## Executive Summary

Oregon's workforce delivery system is at a critical juncture; hiring is starting to pick up yet employers still struggle to find qualified workers despite a large available labor pool, young workers face high rates of unemployment while job replacement openings will increase as baby boomers retire, and key sectors positioned for future growth could be hampered by a lack of skilled workers, i.e. health care and clean economy sectors. All of which calls for a major commitment to modernize the workforce delivery system if Oregonians are going to have the skills and education demanded by the growing challenges in today's global marketplace.

Before the Great Recession there was increasing concern among policymakers, research institutions, and business leaders about the shortage of available workers with the right skills needed for continued growth. In fact, having access to a skilled workforce started to replace taxes, regulations, and infrastructure as the biggest determinant as to where businesses located and expanded. In addition, concerns were being raised that the labor market is headed for a major demographic shift as baby boomers start to retire and there would not be enough workers to replace them. ETS in their 2007 report, *The Perfect Storm*, warned that education output and changing demographics pose a significant challenge to future job growth.

As a result a number of States restructured their workforce systems to closer link up economic development and workforce development, steps were also taken to develop career based credentials and dozens of States adopted the Career Readiness Certificate. In addition States took up reform across the education spectrum, P-20 councils were adopted and wholesale restructuring implemented, i.e. Kentucky's community college system. Oregon was not widely considered among those States. While important policy steps were taken, such as career pathways, significant attention that put a premium on building talent to remain economically competitive was lacking.

Since the Great Recession a number of important and significant steps have been taken to improve the challenges facing Oregon's labor pool. Oregon, while not among the first in adopting the Career Readiness Certificate, has made significant gains in building support among business leaders/associations, as well as, supporting regional efforts at implementation. The work to create Work Readiness Communities can potentially leapfrog other States in using the Career Readiness Certificate as a tool supporting local communities in demonstrating they have a competitive labor pool.

The Oregon Education Investment Board, 10-year plan, and the work on the Oregon Workforce Strategic Plan are important steps in the right direction. They all represent necessary leadership commitment to smarter investments, long term planning, and innovation. However, as this report seeks to demonstrate, much more is needed in the workforce arena than simply local implementation. There must be a commitment from top State Government, business, and labor leaders to provide leadership, support, and innovation capacity to make significant job growth a reality.

Too often workforce is a subset to education and economic development and therefore never gets the attention of policymakers. More specifically the need for skills and training targeted at adults outside the traditional P-20 system needs to be addressed, in addition workforce development and economic development need to be much more connected. Many states have merged the traditional functions of economic development activities, i.e. site selection, with workforce activities, recognizing how the two are interconnected.

This report suggests three areas of need, in which several concrete action items are offered to produce needed outcomes. It should be noted that none of our recommendations or action items call for a significant commitment of revenue. This is not meant to gloss over, or ignore, the fact that Oregon's workforce delivery system is underfunded, but rather to recognize the reality that taxpayers or employers are not currently willing, or in the position to make, significant investments in the current workforce system. Therefore, our recommendations center on reshaping the workforce system with limited resource allocation being directed at increased innovation capacity. However, we believe at some point no amount of innovation will overcome the need for resources to meet the need for demand the labor market will require if Oregon is be competitive.

The following are three areas needed to modernize Oregon's workforce delivery system. All three should take place simultaneously, with the first being essential for success to the remaining three.

> **Restructure the State's workforce system.** Oregon's workforce delivery system is almost exclusively federally funded, which simply means Oregon's system is antiquated, fragmented, and underfunded. On a federal level, funds can flow through six different federal agencies. In addition, Oregon adds another layer of complexity with workforce related resources distributed to four agencies and 14 different funding streams. The result is an institutional and compliance based delivery system rather than a demand driven delivery system. It is our recommendation that the Governor create a team, with resources, to restructure the State's workforce system. Various stakeholders will need to be included in the process and the team should have the charge to completely restructure the State system as needed. We suggest looking at various state models and consider one of three restructuring options: merge current workforce programs into existing agency, create a new agency for workforce innovation and implementation, create a public/private agency for workforce innovation and compliance.
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> **Middle 40 and priority services.** It is essential that Oregon place an emphasis on the post-secondary labor pool. Oregon has set the goal of 40-40-20. Our view is the first step is an 80-20 goal, with 80% of Oregonians

having post-secondary education with a recognized degree or credential. To do so will require a workforce delivery system that at its core provides career guidance, offers a hard and soft skill credential to every Oregonian, and prioritizes post-secondary credentials around demand and efficacy. In addition, we recommend state sponsored job profiling to increase employer engagement, use as tool for employer attraction/expansion, build a skills bank, create alignment to in-demand occupations and training, and have ability to adapt training needs to meet labor market demands for growing sectors, i.e. clean economy sector.

**Address the missing pieces to Oregon's workforce strategy: innovation capacity and multi-state partnerships.** Relying on the existing capacity available for innovation and stakeholder engagement will not suffice. Additional resources will be needed, and we recommend the State look at all available flexible funds, federal grants, and foundational support to spur and sustain modernization efforts. Additionally, Oregon should lead in an effort to form a Northwest multi-state partnership to build a skilled workforce. It will be critical for the Northwest to act as a region to help generate federal funding, federal waivers, foundation interest, as well as employer engagement. Areas like labor market research, skill certification, and sector strategies are areas were multi-state partnerships would collectively benefit the region.

All three areas, and the suggested action items, are designed to fit within the strategy and goals outlined in the 10-year and State Workforce Strategic Plan. While there are a number of directions to take in modernizing the workforce system, we would boil it down to one simple recommendation:

**Make education and training the number one economic development priority.**

## Overview of Labor Market Trends.

Over the last ten years there has been a consensus among employers, business organizations, labor market experts, and research institutions that having a highly skilled workforce is an ever increasing challenge to job growth; and if the U.S. as a whole, individual states, or local regions are to ensure increased employment comes with increased economic growth then changes in the workforce delivery system need to occur.

Too often, individual States and local regions rely on traditional approaches to economic development, i.e. tax abatements and interstate competition for firm location or relocation, while ignoring or underutilizing the importance of a skilled workforce. In fact, it is often the most important factor in whether firms choose to locate or expand.

In last several years many States have recognized that workforce development is economic development and therefore more closely aligned the two, in many cases moving workforce programs away from social service agencies to economic development agencies. However, while stronger alignment is a necessary step the need to modernize the workforce delivery system remains.

The recent recession has accelerated the need for changes in the workforce system if the United States, or Oregon, is to have a full recovery. Consider the key findings by McKinsey Global Institute's report, *An economy that works: Job creation and America's future:*

- The United States has been experiencing lengthy "jobless recoveries" from recessions in the past two decades. It took roughly 6 months for employment to recover to its precession level after each postwar recession through the 1980's, but it took 15 months after the 1990-91 recession and 39 months after the 2001 recession. At the recent pace of job creation, it will take more than 60 months after GDP reached its precession level in December 2010 for employment to recover.

- Six sectors illustrate the potential for job growth in this decade: health care, business services, leisure and hospitality, construction, manufacturing, and retail. They account for 66 percent of employment today, and we project that they will account for up to 85 percent of new jobs created through the end of the decade.

- Under current trends, the United States will not have enough workers with the right education and training to fill the skill profiles of the jobs likely to be created.

The current jobless recovery has punctuated the increasing challenge of matching workers with jobs. Currently there is a large labor pool looking for work, and employers looking to hire, but many employers can not find skilled workers to fill the job openings. There are multiple reasons, but a common trend is layoffs today tend to be more permanent and the new jobs being created emerge in different industries and occupations requiring different skills. The result is displaced workers not having transferable skills, or ability to quantify their transferable skills, resulting in lengthy job searches.

Nationally, as well as globally, there are three emerging trends that will shape how States and regions are able to connect economic growth with employment.

1. Employers struggle to find skilled workers.
2. The changing face of the American worker.
3. Demographic shift in the labor market.

**Employer challenge.**

There has been some debate among labor market researchers as to the degree of skill shortage that exists in the labor market. What is clear however, is employers repeatedly have raised concerns about the ability to find skilled workers. The recent Talent Shortage Survey by Manpower Group reported that U.S. employers continue to face hiring challenges, despite continued high unemployment, and struggle to find available talent more than there global counterparts.[1] The problem is not as simple as job seekers not having skills; it is having the right skills. The workforce system traditionally has trained individuals for specific occupation training without providing transferable skilled credentials. The Career Readiness Certificate, for example, has grown among States and local jurisdictions in response to that need.

To equate economic development with increased employment, our workforce system needs the flexibility to respond to labor market demand by providing recognized transferable skilled credentials as well as training programs that can adapt to changing skill requirements.

**The American Worker.**

In addition to responding to changing labor market demands, the workforce system needs to provide career guidance to individuals seeking employment. The American worker faces a much more fluid path to employment; those between the ages of 18 and 42 will hold down an average of 11 jobs. In those years they will be employed 77 percent of the time, and it increasingly likely that they will work for themselves. [2]

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[1] 2010 Talent Shortage Survey, ManpowerGroup
[2] Bureau of Labor Statistics

Convenience, cost, and time also need to be considered if workers are going to better utilize the workforce system. A survey of workers by the Business Roundtable indicated individuals want training but need greater flexibility and assurances their time is well spent. The survey reported:

- 81 percent of those surveyed said they were interested in taking training or courses outside the workplace.
- 62 percent would be very likely to pursue training or education if they were offered greater flexibility such as classes offered year-round and at times that accommodate their work schedules.
- 41 percent indicated they were reluctant to invest the time because they are unsure about what the jobs will require in the future. They are also concerned whether programs are accredited, how they can find out if the degrees and certificates offered will be valued by employers, and why courses they have already taken often are not accepted by other schools.[3]

Governor Snyder of Michigan perhaps summed up the challenge best in his speech on growing Michigan's talent, "While the struggle to connect talent with employers is multifaceted, the primary reason employers are struggling to fill jobs is a mismatch between skill attainment and skill demand."[4]

**Changing demographics in the labor market.**

There is a large body of research suggesting the retirement of the baby boomer generation will have a significant impact on the ability of employers to fill the needed vacancies as boomers hit retirement age. The BLS reports that in 2008, the baby-boom cohort was 44 to 62 years of age. By 2018, almost all the baby boomers will be in the 55-years-and-older age group. The aging of the labor force will dramatically lower the overall labor force participation rate and the growth of the labor force.[5] A recent study sponsored by the MetLife Foundation indicated that we could likely transition from a jobless recovery to a labor shortage due to an aging workforce. Their analysis of changing demographics to the labor force concluded the following:

> *By 2018, with an expected return to economic growth but no change in current labor force participation rates or immigration rates, there will likely be more jobs than people to fill them.*[6]

[3] *Getting Ahead – Staying Ahead*, Business Roundtable, December 2009
[4] December 2001 speech, Developing and Connecting Talent, Governor Snyder
[5] Monthly Labor Review, November 2009
[6] Ibid

The recent recession has made the challenge more problematic by putting a large percentage of younger workers without employment and opportunities to learn on the job work skills. The percentage of teens and young adults who have jobs is now at the lowest level since World War II.[7] Younger works now bounce from one job to another with periods of prolonged unemployment in which many of their skills atrophy. Having a job in which a young worker can learn over time now longer exists. When 80 percent of workers in the 18 to 42-age range have only been with their companies fewer than five years the opportunity to train and skill up younger workers to replace older experience workers is daunting.

The potential challenge facing US employers in the next ten years could look similar to the current challenge in Japan; that is in the midst of a demographic shift in their workforce resulting from an aging population. The recent global talent survey by Manpower Group reported that Japanese employers having the greatest difficulty among 41 countries in filling job vacancies, 81% of Japanese employers reported having difficulty filling job vacancies. [8] The US ranked 5th with 49% of employers reporting difficulty. Ireland has the least difficulty, with only 2% of employers reporting difficulty.[9] Ireland benefits from not only having a younger workforce but also a national commitment to growing a talented labor pool.

It will be critical for Oregon to identify those sectors/industries most impacted by an aging workforce. Succession plans targeted at key industries and small businesses will be critical, as well as opportunities for both young and older workers to obtain new skills needed as they transition from one job or career to another.

**Oregon: A new direction is needed.**

Oregon's position relative to other states is not totally clear. A few national reports suggest Oregon risks falling behind when it comes to building a skilled labor pool.

*Ability to produce a talent pipeline.* The US Chamber of Commerce report, *Enterprising States 2012*, reviewed and analyzed all the states in the country and ranked the top 10 producing States in building a talent pipeline. Oregon was not ranked among the top 10. Florida and Massachusetts were ranked one and two.

*State report card.* The Institute for a Competitive Workforce gave Oregon very poor grades in public post-secondary education's ability to meet labor market demands.

Oregon Report Card.

[7] *Pathways to Prosperity*, Harvard Graduate School of Education, February 2011
[8] *2012 Talent Shortage Survey*, ManpowerGroup
[9] Ibid

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|---|---|
| **Four-Year Institutions** | |
| Student Access & Success | C |
| Efficiency & Cost-Effectiveness | A |
| Meeting Labor Market Demand | D |
| Transparency & Accountability | D |
| **Two-Year Institutions** | |
| Student Access & Success | D |
| Efficiency & Cost-Effectiveness | F |
| Meeting Labor Market Demand | D |
| Transparency & Accountability | F |
| **State** | |
| Policy Environment | C |
| Innovation: Openness to Providers | F |
| Innovation: Online Learning | D |

One can debate the merits of outside reports as accurate reflections of any given State, however it is clear there are several weaknesses Oregon has that need to be addressed. Specifically two more immediate steps should be taken if Oregon is going to better link economic growth with increased employment.

**Making workforce a priority.** Workforce traditionally has been overshadowed by both education and economic development as a policy priority. Oregon's long struggle to reform and fund both the K-12 system and higher education has dominated the attention of policymakers. If Oregon is to make the needed changes in its workforce delivery system then the Governor will need to elevated workforce as a top priority equal to education and economic development.

**Restructuring Oregon's workforce system.** The current workforce delivery system largely resides in both the Oregon Community College Workforce Department and Department of Human Services, and remains exclusively outside Business Oregon. While there is a workforce policy cabinet that brings the three agency heads together for coordination there needs to be a more formalized restructuring to better align workforce with economic development.

Several important steps have been taken in the last several years. The 10-year plan and Oregon's 2012-2022 Workforce Development Strategic Plan include important steps in the right direction: utilization of sector strategies, creation of Work Ready Communities, and system innovation. To build off those plans our report offers some specific action items for implementation. Those recommendations are concentrated in three areas:

- Agency restructuring.
- Middle 40 and core services.
- Missing pieces: innovation capacity and multi-state partnerships.

It is the intention of this report to provide a guide for the State on answering the call to action outlined in both the 10-year plan and the 2012-2022 Workforce Development Strategic Plan. However, if we were to boil down this report into one simple recommendation it would be this:

**Make education and training the number one economic development priority.**

**Agency Restructuring**

The Oregon 2012-2022 Workforce Development Strategic Plan describes the current state workforce system as one in which a dozen programs are housed in multiple agencies, with funding exceeding $400 million, most of which are federal resources. Oregon is not that unique in either having workforce programs spread out over several agencies or heavily reliant on federal funds.

Oregon's workforce development programs continue to exist separately from economic development programs and the agency structure in which workforce programs exist have not undergone significant restructuring. At the same time, many States have undergone significant restructuring, often putting workforce and economic development programs under one agency, or elevated the need for a skilled workforce at an equal priority level to that of education and economic development. Yet despite some changes within States many suggest more needs to be done.

The Heldrich Center for Workforce Development stated:

> *While there have been pockets of success in local areas throughout the United States, most would agree that we are a long way from sustainable, systemic approach to workforce development that addresses a fundamentally transformed U.S. and global economy.*[10]

The Heldrich Center further identifies trends influencing the public workforce system. They include:

1. Slow growth economy and "jobless recoveries"
2. Changing labor markets and employment relations
3. Advances in information and communications technology
4. Demographic changes
5. Reduced funding for the system.[11]

Oregon, in the state strategic plan, identified similar trends and called for a new approach to the workforce delivery system. The trends identified included:

1. Growing Skills Gap.
2. Lagging Income.
3. Rapidly Advancing Technology.
4. Expanding Globalization.
5. Demographic Shifts.
6. Broken Workforce Pipeline.

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[10] *The State of the U.S. Workforce System: A Time for Incremental Realignment or Serious Reform*, Heldrich Center on Workforce Development

[11] Ibid

7. Lack of Entrepreneurial Skills.

Changes to the workforce delivery system included:

| From | To |
|---|---|
| Planning based on workforce programs | Planning based on community, business, and job seeker/learning worker needs |
| Arguments about program silos | Discussions about investments and outcomes |
| Budgeting on the margins | Budgeting for the use of all workforce resources toward common goals |
| Debate on what to cut based on funding level | Debate on how to get better results |
| Funding agencies and programs | Investing in outcome for Oregonians |

Making that transition will most likely result in changes to Oregon's existing state structure. Several states have undergone similar system transformation and offer some examples for Oregon to consider.

**Florida.**

Florida has been seen as a national model in reforming their workforce system. Around 2000, a Senate Select Committee evaluated opportunities for reform and identified the following eight key concerns:

1. The workforce system and the state's economic development strategy are disconnected;

2. Too few workers have technical skills to meet employer needs;

3. Entry level workers lack necessary literacy levels and work readiness skills to meet the needs of Florida's employers;

4. Families transitioning from welfare to work have joined the state's working poor;

5. Employers must have access to training programs that enhance the skills of their current workforce;

6. Small businesses, which have traditionally offered job opportunities for first time wage earners, have limited resources to devote to human resource programs;

7. Administrative entities and responsibilities overlap; and

8. Workforce programs and services are fragmented.[12]

Then in 2000, Florida passed the Workforce Innovation Act of 2000 that fundamentally restructured the workforce system. There were three main components to the legislation, the creation of Workforce Florida, Inc (WFI), the Agency for Workforce Innovation (AWI), and the role of the local workforce boards.

*Workforce Florida, Inc. (WFI)*

WFI was created as the chief policy and performance evaluation organization. WFI is a quasi-public nonprofit organization that serves as the state Workforce Investment Board. Three statutory councils were created within WFI under the legislation. They include:

> First Jobs/First Wages Council to promote successful entry into the workforce through education and job experience; this council also deals with youth and adults entering the workforce for the first time;
>
> Better Jobs/Better Wages Council assists families making the transition from welfare to work and former welfare recipients working in low-wage jobs with little mobility to attain better positions; and
>
> High Skill/High Wages Council that is involved in education and training efforts intended to place workers in high paying, high skill jobs and to attract and expand employers that hire these types of workers.[13]

In addition, WFI was authorized under the legislation to create a Workforce Training Institute to offer a "comprehensive program of workforce training courses designed to meet the unique needs of…professionals integral to the workforce system." [14] The legislation also stated the training institute should offer Internet-based training modules.[15]

*The Agency for Workforce Innovation (AWI)*

AWI is the state agency that administers the WIA program in Florida and operates under a performance contract with WFI. AWI administers the following programs: WIA Title I programs, Welfare-to-Work formula funds, welfare transition programs, Food Stamp Employment and Training, Job Corps recruitment, and Wagner-Peyser funded activities.

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[12] *Florida Case Study*, John Hopkins University
[13] Ibid
[14] *Vision, Innovation and Action: A look at Florida's Workforce Success*, Workforce Florida Inc.
[15] *Florida Case Study*, John Hopkins University

*Regional Boards*

Under the Florida workforce system the boards act as contracting agencies. AWI is charged with administrative and federal oversight, while WFI annually reports to regional workforce boards on their performance and evaluates the workings of the system.

**Texas.**

The Texas Workforce system has evolved over the last 20 years and covers 38 different programs across 12 state agencies.[16] The Texas Workforce Commission and the 28 Local Workforce Development Boards administer most of the programs with the Texas Workforce Investment Council serves as the State's Workforce Investment Board.

Texas has aggressively moved to link workforce development with economic development. Notably the Texas Workforce Commission's 2005-2007 Strategic Two-Year Plan conducted a SWOT analysis on the system. Their findings were as follows:[17]

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|---|---|
| <u>Strengths</u><br>• Commitment to becoming employer-driven<br>• Established network of 286 one-stop centers and satellite offices;<br>• One-stop costs supported by other workforce programs in addition to WIA and ES;<br>• Effective tools and products that support business growth and workforce development;<br>• Commitment to local flexibility;<br>• Integration of workforce services beyond co-location (e.g., rules, measures, processes);<br>• Successful partnerships;<br>• Immense human potential;<br>• Propensity for innovation; and<br>• Awareness of system weaknesses. | <u>Weaknesses</u><br>• Employers in high-growth, high-demand industry sectors not using services;<br>• Managing to performance rather than customer needs;<br>• Limited awareness of tools and products among employers;<br>• Limited use of tools and products among workforce professionals;<br>• Limited grasp of the desired impact successful workforce development has on the economy; and<br>• Fractional post-employment and career planning services. |
| <u>Opportunities</u> | <u>Threats</u> |

[16] *Workforce Development in the State of Texas: An Overview*, Pat Fahey, January 2006
[17] Ibid

| | |
|---|---|
| • National leadership driving workforce system reforms;<br>• Global economy moving workforce investments towards convergent skills-based training, rather than occupation-specific;<br>• Leveraging limited resources and making informed investments; and<br>• Waivers of federal requirements that limit ability to craft customized workforce solutions. | • Siloed funding, rules and regulations, reports, and definitions;<br>• Process-oriented performance measures;<br>• Constituency-based funding and reporting;<br>• Increased data collection to ensure appropriate funding is used for the specified population; and<br>• Unknowns of a global economy. |

Perhaps if Oregon conducted a similar analysis there would be a number of similar conclusions.

*Texas Workforce Investment Council.* The Texas Workforce Investment Council (TWIC) serves as the State Workforce Investment Board in which 19 members from business, organized labor, education, and community based organizations. The TWIC is similar to most State Workforce Boards. The Council has four primary functions that include: strategic planning; evaluation and performance measurement; research and continuous improvement; and a review of state and local workforce development plans.[18]

*Texas Workforce Commission.* The Texas Workforce Commission (TWC) has 28 programs that include all federal Department of Labor activities, state and federal training programs, and state child care initiatives. [19] There are three full-time commissioners appointed by the Governor, one each representing employers, labor, ad the public. Similar to Florida the Local workforce boards administer and contract with providers.[20]

*Texas Skills Standards Board.* In addition to the TWIC and TWC, Texas has a skill standards board that was established in 1995 as an 11-member advisory board to the Governor and the Legislature. The board has three major functions, which include:[21]

<u>Skill Standards Development and Recognition</u>

- Convene industry groups to develop new skill standards.
- Validate existing, nationally-established industry standards.

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[18] *Overview of the Texas Workforce Development System*, Legislative Budget Board Staff, March 2011

[19] Ibid

[20] Ibid

[21] Texas Skills Standards Board website

- Provide quality assurance by recognizing skill standards based on established validity and reliability criteria.

Skill Standards Awareness and Usage

- Promote the use of standards and credentials in curriculum development.
- Provide technical assistance to community and technical colleges to integrate skill standards in their workforce programs.

Skill Attainment: Certification and Credentialing

- Recognize workforce programs of Texas community and technical colleges that have integrated skill standards into the curriculum.
- Facilitate the portability of skills by recognizing standards and credentials across states and nations.

**Michigan.**

Michigan, perhaps more than any state, has suffered the greatest loss of jobs over the last ten years. Certainly in manufacturing. Those circumstances forced Michigan to adopt a different economic development model. Before then, Michigan was one of the first states outside the Southern states to enter into border wars luring companies with tax incentives and state supported incentives. That started to change as job losses mounted and employers looked to skilled workers as a greater factor in location and/or expansion. As a result Michigan launched a series of workforce reform efforts aimed at stemming the loss of manufacturing jobs and building a more diverse workforce.

In 2003-3004 Michigan started to restructure their workforce system and created the Michigan Department of Labor and Economic Growth. One of their first actions was to launch a comprehensive fresh look at the entirety of Michigan's workforce programs and strategies. An advisory committee of numerous stakeholders, financial support from the foundation community, and a team of senior staff and consultants developed an assessment and action plan for the new workforce agency.[22]

Their work identified four major forces of change which included: 1) greater impact of globalization, 2) changing demographics, 3) earnings tied to learning, and 4) less secure labor markets.[23] In response to those changes the workgroup called for a new approach centered around three keys for success:[24]

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[22] *Reshaping Michigan's Workforce, Michigan Department of Labor and Economic Growth*, February 2004

[23] Ibid

[24] Ibid

Think entrepreneurially. Michigan, as a state, and all Michigan citizens must embrace a new economy where change is the norm, and where innovation, adaption, and creativity are the keys to economic opportunity.

Think specific industries. All of Michigan's workforce development efforts must be guided by support of key clusters of firms in industry sectors that represent Michigan's current reality and its future possibility as a global center for business research, development, and production.

Think regionally. Regional economies must develop a base of "knowledge workers" who have the skills demanded by business.

The action plan was organized around three major categories.[25]

*Organize State Government to Support Integrated Economic and Workforce Development.*
Strategies
- Align and integrate strategic Department of Labor and Economic Growth functions.
- Challenge local workforce boards to become even stronger community leaders.
- Elevate the role of community colleges in the state's workforce and economic development agenda.

*Grow Michigan's Economy*
Strategies
- Improve the state's infrastructure for entrepreneurship advocacy and support.
- Link workforce policies to economic development policies in priority industry sectors e.g. manufacturing, health care, life sciences, homeland security, and other industries of state and/or regional importance.
- Foster the development of regional skill alliances.

*Increase the Ability of Michigan Citizens to Remain Employed, Advance Their Skills and Find New Jobs*
Strategies
- Re-define adult education as "Adult Work and Learning."
- Reorient the Work First program to be a Work First "Plus" model.
- Build the sector-focused capacity of workforce partners.
- Implement additional strategies for targeted adult populations.
- Improve labor market information systems.

No Worker Left Behind.

[25] Ibid

An initial goal of the new Department of Labor of Economic Growth was to double the number of workers with a post-secondary degree or other industry-recognized credential. Governor Granholm made the double the numbers goal state policy and in 2007 launched the No Worker Left Behind initiative to reach 100,000 participants within three years and shift away from short-term job search and skill placement services, towards longer-term investment and training for in-demand skills and credentials.[26]

Key elements to the initiative included:[27]

*Aligning Funding and Policy.*

- Prioritizing all federal workforce funds coming into Michigan for No Worker Left Behind.
- Aggressively seeking discretionary federal funds.
- Seeking state general funds to supplement the federal funds.

*Responding to the Basic Skills Challenge*

- Accelerating attainment and contextualizing basic skills with occupational learning and jobs.
- Statewide network and regional partnerships for adult learning.

*Creating Michigan Skills Alliances in key industries across the state.*

- Alliances set priorities for in-demand training.

*Results.* As of October 2010, 148,808 people had enrolled in training since the launch of No Worker Left Behind. More specifically 59 percent of Michigan WIA participants were enrolled in training, compared to 13 percent of WIA participation nationwide; and 74 percent of Michigan WIA participants were enrolled in training of a year or longer compared with just 24 percent of participants nationally.[28]

In keeping with Michigan's ten year history of modernizing their workforce system, Governor Snyder introduced several initiatives as part of his economic development agenda. Some of the main highlights include:

<u>Pure Michigan Connect.</u> Pure Michigan Connect is designed to be a new webased talent marketplace that serves as a central hub linking private and public stakeholders to better serve job seekers and employers. Some of the first features include the "Career Matchmaker" to help individuals determine the industries and locations where their skills are in high demand, and the "Career Investment

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[26] *Michigan's No Worker Left Behind: Lessons Learned from Big-Picture Workforce Policy Change,* Corporation for Skilled Workforce, January 2011

[27] Ibid

[28] Ibid

Calculator" to help individuals make informed decisions about the education and sill investment.

Governor's Talent Investment Board. Governor Snyder, by Executive Order, has created a Talent Investment Board to bring citizen engagement and oversight to the state's talent enhancement effort. The new board will recommend policies to the executive and state departments to guide workforce investment and training.

Portfolio Funding. Governor Snyder has called for the reauthorization of WIA through a portfolio funding model. The concept would include determining several outcomes and allowing States freed up of federal regulatory requirements. How this differs from block granting WIA is not totally clear.

**Common characteristics.**

All three States have approached changing their workforce system differently. Florida completely restructured their system, Texas kept to a more traditionally structured workforce system, and Michigan did a little of both. Yet all three have some common characteristics that can serve as a guide for Oregon. Those include:

Recognition workforce is key to economic development.

Gubernatorial leadership is essential.

Employer involvement beyond WIA board participation.

Analysis and performance functions independent from workforce delivery system.

Commitment to State, private, and foundational funding.

**Priority Services.**

While Oregon needs to critically evaluate and be willing to restructure their workforce system, the types of services and prioritization of programs need to occur as well. Several national organizations have recommended both the federal and state workforce delivery systems needs to modernize policy priorities to better reflect the changing nature of current labor market. The Center for American Progress in calling for changes to the federal system noted:

> *WIA services focus on short-term crisis intervention – helping people re-enter the workforce quickly rather than counseling workers and helping them receive the training and education they need to find a long-term, well-paying job. Only 40 percent of funds are invested in training, and it is unclear how many credentials this investment actually produces. And the program provides very little in the way of career counseling support to job seekers.*[29]

Generally speaking, much of those advocating for changes to the workforce delivery system emphasize three focus areas: postsecondary credentials, career counseling, and better employer engagement. In this section, we cover those three areas offering several recommendations for action that can serve as a guide that would complement a restructured workforce system.

**Postsecondary credentials.**

With the emphasis on middle skill jobs and the increased costs of a four-year college degree there is a growing emphasis on the need for postsecondary credentials. The Center for American Progress in their recommendations for changes to the Workforce Investment Act stated:

*Workforce development in the 21st century should be about postsecondary credential attainment for working learners.*[30]

Over the last several years there has been an explosion of credentials being offered and obtained through out the United States. The Georgetown Center on Education and the Workforce reported in their study on certificates:[31]

- Certificates are the fastest-growing postsecondary credential awarded over the past several decades;

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[29] *Moving From Short-Term Jobs to Long-Term Skills*, Center for American Progress, May 2010
[30] Ibid
[31] *Certificates: Gateway to Gainful Employment and College Degrees,* Georgetown Center on Education and the Workforce

- Over 1 million certificates were awarded in 2010; up from 300,000 in 1994;

- Certificates have superseded Associate's and Master's degrees as the second most common award in the American postsecondary education and career training system.

- Public two-year colleges award 52 percent of certificates.

- Private for-profit technical, vocational, business, and trade schools award 44 percent.

- Private nonprofit schools award 4 percent of certificates.

While there has been increased demand for certificates there is mixed evidence on their effectiveness. Again the Georgetown reported the following:[32]

- Only one of the major government socioeconomic surveys has information on certificate holding.

- Certificate value is not determined by program length.

- Certificates do add value to degrees. The combination of a certificate and a degree has a measurable positive effect: a 6 percent premium at the Associate's degree level, 3 percent at the Bachelor's degree level

- On average, certificate holders earn 20 percent more than high school-educated workers.

- Certificates are more concentrated among African-Americans than other racial and ethnic groups.

Finally, certificate programs are most successful if they either: (1) gainful employment and long-term job and income security or (2) the pursuit of a higher-level credential, typically a college degree. [33] The Georgetown report looked at various States and reported the following having the highest concentration of certificates with the highest returns. Those States were: North Dakota, Montana, Rhode Island, South Dakota, and Idaho.[34]

Looking over the research and findings the following are several possible action items for Oregon in placing certificates as an essential component to the workforce delivery system.

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[32] Ibid
[33] Ibid
[34] Ibid

Start with 80-20 goal. With the passage of SB 253, Oregon has set the achieving the 40-40-20 goal by 2025. We recommend setting an early 80-20 goal in which 80% of Oregonians have a skilled credential, industry recognized certificate, associate, or bachelor's degree by 2018. A part of establishing that goal is to connect certificates to college credit. The intention would be to jumpstart building Oregon's middle skilled workforce by first focusing on achieving an 80-20 benchmark with a state focus on postsecondary credentials and leveraging Oregonians investment in earning those credentials as a step closer towards a college degree. In fact the Georgetown Center on Education and the Workforce reported two out of every three workers who have a certificate and a college degree earned the certificate first, an indication that certificates can serve as a stepping stone on the way to a college degree.[35]

Create a State Skills Board. Several States have created a State Skills Board. Like other States, the purpose of which would be to create an advisory body of business and industry to develop a statewide system of skill standards and credentials for sub-baccalaureate occupations that are in-demand and lead to higher earnings. Board representation could be a mix of employers, labor, state agencies, and higher education institutions. One of the first tasks of the board could include producing an inventory of the skilled credentials and certificates being offered in the workforce system and how aligned are they to labor market demand. From there, credentials could be prioritized and more universally recognized by the Oregon business community.

Have a hard and soft skill core credential. Oregon has in the last four years made a significant commitment to the Career Readiness Certificate (CRC). In addition, the Work Ready Community strategy in the Workforce Strategic Plan is an additional step in the right direction. However, one of the primary concerns raised by employers is if job seekers have the necessary soft skills. Until now, there has not been a state recognized soft skill credential. Georgia perhaps more than any other state has looked at creating such a credential. We believe creating a workgroup of various stakeholders to develop a soft skill credential that can accompany the CRC would benefit many unemployed looking for work and needing to establish their soft skills. In addition, Oregon could become a leader in responding to one of the top needs of employers.

Link Certificates and College participation. Currently there is little to no link with certificates and college credit. One of largest segment's in Oregon's labor pool are those with a partial college education. The challenge is how to quantify the skill attainment of that population. We recommend the State, to the extent possible, connect certificate credentials with college credit. This way, when an Oregonian is working on completing their certificate they are also taking steps to earning a

[35] *Certificates: Gateway to Gainful Employment and College Degrees*, Georgetown Center on Education and the Workforce

college degree. For many underserved communities, or those who do not see themselves as college bound material, working to complete a certificate can be an important gateway to a college degree. Likewise we recommend that students who complete at least two full semesters of college and then drop out have the opportunity to convert their credits into a certificate, or at a minimum be offered to earn a CRC. Currently, on average, only 29% of students entering a 4-year public college graduate within 8 years and only 9% entering 2-year public college graduate in 4 years.[36] When a student fails to complete they have no way to quantify their college credit experience. Offering a CRC or some equivalent certificate can be one way for individuals to quantify their college experience.

Make certifications a performance measure. CAP recommends establishing statewide postsecondary education goals as part of WIA performance measures. More specifically CAP suggests data points should include the number and type of credentials received, the number of individuals that start credential programs, and the number of individuals that start and finish credential programs. By doing so, state and local boards could use the data to better invest in programs and methods that help achieve increasing post-secondary credentialing.

**Career Navigation.**

There are two important concerns being raised as to why the workforce delivery system needs to shift from immediate job placement to career navigation. The first is the changing nature of the American Worker. As reported in the labor market section of this report the nature of today's worker includes having an average of 11 different jobs by the time the worker is 42 years of age. The second concern is the cycle of low wage job to low wage job many accessing the workforce system experience. Without career navigation the individual utilizing the workforce system bounces from low wage job to low wage job without benefiting from navigating a career pathway. To place a greater emphasis around career navigation we recommend the following:

> Career Navigation Standards. Part of the transition from short term job placement to long term career navigation involves greater professional development within the workforce delivery system. Establishing statewide career navigation standards can elevate the quality of career counseling services that are provided as well as ensure a baseline of quality service is provided throughout the delivery system.
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> Demonstration project. The Senate version of WIA reauthorization includes an amendment to authorize up to five demonstration projects per year with state agencies "to enhance the professional development and provision of

[36] Complete College America Oregon report

services by the staff of such State agencies."[37] Among the activities permissible under the demonstration program include: career planning services, career development activities, and professional credentialing for counselors. CAP calls for a 10-state demonstration project used to upgrade skills of One-Stop staff to provide career coaching.[38] Rather than wait for Congressional action, Oregon can look at a demonstration project within one of its regions. A demonstration project could incubate a best practice that can be taken to scale throughout the State. In addition, it would position Oregon as a candidate for federal support in the event of Congressional action.

<u>Career Navigation Board Certification.</u> Oregon could adopt one of the most successful programs in the K-12 system. The National Teachers Standards Board serves as the gold standard for certifying the best teachers in the country. A similar model could be replicated in Oregon by which workforce staff could be certified in quality career counseling.

<u>Career Pathways requirement.</u> Oregon has been a national leader in designing career pathways. The Senate WIA reauthorization bill places career pathways programs as a central component by requiring state and local workforce boards to develop plans to incorporate pathways into their systems.[39] The Senate bill requires that each pathway should lead to "a secondary school diploma or its recognized equivalent, and at least one recognized postsecondary credential."[40] Oregon could get ahead of the curve and start implementing the career pathway requirements in the Senate bill.

**Employer engagement.**

As the model workforce states of Florida, Texas, and Michigan demonstrate the workforce system needs to have employer engagement that goes well beyond board representation for purposes of meeting the WIA requirements. Much of the research suggests that employers that utilize the workforce system have a positive experience, the reality however is the utilization rate is much too low. In addition, employers need an adaptable workforce system that is able to respond to changing labor market needs. Existing and well-established industries, like manufacturing, face a constant stream of new technology and refined skill needs. At the same time, new growth industries, like clean tech, have skill and training needs that are rapidly emerging. Employers and industry leaders need to see the workforce system as their primary resource for getting skilled job seekers rather than a place of last

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[37] *CAP's Guide to the Senate HELP Committee's Draft Bill to Reauthorize WIA*, Center for American Progress, June 2011
[38] Ibid
[39] Ibid
[40] Ibid

resort. To both improve employer engagement and recruit employers that are active participants in the quality of the workforce delivery system we recommend the following:

State sector board. The State Workforce Strategic Plan calls for a sector strategy in which local WIB's identify key sectors to serve their region. We recommend creating a State Sector Board as well. The purpose of the Board will be to enhance employer engagement among the State's top sectors. The mission of the board would be to ensure a pipeline of skilled workers to meet labor market demands in the targeted sectors. The Iowa State Energy Sector Partnership could serve as a model example, especially for the clean energy sector.

Skill or Talent board. A State Skill/Talent Board could be created and charged with setting the policy direction and providing independent analysis on meeting Oregon's goals spelled out in the 10-year plan. The board would include employer participation from key industry sectors but would serve the broader need for creating a talented labor pool than either a State Sector Board or the current State WIB.

Higher standards for employer participation. One of the criticisms of many state and local workforce systems is the passive participation of employers on the State and local Workforce Investment Boards. The Center for American Progress, for example, notes many employers participating have little experience or background in high-performance workplace. [41] Too often, employer participation is simply meant to serve as checking the box for WIA requirements and funding. CAP recommends at least 50 percent of business board members should be from firms that meet standards for being high-performance workplaces.[42] Another alternative could include a State Skill Board or State Sector Board providing professional development and referrals to employer representation to the State and local WIBs.

Job profiling/State skills bank. Oregon, under the Recovery Act, received funding to conduct the first green job profiles that identified the tasks and foundational skills for 10 targeted applications. The job profiling process includes interviewing subject matter experts (those working in the specific occupation being profiled), identifying the tasks involved for the occupation, prioritizing those tasks in rank of important to doing the job, and then identifying the foundational skills needed for the main tasks (i.e. applied math, reading for information). The profile process for the grant utilized the job profiling process developed by ACT and therefore included the needed career skill levels under ACT's Workkey's system. Oregon would not necessarily have to utilize the ACT Workkeys profile but rather could conduct profiles for in-demand occupations that would include the development of a master task list. That task list would essential identify the DNA of a particular occupation.

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[41] *Moving From Short-Term Jobs to Long-Term Skills*, Center for American Progress, May 2010
[42] Ibid

Those profiles could be housed as a part of a State Skills Bank. The Skills Bank would be an inventory of the task and skill requirements for targeted occupations. Training and certificate programs then could be aligned towards those profiles. As new occupations emerge or change, e.g. clean technology, profiles could be conducted and thus immediately provide employers with real time training curriculum that reflect the evolving nature of a new and/or expanding occupations. Additionally, employers could have independent validation that the training programs are aligned to actual occupations within Oregon.

**Innovation Capacity and Multi-state Partnerships**

Oregon, like many states, is heavily reliant on federal funds to operate its workforce delivery system. Therefore, the delivery system is often limited in the amount or type of innovation efforts needed due to fewer federal dollars and restrictive federal requirements. While funding will remain a challenge we believe increased capacity to innovate the workforce system is needed. We recommend the state look at creating an innovation fund designed to better leverage existing dollars as well as attract additional resources.

**Innovation Fund.** One of the first steps to creating an innovation fund should include looking at every available federal workforce related fund that offers some degree of flexibility. Once those funds are identified then there should be an evaluation of how those funds are being spent and if they can be better leveraged to meet the goals identified in the State Strategic Plan. In addition, Oregon could adopt the approach Michigan used in funding their No Worker Left Behind initiative. Michigan pursued three primary strategies:

> *Prioritized all federal workforce funds coming into Michigan for No Worker Left Behind.* Those federal funds included: WIA title I adult and dislocated worker programs, TAA grants, TANF funds, and Vocational Rehabilitation funding.
>
> *Aggressively seeking discretionary federal funds.* A part of Michigan's strategy was better coordination and focus on identifying trade act-eligible, downsizing and closings for TAA funding as well as NEG funds related to manufacturing layoffs. In addition, Oregon could have a multi-agency workgroup to identify, coordinate, and write competitive federal grant applications.
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> *Seeking state general funds to supplement the federal funds.* All three states highlighted in this report sought out state general fund support. While Oregon is certainly limited in its capacity to come up with general fund resources a targeted coordinated effort that best leverages general fund resources should be pursued.[43]

Apart from federal and state funding strategies to attract private and foundational support for building Oregon's competitive workforce should be pursued as well. A couple options in how to position the state for those funds could include:

> *Agency restructuring.* The Florida model serves as an example. By creating Workforce Florida Inc. as a quasi-public nonprofit organization the State of

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[43] *Michgian's No Worker Left Behind: Lessons Learned from Big-Picture Workforce Policy Change*, Corporation for a Skilled Workforce

Florida can better make the case for private and foundational funding to support their efforts.

*Seek support for a specific initiative.* Another option is to seek outside capacity support for a specific initiative that could draw private and foundational support. Pursuing a sector strategies approach could be an area in which private resources could be leveraged, especially from those within the specific sectors that are targeted.

*Independent analysis or call for action.* When Michigan created their Department of Labor and Economic Growth they pursued and received foundational funding to engage stakeholders and produce an action plan for the newly constituted agency. A similar approach could be pursued for Oregon. Such as, looking at foundational and private support to research, evaluate, and recommend a new workforce delivery system.

*Multi-state partnership.* Oregon could look at partnering with one or several States around a specific component to improvement of the workforce system and jointly pursue federal and foundational funding to cover increased capacity needs. An example of a multi-state partnership that received foundational support is the Shifting Gears initiative. The Joyce Foundation funded a multi-year, multi-million dollar multi-state initiative to promote regional economic growth with a focus on education and training within six Midwestern states – Illinois, Indiana, Michigan, Minnesota, Ohio and Wisconsin.[44] An opportunity might exist with the Gates Foundation that funds Northwest initiatives. An emphasis on post-secondary credentials for example might attract the interest of a foundation like Gates.

*Create Fund for Workforce Solutions.* Pennsylvania has created a Fund for Workforce Solutions. The Pennsylvania Fund for Workforce Solution is a statewide collaborative of private and public funders to increase the number of low-income workers within the State's targeted industries. The Fund has raised over $3 million and was recently was named as a finalist for the United Way Common Good Awards. A similar effort could be considered for Oregon. While we recognize the private, foundational, and public resources available in Oregon are likely not as robust as Pennsylvania the fund could serve as an opportunity for additional capacity support as well as increased employer engagement.

**Multi-state partnerships.**

One of the most untapped opportunities towards improving and leveraging resources is forming multi-state partnerships. There currently exist little, if any, multi-state partnerships organized around workforce development. What do exist

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[44] www.shifting-gears.org

are neighbor state partnerships that exclusively focus on a few border counties. Those partnerships generally coordinate around labor market research. Two examples of regional multi-state partnerships are:

> Tri-State Regional Workforce Alliance. This alliance consists of border counties for Tennessee, Georgia, and Alabama. The Alliance coordinates to determine county-by-county analysis of industries and occupations to the tri-state region.
>
> AIM to WIN region. AIM to WIN includes borer counties in Iowa, Minnesota, and Wisconsin. The project follows a five-phased approach: 1) identify the regional economy and form a core leadership team; 2) understand the region's economic strengths and challenges; 3) inventory assets with which to build competitive industry clusters; 4) identify specific workforce demands from these high-growth industries; and 5) devise strategies, leverage resources, and implement solutions.[45]

Oregon, however, should look at a Pacific Northwest Regional Partnership as well as partnerships with other States that are wanting to pursue similar strategies. We recommend several opportunities Oregon should consider. They include:

*Northwest Sector Alliance.* The Northwest has several sectors that are important to the Northwest region. Partnering with Washington and other neighboring states for a sector alliance would likely draw strong employer participation and outside resources to support a coordinated effort to strengthen the Northwest labor pool.

*Northwest Skills panel.* Washington has been a national leader in skill standards. Oregon has been a leader in career pathways. Both stats share a common economic region and by creating a Northwest Skills Panel both states could benefit by aligning shared policy and programs, engaging key industries around recognized credentials, coordinating on labor market information critical to the region. Designing a soft skills credential or starting a Northwest Skills Bank utilizing a profile system could also distinguish the Northwest region as a place to find skilled workers driving interest among employers looking to relocate or expand.

*Northwest succession planning.* Oregon and Washington both face similar demographic challenges in having key industries experiencing an aging workforce with the prospect of few younger workers with the skills to fill those vacancies. By coordinating efforts to identify industries facing the greatest demographic challenge and working with those industries to develop a succession plan would not only help bolster key industries but serve as a pathway for younger workers that need skill training with future job opportunities. A first start could be working with the regions utility companies that are experiencing challenges with an aging workforce.

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[45] *Report: AIM to WIN RIG Region: Target Industry Analysis and Asset Map*, AgelouEconomics

*Waiver coordination.* First we recommend looking at needed waivers after evaluating the best workforce structure. While there is value in obtaining waivers to foster innovative efforts they can also become a process that can sidetrack a more fundamental need – aligning workforce programs. Waivers also tend to be born out of a particular program need rather than the entire workforce system. Therefore we suggest aligning the workforce system first, then identify the waivers that would best support the aligned system and seek other state partners that would have a similar interest in a coordinated waiver strategy. States often pursue waivers independently and therefore USDOL only looks at a needed change in regulatory policy from a narrow state lens. By partnering with other states a collective voice of states and/or regions can more effectively make the case for needed regulatory changes.