

## HOPE STREET GROUP 2012 COLLOQUIUM JOBS AND WORKFORCE BREAKOUT GROUP - EXECUTIVE SUMMARY AND NEXT STEPS

### Overview

The opportunity for meaningful work is central to economic prosperity and the American Dream. Whether through employment or entrepreneurship, work is the way not only to earn a living, but to build human capital and social capital, and to help create products or services that others value. In order to combine economic dynamism with widespread prosperity, US labor markets must work to create jobs, match people with work that suits them, and give the right incentives to invest in people acquiring the skills that employers will need. Flaws in our labor markets, including a lack of transparency and misaligned incentives, undermine the path to prosperity for many Americans.

At Hope Street Group's 2012 Colloquium, nearly twenty leaders representing institutions including employers (e.g., Chief HR Officers), workforce solution providers, technology innovators, vocational and higher education leaders, federal and state officials, labor unions, philanthropic foundations, non-profit organizations and others who bring parts of the solution came together to share ideas and form the basis of a coalition with the potential to improve the effectiveness of the labor market.

In a Hope Street Group facilitated problem solving session, this group identified a diverse set of challenges to finding jobs or work for the nearly 13 million unemployed Americans including<sup>1</sup>:

- Structural changes in the job market have **reduced job creation** relative to classic business cycles. We need more entrepreneurship and innovation, especially in the tradables sectors (e.g., manufacturing or exportable services)
- Our **education and training systems do not provide that right quality and quantity of skilled graduates** for existing jobs and future work; and that gap is not closing quickly
- **Young, lower skilled workers** are particularly vulnerable to unemployment and lack information about what experience or education/training will best position them for the future
- **The nature of work is changing** for employers and job seekers. Employers are seeking a more flexible workforce –filling positions in different locations, increasing the amount of part-time and temporary positions, and disaggregating traditional jobs. Some among a new generation of workers seek flexibility, entrepreneurship, and “free agency” in their careers
- **Inefficiencies in the labor market** drive a need for better mechanisms to facilitate matching of supply and demand (e.g., better decisions on skills investments, mobility, etc.)

### Summary of Group Consensus – Problems to Solve (First)

The group had an appetite, in principle, to tackle all five issues, and their interconnectedness was noted. However, in the spirit of making tangible progress, our participants narrowed down the immediate focus based on a thoughtful assessment both of what mattered most to improve labor market outcomes and where group members could best work together to have collective impact.

The group decided to focus first on how to improve the effectiveness of the labor market to close skill gaps, specifically for 16-24 year olds in the low-to-middle skill segment. While “job mismatch” unemployment is a problem pervasive among all segments of job seekers, it is a particular issue for

young workers with minimal education. Workers between 16-24 with no high school degree face a 36% unemployment rate, and 17% are not enrolled in school or participating in the labor market<sup>2</sup>.

**Lack of transparent, timely, and easily usable information for students, workers, and would-be workers (and the institutions of employment and training) to make the best investments in jobs, careers, mobility, skills and continuing education, along the following dimensions:**

**a. What jobs and work is available (now and in the future)?**

- Despite high unemployment, there are still many careers unfilled due to education levels, with a projection of 1.6M fewer workers with “some college” than demanded by 2020<sup>3</sup>
- Even with an 8.2% unemployment rate, employers still cite occupations where positions have remained open for more than 6 months, without candidates to fill them due to a lack of technical expertise or other qualifications. Many of these vacancies are for middle skill jobs (e.g., technicians, drivers, welders, etc.)<sup>4</sup>
- Employers and students also indicate dissatisfaction with “soft” employment-related skills and readiness especially for young workers (e.g., teamwork, effective oral and written communication, etc.)<sup>5</sup>
- While many aggregators exist today, job seekers need more focused, simple and user friendly labor market information data and applications to support decisions

**b. What skills are required for jobs and work?**

- Would be workers, especially those who do not possess easily recognizable credentials, struggle to demonstrate that they are prepared for a job to employers
- Even when employers can easily fill entry-level positions, they often struggle to build a pipeline of skilled workers who can move upwards within their organizations and/or hire workers with relevant past experience for more senior positions (e.g., journeyman mechanic, experienced nurse, etc.)
- Individuals often struggle to clearly understand and convey effectively to potential employers what skills they possess and how qualified they are for certain positions
- 80% of first time job seekers with a high school degree do not see their first job as a stepping stone to a career. While many are interested in getting experience and/or training that will put them on a career path, they often lack information on future skill expectations and the full value of education or training to labor market success<sup>6</sup>
- Participants also pointed out that there are cultural underpinnings to the skills gap

**c. How to get new skills?**

- Strong and accurate signals of the quality of vocational, university training and workforce readiness programs largely do not exist
- Many Americans who struggle to develop new skills while trying to balance work, study and family commitments need more flexible training opportunities
- Many young workers can also get experience that will put them on a path for in-demand work, earning a good wage in the future, but need a more purposeful, structured work experience to complement education/training

**Financial incentives for institutions of vocational/post-secondary education and training that are not aligned with job placement**

- Vocational, post-secondary education, training and career placement institutions are not held accountable for giving trainees the skill-sets to fill open jobs

- Institutions often have perverse economic and performance incentives which do not align with best preparing individuals to enter the workforce and get a job or work

## Preliminary Ideas for Action

Our participants discussed a number of potential recommendations to tackle these issues:

### Improving transparency, timeliness, and usability of information:

- a. **What jobs and work is available?** Improve mechanisms to get labor market information about what jobs are and will be in demand and career paths to get there to individuals and institutions, and how to get started in the job market. Improve ways for employers to get information about “ready now” and “ready soon” pools of potential workers.
  - *Why it matters:* Access and transparency of information allow individuals to make better choices about current and future job prospects and work opportunities
  - *Specific ideas for improvement:*
    - National database of jobs, requirements, and salaries to improve how students, workers, and educators identify and prepare for jobs of the future
    - Internet platforms (like LinkedIn for low and middle skill jobs) with two-sided network adoption, user-generated content, and useful applications
  - *Metrics of success:* Employers have fewer unfilled positions; shorter average periods of unemployment for workers coming out of school or who leave or lose a job
- b. **What skills are required for jobs and work?** Strengthen skill sets and channels for employers to transmit the skills required for a job to educational providers and individuals, and improve mechanisms for job seekers to signal that they have skills required for work
  - *Why it matters:* Misalignments exist between education content provided by schools/colleges/workforce training programs and the needs of employers
  - *Specific ideas for improvement:*
    - Enable robust career pathways that provide a common view on industry skill needs for specific work to align curriculums with employer needs, by industry groups codifying what skills are needed for what work (e.g., Manufacturing Institute), or mechanisms to associate standards/skill requirements within an industry
    - Expand assessments/certifications of trainees that allow employers to easily identify job seekers with requisite skill sets and competencies (e.g., ACT Work Keys, a suite of skill assessments that measures the foundational skills for occupations along with a compendium of tasks needed in 20,000 jobs profiled in the US)
    - Provide workers with more ways to determine whether the skills they possess and how those competencies match up to skills desired by employers (e.g., Armed Services Vocational Aptitude Battery, which allows candidates to test how qualified they are for certain military occupational specialties and Enlistment Bonuses)
    - Develop robust, at-scale partnerships between employers and training institutions to ensure that curricula are aligned with job requirements
  - *Metrics of success:* Students graduate with skills more aligned with employer demand; competency-based pathways to employment widely accepted for low-mid skilled jobs

- c. **How to get new skills?** Individuals should be able to identify the right training programs to develop the skills they lack for desired jobs and clearly understand how likely those programs are to successfully impart the skills they will need to succeed in the job market
- *Why it matters:* “Job mismatch” unemployment exists in many fields where rapid, efficient retraining that provides flexibility to individuals could close the gap
  - *Specific ideas for improvement:*
    - Identify with precision the skills offered in a given training course and assessing the likelihood that those skills will be acquired upon completion of the training
    - Develop ways to increase the availability and portability of credentials earned through employment and employers
    - Provide more flexible training opportunities for time-constrained individuals (e.g., offer low cost, easily accessible training through the internet)
  - *Metrics of success:* Reduction in unemployment time (especially for disproportionately effected segments of job seekers, such as young workers or those in declining fields)

### **Align financial and performance incentives for institutions of vocational/post-secondary education training with job placement**

- *Why it matters:*
  - Once equipped with the right information, employers and individuals already have strong incentives to get the right skills; however, most vocational, higher education and training institutions do not have incentives aligned with successful outcomes
  - These incentives can encourage educational institutions to continuously adapt to the needs of the rapidly evolving jobs market and overcome the cost disincentives of providing some applied-skill courses that require higher cost equipment/facilities
- *Specific ideas for improvement:*
  - Provide differential financial support (through Federal financial aid programs) contingent on access issues, graduation rates, and placement after graduation, etc.
  - Rather than demanding additional funding for these programs, we should focus on allocating existing resources for more impact
- *Metrics of success:* Rising share of training/vocational places devoted to “in demand” skills and career paths; higher placement and retention rates post-education/training

### **Next Steps**

Hope Street Group believes that innovative labor market solutions will come in the form of policies, platforms, and pilots, which can leverage the diverse strengths of this coalition in reinforcing ways.

**Policies.** Develop innovative policy changes aimed at spurring innovation in labor market policies and changing financial incentives for institutions of vocational/post-secondary education training, and career placement programs to improve alignment between these institutions and employers. One immediately promising avenue would be to shape the ways the federal government defines and states use the flexibilities built in to recent legislation extending unemployment insurance.

**Platforms.** Helping employers, workers, students, and the institutions with which they interact (e.g., vocational and higher education, community-based organizations, workforce centers, etc.) make better decisions in markets for work and training is not just a task for policy. Technologists and marketplace designers in the private and non-profit sectors can build data platforms and

applications to increase transparency and “decision support” about what work is available, what skills are required, and who is qualified to undertake that work (by credentials or by capability), and find innovative ways to promote widespread adoption of these platforms and applications.

**Pilots.** A mix of policy innovation and platform innovation can be brought together in specific states, cities, or metro areas to improve labor market outcomes and better learn what works on the ground. Governors and mayors in Hope Street Group’s network are eager to test such solutions. Specific industry sectors and employers are also looking for innovative solutions, and would be critical partners in pilots within specific geographies to test potential “game-changing solutions”.

Beyond catalyzing innovation in policies, platforms, and pilots, Hope Street Group will facilitate the rapid spread of learning from pilots with the “Playbook” methodology we have used in Education.

### Call to Action for Jobs & Work Breakout Group Participants

A: Provide feedback on the content outlined in this memo and the initial ideas we’ve generated together, based on your reflections from the Jobs and Work breakouts, and on your own experience.

B: Indicate which initiative elements (e.g., data platform for labor market information transparency and/or innovative policies to change financial incentives for higher education institutions) you would like to be a part of and what expertise you or your organization brings to bear on the topic?

C. Suggest any existing concept, model, entity, enterprise, or individual whom or which you believe could be helpful in taking the next steps forward. We want to learn and collaborate, not reinvent.

1 Employment Situation Summary (US Bureau of Labor Statistics, 2011)

2 Employment and Unemployment Among Youth Summary (US Bureau of Labor Statistics, June 2012)

3 An Economy That Works: Job Creation and America’s Future (McKinsey Global Institute, 2011)

4 McKinsey Global Institute US Jobs Survey (2011)

5 Raising the Bar: Employers’ Views on College Learning in the Wake of the Economic Downturn (AAC&U and Hart Research Associates, 2010)

6 Left Out. Forgotten? Recent High School Graduates and the Great Recession (John J. Heldrich Center for Workforce Development, Rutgers University, June 2012)