interstate economic development cooperation, this is a policy area ripe for interstate agreements as well as a pertinent topic for study. One obvious place to look for additional explanations about cooperation is the collective action literature.

The collective action literature provides several hypotheses for explaining why cooperation occurs or fails. The first hypothesis is the free-rider problem, which occurs when people can benefit from the production or maintenance of a good without contributing to it (Sandler 1992, 17). A second hypothesis is transaction costs (North 1990, 34; Singleton 1998, 121,148; and Williamson 1996, 253) which are the resources devoted to the measurement and enforcement of agreements (North 1990, 31) as well as the resources expended for negotiating possible solutions (Singleton 1998, 13). Free-rider problems and high transaction costs are expected to be barriers to cooperative behavior because they can obstruct efficient institutional arrangements.

The third hypothesis is social institutions, which foster cooperation by providing information that can resolve uncertainty and stabilize expectations. Such institutions are expected to foster mutually beneficial outcomes across states because they provide a stable mechanism to distribute outcomes that do not exclusively favor any one group (Knight 1992, 1, 209-212). By performing this function, institutions become the arrangements that provide the opportunity to reduce transaction costs as well as help overcome collective action problems such as free-rider problems.

Finally, the collective action literature hypotheses that self-governing and self-organizing authorities and institutions such as regional and national governments can facilitate cooperation because they permit an opportunity for the players themselves to make a binding contract to commit to a cooperative strategy. Self-governing and self-organizing authorities allow participants to design their own contracts which reinforces internal monitoring to adhere to the contract, keeping the transactions costs of bargaining and monitoring low (Ostrom 1990, 15-17, 61-65). Furthermore, regional and national governments can facilitate the ability of local participants to achieve an effective institutional design. They do this by providing a setting that permits new rules to be adopted under previously existing political regimes or via the creation of new regimes. Specifically, they provide local autonomy, enforcement agencies, institutional-choice, and conflict resolution arenas (Ostrom, 190-212). In the case of interstate economic cooperation, state or regional bodies could represent multi-state interests in acquiring benefits that assist the region and its firms and individuals by creating a metropolitan area that maintains a highly skilled or trained workforce. Although these theories of cooperation have not been tested in interstate economic policy they supplement the IGR literature by providing a richer set of hypotheses about cooperation among independent polities.

The international relations literature also provides insights into the way cooperative arrangements are fostered. When there are differences in the amount of information stakeholders have and a third party, such as an informed interest group, provides additional information it can foster cooperation between the parties (Milner 1997, 97). An example of the way asymmetric information in employment and training policy could promote cooperation is if an interest group made the argument that businesses might move to their region if they felt they would have access to skilled workers from across the region. One way to reinforce this would be develop a system where employers could publicize their employment opportunities through one medium as opposed to multiple mediums. This could foster cooperation among stakeholders with disparate amounts of information.

Similar to the idea of social institutions in the collective action literature, the international relations literature indicates that international regimes, which are the mutually understood norms, principles, and decision-making procedures of the stakeholders, (Krasner, 1983, 2) facilitate cooperation. Regimes foster cooperation by providing information and reducing uncertainty in negotiating agreements (Keohane 1984, 89-95; Milner 1992, 475-477). The international relations literature suggests that third parties and regimes are important for facilitating nation-state cooperation. However, these hypotheses need to be adapted to be applied to U.S. domestic interstate economic cooperation.

Types of Factors that affect Cooperation Among Jurisdictions

The IGR, collective action, and international relations literatures suggest four types of factors that should be taken into account in assessing WIA's success in achieving interstate workforce development cooperation. They are organization and administrative structures, differences in intra-state and intestate areas, specific barriers to cooperation, and the capacity for facilitating cooperation. Leadership, a fifth factor not addressed in the literature, is frequently considered essential to successful outcomes and therefore is also examined in this study.

Organization and Administrative Structures. The collective action literature indicates that regional and national bodies can be factors that foster efficient institutions. As a result, this study examines the way the existing bodies such as states and their administrative structures, are similar and different for the purpose of implementing WIA and its affect on cooperation.

Differences in Intra-state and Interstate Areas. The collective action literature suggests that the behavior of larger units of government as being a factor that affects smaller units of government. As a result the policy makers' perceived differences and similarities in intra-state and interstate cooperation in terms of constraints and opportunities between workforce investment areas are examined.

Specific Barriers to Cooperation. The IGR, collective action, and international relations literatures point to several factors that can impede cooperation. Jurisdictions or boundaries and lack of frequent and open communication (Wright, 333, 397-398) as well as free-rider problems (Sandler, 17) where not everyone shares in the cost of producing the good or service can each obstruct cooperation. Another factor, transaction costs (North 34, Singleton, 121, 148 and Williams 253) which can be either an impediment or incentive is considered. If transaction costs are perceived as high they take more energy to obtain the outcome. If that expense is perceived as excessive for the return on the investment that can impede cooperation. However, if transaction costs are high and cooperation is perceived as a mechanism to reduce them then it can be an incentive.

Capacity for Facilitating Cooperation. The international relations literature highlights the importance of interested third parties and regimes for facilitating cooperation because they provide information and reduce uncertainty in negotiating agreements. The collective action literature also highlights the importance of social institutions and self-governing and self-organizing authority for resolving collective action problems. These factors are also examined in this study.

Leadership. The literature does not directly address leadership as a factor that affects cooperation. However, leadership may also provide capacity to overcome barriers to cooperation by giving people incentives and the motivation to work together.

Research Methodology

Using the previously identified framework for examining the factors that affect cooperation in intra- and interstate areas I analyzed whether the WIA provides sufficient mechanisms to establish efficient institutions to leverage the disparities in information and resources for the benefit of economic regions. This study examines five states: Illinois, Indiana, Kentucky, Missouri and Ohio, and four metropolitan areas that that span these state lines: Chicago, Cincinnati, Louisville, and St. Louis. The information gathered for this study is from public documents and interviews with state and regional policy experts about the factors that affect cooperation. Specifically, states' five-year strategic plans and annual reports are examined as well as an analysis of 54 interviews conducted with state and regional workforce policy experts.

The information from public documents point out specific similarities and differences among the states in terms of their organization and implementation of the workforce administrative structures. Interviews conducted with thirty-seven policy experts from five states and seventeen regional policy experts in four interstate regions provide information on the perceived differences in intra- and interstate areas, barriers to cooperation, capacity for facilitating cooperation, and leadership. Using this data, the existence and degree of formalization of the institutions are examined to identify if sufficient mechanisms are in place to overcome barriers to cooperation.

Documentary Evidence

The similarities and difference in the State’s organization and administrative structures affects their ability to cooperate within and across state lines. There are six factors examined in this study. First, some states implemented WIA "early" (that is they implemented the Act for the Program Year starting July 1, 1999 rather than waiting until the mandated Program Year July 1, 2000 when JTPA expired). Second, states could create a unified strategic five-year plan which incorporates the Workforce Investment Act, Wagner-Peyser, Carl Perkins, Vocational Rehabilitation, and Welfare-to-Work under one plan *or* not create a unified plan and incorporate fewer Acts in the required strategic five-year state plans for WIA. Third, states differ in the creation of their administrative entity that oversees the implementation of WIA. Some states housed all the agencies under one cabinet while others consolidated some of the programs from different agencies into an existing agency or created new agencies. Fourth, states had the option to grandfather previously existing service delivery areas under JTPA as workforce investment areas under WIA or create completely new workforce investment area designations. Fifth, states may have mandated a division between the local boards and direct service delivery, which is commonly referred to as creating a "firewall" between the two. This provision ensures that staff to the local boards cannot also provide the services to the clients. Finally, the states also differ in terms of whether or not they mandate regional planning in their intra- and interstate metropolitan areas. The organization and administrative structures of the states is summarized in Table 1.

[Insert Table 1]

Early Implementation of WIA. Indiana and Kentucky both implemented WIA early and Illinois, Missouri, and Ohio did not. The fact that a state implemented WIA early or not should not have an effect on cooperation *within* the state. However, it may affect cooperation in areas that span states lines when the states are at different stages of the implementation process. For example, the states of Illinois and Missouri should be at similar stages in the implementation process in St. Louis and that could facilitate cooperation. Yet, the fact that Illinois and Indiana are at different points in the implementation process could hinder cooperation in Chicago.

Unified Plan. Indiana is the only state that has a unified plan. A unified plan provides the benefit of formal means to strategically align programs and systems to meet workforce development goals. Although Indiana does not require a unified plan between all of the required one stop partners it does try to include as many possible (Ganzglass, Hensen, Ridley, Simon, and Thompson 2001, 26). Illinois, Kentucky, Missouri and Ohio do not have unified plans. States that do not have a unified strategic five-year plan may find it more difficult to align systems and programs because they may not have the legitimate authority to do so.

WIA Administrative Agency. Illinois transferred the administration of JTPA, which WIA replaced, from the Illinois Department of Commerce and Community Affairs (DCCA) to the Illinois Department of Employment Security (IDES) to consolidate the administration of workforce development programs under on agency. The governor also transferred the administration of the State and Federal Adult Education and Family Literacy program to the Illinois Community College Board (ICCB) (Illinois Workforce Investment Board 2001, 2). In Illinois the Governor's office works closely with IDES, the State Board of Education, The Board of Higher Education, ICCB, the Illinois Department of Human Services, DCCA and the Illinois Department on Aging (Illinois Workforce Investment Board 2001, 4). The consolidation of programs and close working relationships of several agencies with the Governor’s office should be helpful in aligning systems and fostering cooperation even though the state did not create a unified plan.

Indiana, in the early 1990's created the Department of Workforce Development which houses WIA, Employment Security and Unemployment Information, labor market information, veterans, vocational education and School-to Work programs. Other related services such as TANF and Vocational Rehabilitation are housed in the Family and Social Services Administration (Ganzglass et. al., 24). Once again, having multiple agencies housed together should foster cooperation as the agencies become more familiar with each other's purpose and goals.

Although Kentucky does not have a unified plan their Cabinet for Workforce Development includes a myriad of programs under one umbrella. They include WIA, Carl D. Perkins Vocational and Applied Technology Education, Adult Education, Vocational Rehabilitation, School-to-Work, and the One-stop Career Center System. Additionally the Cabinet houses the occupational Information Coordinating Committee, the state Job Training Coordinating Council, the State Board for Adult and Technical Education, the State Board for Proprietary Education and the Workforce partnership Council (Kentucky's Cabinet for Workforce Development, Department For Training and ReEmployment 2001, 4). Again the fact that the agencies are housed under one Cabinet should foster cooperation since ultimately they should all share in the credit of the successes of the Cabinet.

Similar to Indiana and Illinois, Missouri consolidated a few departments to create the Division Workforce Development. Missouri's Division of Workforce Development came about with the consolidation of the functions of the Division of Job Development and Training and the Employment Services functions within the Division of Employment Security. This new division is housed under the Department of Economic Development. This consolidation could foster cooperation.

Ohio merged the Ohio Bureau of Employment Services and the Ohio Department of Human Services to consolidated state administration and coordinate workforce development programs by creating one agency called the Ohio Department of Jobs and Family Services (ODJFS) (Ohio Department of Jobs and Family Services 2001, 1-5). This change means that two agencies must now learn to work as one and this could create resistance to cooperation while the agencies sort out their differences and learn about the common ground they share.

Grandfathered Workforce Investment Area. Illinois, Indiana, Missouri and Kentucky all grandfathered in the private industry councils (PICs) from JTPA's service deliver areas to workforce investment areas and boards under WIA. They also reconstituted their state boards to meet the membership requirements for WIA (Department of Commerce and Community Affairs and the Illinois Department of employment Security 1999, 1-3; Ganzglass et.al, 24-25; Missouri Training and employment Council 2001, 14; and Kentucky's Department of Training For ReEmployment 1999, 34). Grandfathering the workforce investment areas and boards from the previous programs can foster the smooth transition form JTPA to WIA but it also brings with it the possibility of maintaining the status quo.

Kentucky, left intact the 11 local workforce investment areas that were designated back in 1982 under JTPA. However, in 2002 with the merger of the City of Louisville and Jefferson County the workforce investment areas of North Central Kentucky and Louisville/Jefferson counties also consolidated to become a new workforce investment area called KentuckianaWorks leaving a total of 10 workforce investment areas in Kentucky[2]. Kentucky therefore provides a unique chance to examine the differences in cooperation where new boards are formed as compared to existing boards when they are subject to the same state guidelines.

[2] Information obtained from interviews conducted in the fall of 2002.

Ohio is the one state in this study that did not grandfather in either their state board or local boards from the JTPA program. The Governor appointed 50 new members to create the Governor's Workforce Policy Board (GWPB). Under JTPA Ohio had 30 local service delivery areas. Under WIA, the 30 areas merged into 6 conventional areas and the Ohio Workforce Strategic Option Area 7. Option Area 7 provides 82 counties and two cities the opportunity to choose to implement WIA in multi-county or regional sub-areas or as a designated area to promote greater flexibility at the local level (Ohio Department of Jobs and Family Services 2001, 3-4). This provides a grand opportunity for change but does not necessitate that cooperation will ensue.

Firewall. In an effort to circumvent the likelihood of business as usual Illinois instituted a firewall, ensuring that staff to the board did not provide services as well.[3] Underscoring the fact that things were expected to change in Illinois, the Illinois State Workforce Investment Board recommended that local workforce investment boards (WIBs) have different functions than their predecessor PICs. WIBs focus on strategic planning and setting local WIA policy as opposed the day to day programmatic operations PIC members engaged in previously. Indiana and Missouri also instituted firewall policies while Kentucky left it to the discretion of the local areas. Ohio does not have a firewall policy. A firewall may be disruptive to service provision but could also foster the inclusion of a broader array of services providers.

Regional planning. There is formal regional planning going on in the St. Louis, IL area with the St. Louis, MO area yet the documents for Illinois did not indicate regional planning as goal in general or for specific metropolitan areas in Illinois. Indiana used the authority provided under WIA to require WIBs that share a labor market within the state to plan jointly and submit one regional plan (Ganzglass et. al., 25). In Kentucky, formal interstate regions where not established in the original plan, however the state plan indicates that some local entities were having preliminary discussions with their cross-state counterparts (Kentucky's Department of Training For ReEmployment 1999, 36).

Regional planning was mandated for three areas in Missouri. The greater Kansas City, MO area and Southeast Missouri were designated to engage in intra-state regional planing and St. Louis in both Missouri and Illinois were designated as an interstate region that engages in regionally planning (Missouri Training and Employment Council 2001, 31). In the case of the interstate regional planning both Governor Carnahan of Missouri and Governor Ryan of Illinois jointly required the development of regional planning for St. Louis (Missouri Training and Employment Council 2001, 32). The fact that both governors jointly required regionally planning gives the activity legitimacy and should foster cooperation. Although, in Ohio, Option area 7 permits regional sub-areas and partnerships, regional planning as a matter of course or for specific metropolitan areas is not mentioned in the documents I reviewed. Formally engaging in regional planning should provide some capacity and mechanisms for cooperation.

States that are at a similar point in the implementation process of WIA are likely to find it easier to cooperate. States that have a unified plan and/or house mulitple agencies under one department or cabinet should also find it easier to align systems and programs. The consolidation of agencies may bring initial resistance to change but should provide a mechanism for cooperation and perhaps even savings in the cost of administration of programs. States that grandfathered their workforce investment areas and boards may actually find that old institutional habits keep them from seizing new opportunities for cooperation. While areas that pursue new workforce designations may have new opportunities for cooperation it does not guarantee that it will occur. Firewalls

[3] Information obtained from interviews conducted in the fall of 2002.

may elicit the inclusion of more stakeholders but they may also breakdown existing cooperation with service providers. Certainly, mandating regional planning legitimizes the task of working together and provides the motivation to cooperate. Yet, the success of regional planning in metropolitan areas that span state lines may be directly attributable to the similarities and differences in the mandates of the states working together.

Documentary evidence provides useful descriptions of the guidelines and frameworks states have put in place to implement WIA. However, these descriptions do not explain how and why these structures affect cooperation in workforce development policy. Therefore, it is necessary to draw on information from interviews to understand the way these factors may affect cooperation in WIA.

Interview Findings

Fifty-four interviews with thirty-seven state policy experts from five states and seventeen regional policy experts in four interstate regions clarified both the formidable barriers to intra- and interstate cooperation in WIA and the opportunities for cooperation. The most serious barriers identified were the structural differences of states, different jurisdictions or turf, personality problems, cultural differences, and obstacles in the WIA legislation. The cooperative opportunities come from the fact that WIA provides a chance to look at workforce development in a new way and try new approaches. This is particularly true for interstate areas that have been asked to engage in regional planning for the first time. Although interstate areas may have more opportunities to look at workforce development in new ways the structural differences between states and the states' ability to reconcile the differences remains a formidable barrier for interstate cooperation.

Factors that Hinder and Foster Cooperation

Differences in Intra-state and Interstate Areas. Several themes cropped up in the interviews concerning the different constraints and opportunities in intra- and interstate metropolitan areas. The primary difference was derived from the fact that intra-state areas can work under the same guidelines as developed by the state and typically through discussions with local areas. Interstate regions may be working with states that do not have compatible guidelines, technology to share data, and resources. These regions may be at different points in WIA implementation, or may have different state structures for the delivery of state agency services. While WIA tries to permit state's flexibility in implementing guidelines it results in potentially incompatible systems. An example of the way this has played out is illustrated by comparing the case of Cincinnati to Louisville. In Cincinnati the metropolitan area includes communities in Ohio, Kentucky, and Indiana. The states of Indiana, Kentucky, and Ohio are at different stages of implementing WIA; Indiana and Kentucky are early implementing states but Ohio chose to implement WIA when JTPA expired. The fact that Ohio is facing different constraints and opportunities than Kentucky and Indiana is affecting the states' ability to cooperate because they are not working on the same type of issues at the same time. Informal interstate cooperation is apparent in Cincinnati but not to the degree reported in Louisville where both Kentucky and Indiana implemented WIA prior to the expiration of JTPA. States that implemented WIA at the same time, either early or in the mandated program year such as Illinois and Missouri in the St. Louis area are experiencing more interstate cooperation.

Another factor that makes interstate cooperation different from intrastate cooperation is the need or ability to reconcile differences between states. One state may have undergone a radical change from their previous system where another did not. For example, Ohio made radical changes in their board structures while Kentucky left intact the structures that existed under JTPA with the exception of Louisville, which consolidated two boards into one after the City of Louisville and Jefferson County consolidated. Specifically, Kentucky grandfathered in their workforce investment areas while Ohio radically transformed its geographical structure from 30 boards to 6 conventional boards and the creation of Option Area 7. Additionally, the Cincinnati area in Ohio began with two boards (one that consolidated 3 three former workforce areas and the other maintaining its designation from JTPA). Subsequently, however, one of the three areas ceded from the one board leaving the Ohio portion of the Cincinnati region with three workforce boards and substantial coordination problems.[4] Reconciling these types of differences between states for the benefit of the regions could be quite formidable if one state is working with familiar designations and people and another state is working under completely new and sometimes changing systems. Again, structural variation seems to impede rather than promote cooperation.

The need for reconciling differences in state policies is evident in more mundane ways as well. A common example given is the sharing of unemployment insurance information with other states. This is particularly important for interstate areas whose workforce crosses states. This information is needed to provide data on performance outcomes for the workforce investment areas. Brokering agreements on sharing this data have been possible but took substantial effort even in a region like St. Louis, with a formal cooperative agreement. One state level interviewee noted that it is simply more difficult to do things with other states "because we don't do other things with states so we don't have a set of ongoing relationships that allow informal relationships to develop." The issue of reconciling differences is not confined to interstate areas. One interviewee noted that while interstate regions face differences in state policies intra-state areas

[4] Information obtained from interviews conducted in the fall of 2002.

grapple with differences in city and county policies. This points to the fact that intra-state and interstate areas face similar jurisdictional challenges but they may still be more formidable across state lines.

Barriers to Cooperation. Turf was mentioned more than any other single factor as a barrier to cooperation. In the case of public sector representatives, turf entails being sensitive to their city or county boundary or agency function. This leads them to protect that boundary by asserting control over information and using their power and influence within their territory to protect the status quo. Subsequently, protecting one's turf becomes a form of competition with other areas. One state level interviewee noted that, "the federal program fosters competition rather than collaboration" and went onto say that this is the case because stakeholders "are not rewarded for cooperation but rather have to compete for money and influence." Competition, therefore, may be keeping people from cooperating in workforce development.

Closely related to the issue of turf and the second most often cited reason that keeps stakeholders from cooperating was funding. Funding is an impediment to cooperation because there is a need for more funds and staff but also because the funding streams are siloed by program type, so that they are discrete sources of funding instead of being delivered in block grants as the legislation intended. One interview simply stated that, "The continued siloed funding" is a barrier. "We did a good job of saying a seamless system and we wanted it not to be siloed but we got siloed funding because it was lobbied for it not to stop." Another interview noted, "Siloed funding" as a barrier because "everyone fights for money and there is never enough of it." She went on to say that, "if the feds had fewer restrictions on the funding there would be more flexibility to pool resources."

The third most frequently cited barrier to cooperation is the legislation. Many programs are doomed to failure or modest achievement because the legislature has not structured coherently the implementation process of the program (Mazmanian and Sabatier 1983, 29-30). This may be the case with WIA as the legislation was cited as hampering cooperation among stakeholders for reasons besides the previously mentioned funding streams. The legislation permits multiple definitions of terms such as veteran and youth across programs that are expected to work together under WIA. Someone six to eighteen years of age can be categorized as "youth" in one agency, such as Boys and Girls Clubs of America, and sixteen years of age to twenty-four in a program such as Job Corps. WIA performance goals look at youth in still another way, distinguishing younger youth (from fourteen to eighteen) and older youth (from nineteen to twenty-one). These differences in program eligibility also reflect the difference in missions of the programs that are being asked to work together and meet their own goals as well as performance outcomes laid out in WIA. As one interviewee noted that when you have "a set of silos for programs in terms of funding and eligibility for programs it makes it difficult to build a system because people have different priorities."

In the interstate areas, in particular, legislation was not noted as an obstacle as often but the issue of turf and funding streams were reoccurring themes. This may be due to the fact that legislation gives regions the opportunity to work together while turf and money directly impede local areas ability cooperate and align programs for the benefit of their regions.

Personality was another frequently noted barrier to cooperation by both state and interstate policy experts. One interviewee noted that personality becomes a barrier and said, “We have not worked together before and in some places it is old relationships that go back to whether or not there should be a red light or a stop sign. I am not kidding. They haven’t worked together since.” Another interviewee noted that different personalities bring with them different value systems and different problem solving strategies. Finally, one interviewee noted that it is not just having institutions but the personalities within the institutions that can make a difference. He said, “If we had or get different people, will it work? I don’t know.”

More broadly than personality, interviewees often mentioned differences in cultures between the private and public sector. The fact that the private sector is accustomed to moving quickly and the public sector is accustomed to the slower pace of bureaucracy creates frustration, particularly for the business sector representatives. One business sector interviewee put it this way, "This brings us to the difference of private sector and public sector - it is like mixing oil and water. The bureaucracy of the public sector can consider an idea for months [because] they can spare the time. The private sector moves faster. The cost is the time, which is money to be at the table in terms of time.”

The interviews revealed factors that could foster cooperation too. They included providing incentives for cooperation and flexibility in spending the funds. Incentives would help overcome the barrier of competition and flexibility in spending funds would make it easier to cooperate. One interviewee cited an example of a creative way they developed to share costs. He explained the way they got around the fact that one agency could not be charged rent. They all agreed the agency could be charged for support services received instead of rent. More flexibility in spending could reduce the need for the development of creative strategies to acquire resources to provide services and in turn reduce free-rider problems and high transaction costs which can keep institutions from being efficient.

More than one person mentioned focusing on common goals. This could be the provision of youth services by all the agencies that have youth programs. It was suggested that the current workforce development boundaries are antiquated and that workforce needs should not be driven by the state but rather regionally which could foster common goals. Similarly, another interviewee indicated that once you make the intellectual shift to conceiving workforce development as economic development you can end the disconnection between the agencies that is driven by funding coming from multiple sources.

In terms of interstate areas having an advantage interviewees noted that the provision of public "education has state boundaries. Employers don't have state or county boundaries." Being in an interstate area “expands our potential to an employer" because the employer sees the area as being able to draw employees from another state. Another interviewee noted that in our interstate region "there is a willingness to look for opportunities because we are more confident of ourselves." Yet, another interviewee remarked, "There is strength in multi-state areas because they can breakdown the guidelines and can put new things out there." These quotes indicate that businesses have the opportunity to disregard traditional state boundaries interstate areas in search of a qualified workforce. They also suggest that interstate areas have the opportunity to change the way they have been thinking about and pursuing workforce development. Although interstate areas may have some advantages they still face hurdles.

The interviews suggest that reducing transaction costs in WIA could produce substantial economic gains. Overwhelmingly, the time it takes to coordinate and collaborate was cited as the biggest transaction cost facing WIA. Specifically, the time it takes for meeting, learning, communicating, developing strategies, and consensus building. However, one interviewee noted, "There is a cost of economic loss if we don't do it." Specific transaction costs mentioned in the interviews included the cost of keeping business involved and the costs of getting systems and directives aligned because each partner has its own mission which leads to disjointed service. One interviewee summed it up when saying, "the cost of money is minor compared to the energy it takes to collaborate."

Many interviewees thought that cooperation through WIA could reduce transaction costs. Savings are believed to be being realizing through economies of scale gained by merging two agencies and the reduction in duplication in services (only one interviewee, however, was in position to provide actual figures on the savings). WIA was noted as being unlike JTPA in that WIA provides a mechanism for cooperation with business and a provision for regional cooperation but not the regional authority to get the job done. One interviewee noted that because, "WIA fosters a big picture, regional view and once the community is pulled to look at it across state lines it maybe more interesting and achievable. It might be a more compelling dynamic and less procedurally bound, especially if new staff are highly innovative." There is no doubt there are costs to WIA, in particularly, in terms of time. Yet, it also appears WIA provides mechanisms or potential mechanisms to facilitate cooperation.

Capacity for Facilitating Cooperation. WIA may provide some capacity or mechanisms for cooperation, which include understanding roles, having common goals, knowing the way to cooperate, and having the authority as well as the resources. In terms of having common goals, one interstate policy expert interviewee indicated that political boundaries do not match the economic realities. As a means to provide the authority for regions to cooperate, another interviewee mused that there were state waivers for rural areas and that perhaps there should have been a waiver for interstate regions.[5] On the other hand, an impediment to facilitating cooperation was noted by two

[5] State waivers give a governor the authority to designate a geographic location as a workforce investment area even if it does not fit the typical guidelines to be a designated area.

interstate interviewees from two separate states when they indicated that the political pressure was such that there was no motivation to "help another state".

Regional planning, potentially a precursor to regional policy, was noted by interviewees to be going on at various degrees in the four interstate areas examined in this study. It was even noted by one interviewee that interstate planning in Louisville was easier than intra-state planning with Lexington because of an intense rivalry that has existed for years between Louisville and Lexington.

Leadership. Unequivocally all the interviewees felt that leadership makes a difference in the workforce investment act system. Good leaders were overwhelming noted as having a vision or the ability to see and communicate the big picture. Good leadership was demonstrated by the willingness to try new things and collaborate and get over barriers and turf matters. Good leaders can get people involved and keep them at the table. These leaders follow-through, demand performance and accountability, and give activities legitimacy and validity. In short, a leaders dedication or strength is noted as being key to innovation and effectiveness. One interviewee noted that, “Strong leadership is needed to get this done. We need one agency in charge of Workforce Development. If the Governor had said I want to fold these agencies into one, Vocational Rehabilitation, Employment and Training, Employment Security, Title I, and Aging and make them all part of one agency and make the system economically driven it would work.” Another interviewee noted a specific instance when leadership made a difference. He noted that the Deputy Governor for Education & Workforce Development intervened for the good of the working conditions when she indicated to the staff in her state that his state could have the unemployment insurance information it was seeking from their state.

Variations in Interstate Cooperation

The interstate areas of Chicago, Cincinnati, Louisville, and St. Louis are described in terms of the extent and types of cooperation achieved under workforce development policy. The cities are listed in ascending order of demonstrating the least cooperation in Chicago to the most cooperation in St. Louis under WIA.

The Chicago area had some evidence of interstate cooperation. For example, two workforce investment areas, one in Illinois and another in Indiana, applied for and received a grant together. Illinois local workforce investment areas in the Chicago metropolitan area are also working on developing their own strategic plans. These plans are modeled after a strategic plan the Indiana workforce investment area in the Chicago area developed. The Indiana local board intends to look at the Chicago Illinois area plans when they are completed to see where the differences and similarities are with their strategic plans.

Cincinnati has an informal group that meets voluntarily that is called the Cincinnati U.S.A. Regional One-Stop Consortium. The interviews reveal a lack of progress in terms regional planning. However, the Consortium has served as an opportunity for people working on workforce development to discuss barriers and successes in their areas. One interviewee did indicate that there is a lack of willingness to talk about failures and that this prevents true problem solving from occurring. Additional cooperation, but apart from the Consortium, was also identified when a specific individual, a third party, was credited with having sparked data sharing across state lines after she heard several people in the different states mention their need to share data.

Louisville boasts a formal organization, the Regional Leadership Coalition, which has formed and has the potential for regional planning although little regional planning in workforce development was noted. However, cooperation in data sharing is taking place. Less directly related to WIA is cooperation also on reciprocity agreements with education institutions across state lines. No official vision for the region has been stated but when Louisville, Kentucky merged their two boards together following the merger of the City of Louisville and Jefferson county they also renamed there workforce investment board, KentuckianaWorks, obviously with the Indiana labor market in mind.

The strongest case of interstate cooperation is found in St. Louis (MO-IL). In the St. Louis region the Governors of the states of Missouri and Illinois declared that the St. Louis metropolitan area will engage in regional workforce development planning across their borders as permitted under the Workforce Investment Act. This has lead to a more formalized system for cooperation in St. Louis than exists in the other three interstate areas. The St. Louis metropolitan area created a Regional Policy Group that convenes for the sole purpose of workforce planning in the region. Its members are from both states and they represent education, state agencies, business, and the workforce development areas. The Regional Policy Group first convened in 2000 at the peak of low employment and the technology boom. Since then the group has developed a plan for the region. A specific outcome noted is that the one stops now use the same manuals and policies. Although it is unclear how regularly the Regional Policy Group meets, they have provided *direction* for the following activities: getting six workforce investment boards working together on a new level; cooperation on regional performance measures; development of demand and supply information on labor needs in particular sectors such as healthcare; and brokering interstate agreements for wage and unemployment insurance data and individual training accounts. It was also noted by more than one interviewee that one problem facing the group is there is no one authority or no one person in charge full-time time to stay on the task. One interviewee pointed out that that in order to be successful in interstate cooperation you must have the authority get the parties together and get the job done.

Analysis and Conclusions

The interstate areas of St. Louis and Louisville demonstrate the most cooperation followed by Cincinnati and Chicago. More cooperation occurs in interstate areas where the state structures are similar. Additionally, the greater the differences in the states' structures the less cooperation there is across state lines. The variation is due in part to the fact that WIA provides states flexibility in implementing the program and in the way states may arrange the implementing structures.

Specifically, St. Louis demonstrates the highest degree of formal cooperation where both Missouri and Illinois implemented WIA upon the expiration of JTPA, consolidated some of the administrative agencies, grandfathered in workforce areas, instituted a firewall policies, and mandate regional planning. The Chicago area in Illinois and Indiana demonstrate the least amount of cooperation. Although Indiana requires regional planning neither state requires interstate regional planning in the Chicago area. In addition, Indiana was an early implementing state while Illinois was not. Also, Indiana is working under a unified plan and Illinois (like Missouri) is not. However, both Indiana and Illinois (like Missouri) consolidated some of the administrative functions of WIA and have firewall policies.

There is more cooperation in Louisville than in Cincinnati. Ohio did not implement WIA "early" as Kentucky and Indiana did. Additionally, the fact that Indiana has a unified plan and Kentucky houses multiple agencies under one Cabinet and both states grandfathered in their workforce areas may also be fostering cooperation in Louisville. In comparison to Louisville, the Ohio portion of Cincinnati underwent radical change in their workforce areas and some even became more fragmented. The Kentucky and Indiana portions of Cincinnati maintained the status quo in terms of their designations of workforce areas. Additionally, Kentucky and Ohio have not required firewall policies for their local areas while Indiana does. Finally, Ohio, Kentucky, and

Indiana have not mandated interstate regional planning which may further exacerbate the likelihood of substantial interstate regional cooperation in Cincinnati. The multiple variations in the three state structures relative to areas where more cooperation is taking place suggests that the multiple structural differences between the states is a contributing to factor to the lack of cooperation in the region.

The interviews poignantly reveal that even if state and board structures encourage interstate cooperation, turf, funding streams, legislation, personality and differences in culture are formidable obstacles to cooperation. They also point out that high transaction costs are another hurdle to cooperation but the potential for reduction in transaction costs through cooperation can also be an incentive. One example is the way WIA may already be providing savings through economies of scale because of the merger of agencies.

WIA is also providing a framework for metropolitan areas to act regionally. Bi- and multi-state areas are credited with potentially having advantages because economic boundaries clearly ignore political jurisdictions. This highlights the fact that their workforce and economic interests do not end at lines drawn by political boundaries. However, WIA may still lack sufficient mechanisms to create efficient institutions because the legislation does not provide sufficient means to overcome program funding and eligibility issues nor does it provide the resources or authority to a regional entity to see the process through to sustainable successful outcomes.

There is no doubt that good leadership can help overcome many of the barriers to cooperation. Yet, even great leadership may not be able to overcome issues of a lack of capacity to reconcile differences and realign systems when funding and governance over the regions are so decentralized. Definite strides are being made as many interviewees noted that the issue of discrete funding streams may be addressed in the upcoming re-authorization of WIA. The existence of regional bodies and groups that have the capacity for governing the implementation of WIA and the authority to persuade participants to work together are also necessary conditions for effective and efficient intra- and interstate institutions.

Ultimately, WIA does not provide sufficient mechanisms to assure an opportunity to establish efficient institutions which leverage disparities in information and resources for the benefit of economic regions because of the multiple funding streams and lack of a central authority to be responsible for the oversight of regional outcomes. However, WIA is resulting in some incremental cooperation and it is more pronounced in areas where the states implemented WIA at the same time, have a unified plan or multiple agencies under one cabinet, and mandated regional planning. An additional finding is that a mix of structure and flexibility is needed for WIA to be successful. States that organize and implement WIA in a similar manner demonstrate more cooperation across state lines, so structure in goals and implementation tools such as technology to share data may be needed. Yet, there is a clear need for more flexibility in funding to permit regions to act regionally as well as meet the needs of clients across programs.

Appendix A

State board member questions

1) How did you first get involved with the workforce development state board?
2) How is workforce development policy different in regions within a state and regions that go across state borders?
3) Who are the primary players in the workforce development system?
4) What keeps the stakeholders from cooperating to make workforce development effective?
5) Are there times when having a larger number of stakeholders fosters cooperation?
6) What information is important to share?
7) Do differences in information sharing affect cooperation differently in regions within a state as compared to regions that bridge state borders?
8) What are the costs of doing business in the WIA?
9) Do leaders make a difference? If yes, how? If no, why?
10) Do politics make a difference? If yes, in what way? If no, why?

Interstate region questions if a formal policy group is established

1) How did you first get involved with the interstate regional policy group?
2) How is workforce development policy different in the region as result of the regional policy group?
3) Who are the primary players in regional workforce development system?
4) What keeps the stakeholders from cooperating to make workforce development effective?
5) Are there times when having a larger number of stakeholders fosters cooperation?
6) What information is important to share?
7) Are there differences in information sharing in the region within the state and between states, and do those differences affect cooperation?
8) What are the costs of doing business in the WIA?
9) Do leaders make a difference? If yes, how? If no, why?
10) Do politics make a difference? If yes, in what way? If no, why?

Interstate region questions if no formal group established

1) How did you first get involved with workforce policy?
2) How is workforce development policy different in the region as result of regional planning?
3) Who are the primary players in regional workforce development system?
4) What keeps the stakeholders from cooperating to make workforce development effective?
5) Are there times when having a larger number of stakeholders fosters cooperation?
6) What information is important to share?
7) Are there differences in information sharing in the region within the state and between states? If so, do those differences affect cooperation?
8) What are the costs of doing business in the WIA?
9) Do leaders make a difference? If yes, how? If no, why?
10) Do politics make a difference? If yes, in what way? If no, why?

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Table 1: Similarities and Differences in States' Structures under WIA

State	Early Implementation	Unified Plan	WIA Administrative Agency	Grandfathered Workforce Area	Firewall*	Regional Planning
Illinois	No	No	Consolidated under Illinois Department of Employment Security	Yes	Yes	Interstate**
Indiana	Yes	Yes	Created Division of Workforce Development	Yes	Yes	Intra-state
Kentucky	Yes	No	Under Cabinet for Workforce Development	Yes	No	Neither
Missouri	No	No	Created Division of Workforce Development	Yes	Yes	Intra-state & Interstate
Ohio	No	No	Created Ohio Department of Jobs and Family Services	No	No	Intra-state***

* Information on firewalls gathered from documents and interviews
** Only known mandated area is St. Louis (MO-IL)
*** Option area 7 permits regional planning but it is not mandated

Sources: Illinois Workforce Investment Board 2001; Indiana's Department of Workforce Development 2000; Ganzglass, Hensen, Ridley, Simon, and Thompson 2001; Indiana's Department of Workforce Development 2002; Kentucky's Cabinet for Workforce Development, Department For Training and ReEmployment 2001; Kentucky's Department of Training For ReEmployment 1999; Missouri Training and Employment Council 2001; Ohio Department of Job and Family Services 2001.