

ADDRESSING  
THE SKILL SHORTAGE

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*A REPORT FROM THE  
MIDWESTERN  
WORKFORCE DEVELOPMENT  
POLICY FORUM*

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*ECONOMIC DEVELOPMENT COMMITTEE  
OF  
THE COUNCIL OF STATE GOVERNMENTS'  
MIDWESTERN LEGISLATIVE CONFERENCE*

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# ADDRESSING THE SKILLS SHORTAGE

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The MLC especially acknowledges the leadership and efforts of Ohio Sen. Charles F. Horn, chair of the MLC Economic Development Committee, and Iowa Rep. Willard Jenkins, chair of the Midwestern Workforce Development Policy Forum Planning Committee, on behalf of the policy forum.

We also recognize the MLC's Economic Development Committee for its commitment to this issue and for initiating this conference. Special thanks to the Planning Committee members, who provided direction and guidance in organizing the meeting: Sen. H. Paul Dennert, South Dakota; Sen. Patrick Engel, Nebraska; Rep. Gregory Gray, Minnesota; Rep. Bill Hartnett, Ohio; Sen. Charles F. Horn, Ohio; Rep. Roger Hunt, South Dakota; Rep. Willard Jenkins, Iowa; Sen. Steve King, Iowa; Sen. Teresa Lubbers, Indiana; Sen. Edward Oliver, Minnesota; Rep. Terry Parke, Illinois; Sen. Carol Roessler, Wisconsin; Sen. Adrian Smith, Nebraska; Rep. Keith Stallworth, Michigan; and Rep. Lloyd Stone, Kansas.

The MLC also thanks those legislators who played a lead role in keeping the workshop sessions on task and in reporting the results back to the full forum: Sen. Patrick Engel, Nebraska; Rep. Wayne Ford, Iowa; Sen. Tony Grindberg, North Dakota; Sen. John Hottinger, Minnesota; Rep. Judy Irwin, Illinois; and Sen. Carol Roessler, Wisconsin.

And finally, thank you to the many speakers and participants who were so instrumental in making this conference a success.

While striving to create a supply of highly skilled and educated workers to fill positions in increasingly technology-intensive workplaces, state officials have also faced deadlines to move welfare recipients into jobs. These realities, along with sustained labor shortages, pose serious challenges to policymakers in transforming their workforce development systems.

Operating within these realities, policymakers must employ several strategies in dealing with workforce issues, including expansion of the workforce, preparation and education of the future workforce, and enhancement of the skills or retraining of the existing workforce. Partnerships among business, labor, education and government are integral to achieving any of these goals and addressing workforce needs.

In this context, the Economic Development Committee of The Council of State Governments' Midwestern Legislative Conference determined that current labor market challenges had become of such significant interest and importance to state economies as to warrant the greater attention of policymakers across the region. Thus, members decided to hold a regionwide conference to discuss workforce development issues.

With the aim of fostering better relationships among government officials, education leaders, labor and the business community, as well as promoting interstate dialogue on workforce development issues, the Economic Development Committee hosted the Midwestern Workforce Development Policy Forum in November 2000 for the 11 Midwestern states — Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Nebraska, North Dakota, Ohio, South Dakota and Wisconsin.

The committee extended invitations to Midwestern state legislators, top-level executive agency officials and program managers, higher education leaders and members of the private sector. The main objective of this regional conference was to bring together leaders from these various groups to discuss workforce and job training challenges and problems they face and to explore potential solutions and strategies for future policy. This conference had several goals: the promotion of dialogue among the various parties with a vested interest in an improved workforce and enhanced training systems; the interstate exchange of ideas and solutions; and the exploration of successful, as well as unsuccessful, strategies for addressing employer and existing and potential employee needs.

This reports summarizes the dialogue and information exchanged throughout the course of the conference, as well as the policy suggestions and lingering questions that emerged as a result of this exchange of ideas.

Policymakers have come to associate their state's economic development and ability to compete in the global economy as directly linked to the quality of its workforce and its success in retaining the most skilled and talented among the labor pool. This is why the issue of workforce development is so critical in the New Economy. Without a well-trained and well-prepared labor pool, states lose the ability to compete – nationally and internationally – and suffer economically.

Recognizing this reality and the challenges it poses, the Midwestern Legislative Conference's Economic Development Committee made the issue of workforce development a priority and decided to dedicate an entire conference to the topics surrounding the struggle to create and maintain a well-prepared workforce.

At the heart of the Midwestern Workforce Development Policy Forum were a series of workshop sessions, which provided participants with an opportunity for in-depth discussions of a number of issues related to developing a quality workforce.

The workshop sessions addressed the following areas: low-skill versus high-skill jobs and the skills gap; school-to-work and vocational/technical education; untapped and underutilized workers; strategies for preparing the young for employment; and tax credits and incentives for worker training, recruitment and retention.

The workshops were designed to be dialogues, with expert presentations that led to full group discussions. The framework for each of the workshop sessions included a set of issues to be addressed by the participants:

**POLICY CHALLENGES:** Identify the top public policy challenges or problems in this issue area.

**SOLUTIONS:** Identify potential solutions or general approaches for addressing these challenges and identify any opportunities that exist for devising public policy solutions to the problems identified.

**COLLABORATION/COOPERATION:** How could or should state officials (legislative and executive), education officials and the private sector work together in addressing the policy problems? What are points of agreement among these groups? What are points of disagreement? Where are there opportunities for interstate and/or intergovernmental cooperation?

**MODELS:** Identify "best practices" or policy models that state policymakers can look to in addressing the problems and creating policy for their own states.

In addition to specific issues areas addressed by the workshop sessions, the policy forum consisted of plenary sessions that explored more general issues related to workforce development. Not only did keynoters raise the "big questions" surrounding workforce development, the forum included plenary sessions that explored some of these macro issues, including labor market trends in the Midwest, the role of

education in workforce development, and an assessment of the 1998 Workforce Investment Act.

Bill Testa, vice president and director of regional programs at the Chicago Federal Reserve Bank, laid the groundwork for the conference by exploring recent labor trends and demographic shifts in the workforce that are affecting labor markets and economies in the Midwestern states.

The framework within which state policymakers now operate as they restructure and overhaul their workforce development systems was explored in an assessment of the 1998 Workforce Investment Act (WIA). Through a panel that consisted of a state workforce development council chair, a U.S. Labor Department representative, a labor organization representative and a consultant who has studied WIA extensively, participants were able to move beyond the mechanics of the act and evaluate the opportunities afforded and challenges posed to states through WIA. The panel also addressed the implications the act has for state policymakers, workers and employers alike.

Finally, a plenary session on the integral role that education — from K-12, to technical and community colleges, to corporate training, to four-year institutions of higher education — plays in preparing and creating an educated and skilled workforce brought together leaders from these various segments of education to discuss how each particular area works to address the demands of ensuring that education serves this end.

## **EMERGENT THEMES**

The worker shortage problem is not one of a simple shortage of workers, it is a shortage of well-prepared, qualified workers to fill job vacancies. In many cases, there is a gap between the skills that potential workers possess and the skills required by employers. The problem is twofold: a problem for employers needing to fill vacancies to keep businesses prosperous, and a problem for individuals seeking jobs and individual advancement on the labor ladder.

As Dr. Graham S. Toft, president of Indiana Economic Development, Inc., told participants in the Midwestern Workforce Development Policy Forum, in the New Economy, the goal of economic development is to create, attract and retain talent. With this idea as a guiding principle, the participants in the policy forum explored many aspects of workforce development. Through both the workshops and the discussions stemming from them, several themes emerged.

Participants highlighted the following challenges facing policymakers today:

- A skills shortage/skills gap that is more problematic than a simple shortage in available labor.
- An image problem/stigma associated with vocational/technical training and other worker training that serves as an alternative to four-year college degrees.
- A bias for four-year college education, as well as a hierarchy of "good jobs"

that is closely linked to educational attainment — both of which are related to the image problem where not all types of work and education receive equal respect.

- ❑ The lack of portability of academic standards and credentials.

Participants also focused on the following areas that policymakers need to address in order to create a more knowledgeable and skilled workforce:

- ❑ An improved educational system that bridges education and the "real" world of work and teaches skills in an applied context.
- ❑ An improved K-12 curriculum, with an emphasis on basic and quantitative skills development.
- ❑ An understanding of how jobs are created and formed, how labor demand arises, and how specific knowledge and skills are connected to the job market.
- ❑ Realistic information and assessment in career preparation for young people and their parents.
- ❑ A reassessment of teacher pay, training and accreditation.
- ❑ The creation of business-education partnerships and collaborations.



## THE CHANGING NATURE OF WORK IN THE NEW ECONOMY: LOW-SKILL VERSUS HIGH-SKILL JOBS AND THE SKILLS GAP

*Ms. Jill Golden, Director of Grants Administration, Center for Workforce Success, National Association of Manufacturers, Washington, D.C.*

*Dr. Robert LaLonde, Professor, Irving B. Harris Graduate School of Public Policy Studies, University of Chicago, Illinois*

*Moderator: Rep. Judy Erwin, Illinois*

Recognizing that jobs in the 21st century require more high-tech skills by workers, this session looked at the changing demographics and skill demands of the workplace in the New Economy.

The skills gap between low- and high-skilled labor that began to emerge in the 1970s had only accelerated in the 1990s and remains a problem in this decade. The demand for skills has changed in favor of high-skilled workers, and the demand for low-skilled workers has dropped. This session reiterated that the primary labor market challenge has changed from one of finding jobs for workers to one of finding workers for jobs, and that today's labor shortage is more correctly defined as a shortage of skilled and well-qualified workers.

This shortage is especially prominent in regards to quantitative skills and the quantitative fields, where, at the college-level, graduation rates are relatively low compared to non-quantitative fields. Yet, these are the skills that are in high demand in the New Economy. Furthermore, compared to other countries, the United States makes different investments in workers, such that the same level workers in other countries are better educated.

Effective investment in skill-enhancement and educational assessment are needed to address the skills gap. In terms of public spending on education, more money is spent for those who already have more skills and more education — largely because the return on investment is expected to be higher. Investment by the private sector, however, focuses on those with lower skills. As a matter of public policy, such investment patterns will not help in narrowing the income-equality gap.

Schools must be held to high standards, and they must play a larger role in career and work preparation. If the highly valued skills are lacking when one graduates high school, he or she will be less likely to major in quantitative subjects in college (i.e., those fields that yield higher payoffs). Those who fail to acquire math skills and other quantitative skills in K-12 also find it more difficult to major in quantitative subjects in college. An accurate method or instrument of assessing the effectiveness of education programs is needed.

Employers grapple with operating increasingly technological workplaces, while also faced with the skills gap between those skills that employers look for and need in workers and those actually possessed by workers and potential workers. To help

close this gap, students need to exit high school already possessing the skills needed to enter the workplace, and the business community has a role in defining these necessary skills.

The National Association of Manufacturers' (NAM) Center for Workforce Success attempts to better understand this challenge and establish a bridge between the education system and manufacturers.

Fifty-eight percent of employers responding in a NAM survey listed the shortage of a skilled workforce as the most serious problem they face, while only 16 percent cited foreign competition and 13 percent named federal regulation as their most serious problem. Employers also indicated that less than half of all applicants are qualified for employment. One-third of manufacturers responded that insufficient skills among workers preclude them from improving productivity, and 20 percent said that ineffective skills prevent them from expanding their operations.

While partnerships between the business community and education are recognized as one of the keys to building a skilled workforce, NAM has found that manufacturers lack confidence in current educational systems — 74 percent of employers indicate that they are not satisfied by the performance of schools. Yet, despite the various programs that states provide for job training, many of them are underutilized by firms. According to the NAM survey, 71 percent of employers responded that they do not have much to do with the public job training system.

How can associations and businesses get involved in ensuring a skilled and qualified workforce, and how can partnerships be developed between business and government and schools? NAM offers several suggestions: work to eliminate the negative image associated with manufacturing jobs; implement information campaigns; encourage programs with a school-to-career orientation; work with schools to develop the needed skills; and do not push students towards a career, but help them find what they like/dislike and go along with it.

Based on the group discussion, participants identified the following issues and potential solutions to addressing the skills gap and ensuring that workers' skills match the requirements and needs of employers.

### **Lack of business-education partnerships**

Students often do not learn the skills they need because they often do not know what is available to them and because of a disconnect between the business community and education. Furthermore, there is a general lack of awareness of the job market, so individual educational efforts are not focused. Policymakers need to create opportunities for involving the business community in education. Some suggestions include:

- Expand apprenticeships.
- Include the business community on school boards.
- Establish, with the assistance of the business community, high school mentoring programs that emphasize quantitative and technological skills.

- Encourage mutual investments between schools and business, starting at high school level.
- Develop curriculum for teaching technology in community colleges.
- Build trust between public schools and education.

### **Teacher and Career Counselor Training**

States can and should take greater control of teacher training. Improved wages for good teachers are a problem, as are alternative certification and professional development for current teachers. However, the difficulty in managing the education system and classroom activity is recognized. Strategies must be developed for mobilizing teachers and counselors. The following options were identified:

- Involve career counselors in business-education partnerships.
- Make teachers and counselors more knowledgeable about the real work world.
- Dispel the perception of "good jobs" and eliminate the negative image of the manufacturing industry.
- Change the career-day model to better reflect the real world of work.
- Control teacher training through curriculum.
- Improve teacher salaries.
- Allow for alternative certification and continuing professional development for teachers.

### **Gender Equity with Technical/Manufacturing Workforce**

There is a significant gender gap in the trades and quantitative fields. Despite the fact that women enroll in college at higher rates than men, women are less likely to major in quantitative subjects. This structure contributes to the skill shortage and skills gap and depresses the supply of women for trades and technical fields.

- Policymakers and educators need to address the lower levels of female enrollment in quantitative fields in education and work to dispel stereotypes and encourage gender equity in all occupational fields.

### **Inability to Use the Retiring Workforce**

This is especially true among those retired persons who do not have a master's degree or other accreditation. While they are a great source of worker training, accrediting standards prevent them from being fully utilized. Because of teacher unions and peer group accrediting, standards cannot be lowered. The educational system is missing out on a large talent pool of those who were successful in business. Also, accreditation needs to be honed to get Title IV funding.

- Look to the models used by two-year schools, where they use retirees in adjunct programs.
- Consider competency-based accreditation and certification.
- Establish adult-only colleges.

## SCHOOL-TO-WORK AND VOCATIONAL/TECHNICAL EDUCATION

*Mr. Tom Kindell, Director, Miami Valley Tech-Prep Consortium, Sinclair Community College, Ohio*

*Dr. Jeffrey H. King, Director, US-EURO NET, Maryland*

*Dr. Allen Phelps, Professor and Director, Center on Education and Work, University of Wisconsin-Madison, Wisconsin*

*Moderator: Sen. Carol A. Roessler, Wisconsin*

Educational institutions at all levels must prepare the young for jobs in the New Economy. This session discussed current school-to-work and vocational/technical programs in the states and highlighted successful European models.

In an ever-changing and highly developed society as ours, it is essential that educational institutions at all levels should prepare the young for jobs in the New Economy. Currently, there are a lot of challenges in our educational systems in terms of equipping students with these highly demanded skills.

Based on the group discussion, participants identified the following issues related to school-to-work and vocational/technical education programs and strategies for dealing with the challenges in this area.

### **Image and Prestige Problem**

Vocational and technical education suffer from an image problem. The stigma associated with these programs is such that people do not link this kind of training and education with success. The lack of prestige translates into a lack of motivation to enter these areas and thwarts many students' passion for taking part in such programs. A message needs to be defined and marketed highlighting that students can benefit from vocational/technical programs.

While most do not reject the worth and validity of vocational-technical education, this area suffers from the "not my child" syndrome. There is an all-too-common attitude that these programs have worth and are fine for *other people's children*, but are less than acceptable for *my own children*. The "not my child" mindset creates a bias toward four-year degrees and perpetuates the stigma associated with alternative job-training programs.

It should be realized that the skills and knowledge taught will eventually become something like a product to be "sold" by students in the market. Whether or not the product is successful in the market is totally dependent on its content. Therefore, the product itself should have a deeply professional content, which is value-added, highly portable, and can provide students with competencies valued in the New Economy.

Also, students should be able to realize payoffs both in terms of immediate benefit and future benefit. Immediate benefit means that students can find a good job with good pay after their vocational/technical education. Future benefit, on the other hand, means success in a highly demanded industry for the long term, or the

ability to transfer these skills to other areas and have continual success.

- Promote and establish portability of technical competency standards.
- Identify the rewards of technical jobs and market skills to parents, educators and students.
- Emphasize the payoffs: you will be employable; you will earn good wages.
- Emphasize the intangible rewards of employment and sense of accomplishment achievable through all types of work.
- Promote the benefits and value of membership in trade organizations.

### **Institutional Inertia**

Educational institutions are slow to change and redefine themselves, preferring piecemeal change over whole-scale revamping. Institutional inertia and rigidity ("walls between educational institutions") that negatively impact vocational/technical education are reflected in the following:

- An absence of a free market for teaching professionals: individuals from certain industries, though qualified for teaching vocational skills, cannot go into the classroom because of licensure barriers.
- The lack of portability of standards and credentials for vocational/technical programs.
- Disagreement among instructors regarding the correct balance between core and vocational/technical curricula, resulting in an increasing number of requirements that must be fit into a school day schedule.

Suggestions for overcoming these challenges include the following:

- The development of national standards, measured by Work Keys.
- A clear understanding by educators and policymakers of, as well as an articulation of, the ultimate purpose of vocational and technical education — both on a state-by-state basis and on an interstate basis.
- A restructuring of the school day or extension of the school year to allow students more time in school, in order to address the difficulty in finding time in the school day and increase students' competitiveness at the international level.
- Involvement and education of teachers, counselors and policymakers to the need for these changes.

### **Priority of Funding Problem**

The financial issue is one of the biggest difficulties facing vocational/technical education. Educators teach with core materials on one hand and vocational/technical materials on the other. Rather, instructors should try to incorporate each component in their teaching since these are the skills and knowledge truly needed by students for their future economic survival. To update the technology used in the educational process and to maintain the quality of the program, greater financial input is demanded.

On the one hand, vocational/technical programs are in the situation of being underfunded, and many cannot be maintained due to the lack of money; on the other hand, present policy changes in this area tend to deal with problems in piecemeal, tinkering ways, rather than bringing about whole-scale change.

The success of vocational/technical education calls for more financial resources and commitment:

- ❑ A serious effort needs to be undertaken to attract more funding and grants from government both at the state and federal levels.
- ❑ Financial problems could be eased by establishing co-ownership of school curriculum construction (industry-unions-educators) and developing a process to let industry take part in the education field and create a shared curriculum and examination.
- ❑ The best-equipped vocational/technical training programs should be able to get some funding for individual students. In the future, we should fund the students rather than the educational institution as a more efficient method of allocating scarce financial resources.
- ❑ States need to dedicate more dollars to eliminate lower reimbursement rates for vocational education. Fund vocational and core curricula equally.
- ❑ States need to dedicate more funds to technology development and acquisition.

### **Job Formation in the New Economy**

In order to build a better vocational/technical educational system, policymakers need to have a better understanding of the demographics of job formation in the era of information technology. How are jobs formed and how are they filled? How do jobs cluster?

Both educators and policymakers should have a basic understanding of labor demand for students with regard to two-year versus four-year educations, technical vs. liberal arts backgrounds, skilled vs. semi-skilled workers, and job demand from small companies vs. large companies. An understanding of how jobs are put together is essential, but rare at the present time. GEDs are not always recognized/accepted for college admissions, and some holding a GED cannot pass basic proficiency tests.

- ❑ Create an educational system informed about the process by which job opportunities are formed and by which positions are filled in the national market.
- ❑ Involve trade associations and build partnerships with different kinds of trade associations. Introduce teachers to internship positions and programs within different industries.
- ❑ To improve the educational system, first instruct educators and counselors about job formation issues and then expose youths and parents to more employment and career options.

## LEVERAGING UNTAPPED AND UNDERUTILIZED WORKERS (THE ELDERLY, DISABLED, MINORITIES, AND EX-OFFENDERS)

*Dr. Jane M. Lommel, Workforce Consultant, Hudson Institute, Indiana*

*Moderator/Presenter: Rep. Wayne Ford, Iowa*

With record low unemployment rates, states and employers are struggling to provide and find workers to fill jobs. There are, however, segments of the labor pool — minorities, the elderly, the disabled and even recently released prison inmates — whose skills and manpower are underutilized. This session discussed programs and strategies for tapping into these resources.

Discussions centering on untapped and underutilized workers are relatively new. A decade ago, little attention was paid to these groups of workers and potential workers. However, as states and employers continue to experience worker dearth, this potential source of labor is being looked at more closely.

Many states in the Midwest are suffering from stagnant population growth. As a result, the labor pools in these states are dwindling — especially as the Baby Boomer generation reaches retirement age. However, incorporating alternative sources for meeting labor demands — the elderly, the disabled, minorities, immigrants and ex-offenders — into the workforce has become an important economic challenge.

At 5.9 percent population growth between 1990 and 1999, the Midwest was well below the national average of 9.6 percent. Furthermore, most of the region's growth came from natural increase, though a small amount came from foreign immigration. The average unemployment rate in the Midwest for September 2000 was 3.5 percent, while the national average was 3.9 percent.

The bottom line is that, with low unemployment rates and stagnant population growth, the region has been experiencing very tight labor markets. Thus, it will become increasingly difficult for firms to attract and retain competent workers. However, at the same time that unemployment rates remain low and businesses have vacancies going unfilled, there are certain groups that still suffer from high unemployment and can be tapped to fill positions. Unfortunately, traditional workforce development largely ignores these groups and their particular needs.

Transitional workers, re-entrants, and older workers need workforce development that includes an assessment of their skills compared to what jobs require, an assessment of their worth in the labor market, emotional support, networking opportunities and affordable opportunities to improve their skills.

By 2005, there will be about 55 million workers age 45 and over — approximately 37 percent of the labor force. After 2005, there will also be an increase in the 60 to 70 year old cohort. The demand for employment services by older workers will only increase as Baby Boomers age. This demographic group will substantially increase the number of mature and older workers and the number of unemployed older workers who are below the poverty level. Furthermore, individuals are living

longer after they retire and are healthy enough to continue working later in life than has previously been the case.

A significant portion of the U.S. population growth between 1999 and 2020 will come from Hispanics, who will comprise a large percentage of workforce "net entrants" — the total new entrants into the workforce minus those retiring/exiting. There are many misconceptions that the general public holds regarding Hispanics, especially that they are only qualified for manual labor such as landscaping and hospitality. The fact remains that the United States is going to experience rapid growth in the minority workforce, as well as ethnic diversification of the workforce by 2008.

The disabled and ex-offenders are also among the most underutilized segments of the labor force. The Current Population Survey estimates that 16 percent of the population ages 16 to 74 have some work disability, and that of these, only 25 percent are currently in the workforce. There are approximately 600,000 people released from prison each year, all in need of employment opportunities and reintegration into mainstream society.

The challenges associated with integrating ex-offenders into the workforce include limited work experience, poor educational achievement and high rates of substance abuse. A 1999 survey of more than 10,000 Chicago employers found that 22 percent were willing to hire ex-offenders, 17 percent were not willing, and 61 percent did not know if they were willing.

Some recommendations for addressing the workforce needs of these populations and for integrating them into the workforce include the following:

- Flexible work arrangements that allow individuals to maintain a livable work-life balance.
- Alternative work arrangements that enable employees to choose diverse approaches to labor force participation that best fit individual circumstances.
- Policies that promote lifelong education and retraining to maintain and advance employees' knowledge and skills.
- For special populations with limited work experience, an understanding the real world of work and workplace expectations.
- The promotion of workforce diversity.
- Statewide funding for labor market information systems accessible to employers, policymakers and job seekers (e.g., Iowa's [www.smartcareermove.com](http://www.smartcareermove.com)).

Based on the group discussion, participants identified the following issues related to leveraging underutilized and untapped populations for employment.

### **Lack of political will**

- For both policymakers and employers, be willing to take a chance with different populations and to view people differently than stereotypes suggest.
- Embrace foreign populations and recognize that if it were not for new immigrants, most Midwestern communities would not have grown in the last year.

- ❑ Make more state funding available for the reintegration of young ex-offenders into the labor market. Recognize that there is a real need to address the issue of employment for ex-offenders. Do not de-emphasize or sacrifice efforts to improve the skills of prison populations in order to be "tough on crime."

### **Early childhood programs**

- ❑ Work to ensure all young people have a good start in life, through early childhood education.
- ❑ Increase the supply of quality day care and ensure its affordability.
- ❑ Provide support to parents trying to balance life and work.

### **Employers' attitudes**

- ❑ Recognize that discrimination against all groups, including the disabled and the elderly, is too accepted in the workplace, and work to eliminate the stereotypes.
- ❑ Address the attitudes of employers regarding ex-offenders in the workplace.

### **Transportation for the disabled**

- ❑ Do not allow transportation barriers to prevent this enthusiastic and valuable sector of the workforce from participating fully in the labor market.

### **Training in prisons**

- ❑ Extend training beyond "making license plates" to include applicable skills, such as those in technology areas.
- ❑ Provide anger control and management classes for offenders and ex-offenders.
- ❑ Establish criminal re-thinking programs. Recognize that offenders will be out in the community again and work to prepare them for re-entry into society.

### **Improve the parole system**

- ❑ Increase pay for parole officers.
- ❑ Hire more parole officers to relieve untenable workloads.

### **Transitional housing**

- ❑ Provide transitional housing to those in need: low and middle income, rural and urban.

### **Seniors in the workforce**

- ❑ Do not penalize seniors financially for re-entering the workforce.
- ❑ Provide and promote programs that teach seniors new skills.

### **Collaborations**

- ❑ Promote collaborations between government and the business community, between government and non-profits and between police and communities in order to address the issues surrounding underutilized segments of the labor market.

## PREPARING THE YOUNG FOR EMPLOYMENT IN THE NEW ECONOMY

*Dr. Richard Gartner, Special Assistant to the Governor for Building Tomorrow's Workforce, Department of Workforce Development, Wisconsin*

*Dr. James E. Rosenbaum, Professor, Institute for Policy Research – Sociology, Education and Social Policy, Northwestern University, Illinois*

*Moderator: Sen. John Hottinger, Minnesota*

As states focus efforts on creating and preparing a skilled and educated workforce, how can policymakers and educators ensure that young people are receiving the best guidance and support in making career and higher education decisions for a lifetime of gainful employment? This session examined how today's youth are being prepared for employment and where current efforts and strategies may be falling short.

There are several institutional impediments to successful workforce development that need to be addressed in order to direct attention to the preparation of the young for employment. With the development of a coherent system of education and training, it will become much easier to concentrate on providing the young with real employment opportunities. The focus of this workshop was on how to best place the tools of opportunity in the hands of the young.

The rise in the number of community colleges has caused a shift in the attention of high schools and guidance counselors to emphasize employment rather than education. However, guidance counselors are prone to push four-year colleges as the number one option for students considering any type of post-secondary schooling—largely because of an expectation of higher income returns associated with a four-year degree compared to a high school diploma. Open enrollment policies by four-year institutions also contribute to the propensity of guidance counselors to push four-year college enrollment.

The result is a high drop-out rate among college freshmen, many of whom, in subsequent years, choose to enroll in community colleges and pursue two-year degrees. Thus, while high schools push four-year college enrollment because of the perceived employment advantages, the emphasis should be placed on the actual interests and skills of the student. Their options may be a wide variety of educational, employment or training programs.

High schools and guidance counselors should provide more information about a wider array of educational and employment options, as well as back-up alternatives to four-year college enrollment. Unfortunately, arming students with information and options may not be enough since there are a limited number of so-called "entry points" into educational or employment opportunities for non-college bound students. The lack of formal job training programs and apprenticeship programs without the stigma of being for the "not as intelligent" is a primary reason why mere information will not completely bridge the gap between non-college bound students and their educational and employment opportunities.

States have started to create broad-based workforce development programs that attempt to fight the shortage of workers, as well as give opportunities to non-college bound students. Through apprenticeship programs (such as Wisconsin's Youth Apprenticeship program), parents, students, elementary and secondary schools, employers, and community and technical colleges are all involved in youth training.

With programs such as these, there is an opportunity to reconcile sometimes differing views and goals:

- ❑ The needs of employers for a trained and intelligent workforce.
- ❑ The needs of non-college-bound students to earn a competitive salary.
- ❑ The incentive for high schools to push technical and community colleges as well as job training as legitimate higher returns to education.

Based on the group discussion, participants identified the following issues and strategies related to preparing youth for employment.

### **Solid beginnings are fundamental**

- ❑ Solid beginnings are very fundamental. Recognize the benefits of early childhood development, as well as the detriments to future development and learning by starting out at a disadvantage.
- ❑ Start early — in elementary school — to build the motivation for developing employment skills and understanding.

### **The "not my child" syndrome regarding many job-training programs**

This widely held attitude that job-training programs have worth and are fine for *other people's children*, but are less than acceptable for *my own children*, creates a bias toward four-year degrees and stigmatizes vocational/technical programs, apprenticeships and other paths to career training and development.

- ❑ Identify individual strengths and the probability of success, and emphasize the need to work on certain skills to attain that success.
- ❑ Ensure parental involvement. Inform both students *and* parents of the direction the child is headed and the changes needed if a different direction is desired.
- ❑ Do not discourage students' aspirations, but be realistic. Arm students and parents with the ability to make sound judgments, based on realistic information and assessment.

### **The disconnect between education and employment**

- ❑ Connect the reality of work to the educational experience by teaching academic skills in an applied context.
- ❑ Use educators with real-life work experience to establish links with the business community and with the real world of work.

- ❑ Provide educators with the opportunity to acquire real-world experience, in order to assist education in making assessments of the needs of the work community.
- ❑ Teach "soft skills" (e.g., interpersonal communication, conscientiousness, the ability to work well with others, critical thinking) that are not acquired on the job, but are necessary for success in the workplace.
- ❑ Promote tech-prep programs, school supervised work-based learning, and the practical applications associated with skills acquired in the classroom.
- ❑ Raise the value of work and increase the respect for all types of work.

### **Properly utilize the counseling resource**

- ❑ Because counseling is under-emphasized and because adequate career guidance currently does not exist, place a new emphasis on the importance of counseling.
- ❑ Ensure that the educational system gives counselors the needed tools and support. Do not evaluate counselors based on the number of students who are admitted to college, but reward them for good placement.
- ❑ Use counselors and counseling to help teach respect for work, not just for certain jobs with "prestige."
- ❑ Promote information resources and marketing, focusing on what jobs are available, on the skills needed, and on successful outcomes available through a wide range of jobs and occupations.

### **Think/learn outside the box and shed older thinking**

- ❑ Look to other nations, as well as other states, for examples (e.g., Wisconsin's apprenticeship programs, Nebraska's use of federal employment clusters, Ohio's business advisory boards).
- ❑ Be willing to test new ideas, even if they are controversial and failure occurs.
- ❑ Make better utilization of teacher assistants and technology.
- ❑ Address the disincentives for high school excellence.
- ❑ Stress the importance of grades, make evaluations of soft skills, examine open enrollment policies, and establish rigorous assessment standards.
- ❑ Utilize employers who help highlight the importance of jobs.

### **Broaden Opportunities**

- ❑ Create and promote multiple entry points for training.
- ❑ Give funding to businesses for their own training schools.
- ❑ Work to eliminate the current situation in which some people (especially dropouts) are underutilized and others are over educated. This only exacerbates skill shortages in the labor market.

## TAX CREDITS AND INCENTIVES FOR WORKER TRAINING, RECRUITMENT AND RETENTION

*Mr. Greg LeRoy, Director, Good Jobs First, Washington, D.C.*

*Dr. Graham Toft, President, Indiana Economic Development, Inc., Indiana*

*Moderator: Sen. Tony Grindberg, North Dakota*

States are engaged in numerous activities to make sure that workforce development programs succeed in assisting employers and workers alike. In addition to addressing state approaches to worker recruitment and training, this session discussed how to best fit these programs into the state's overall economic development strategies. The presenters also offered an assessment of the pros and cons of using incentives and credits for worker training.

According to Greg LeRoy, "Job quality standards are the first step in redefining economic development." A trend now exists for promoting "poverty-free wages" as a form of economic development — partly because of their capacity to raise the standard of living. There are three general types of wage standards attached to development incentives, property tax abatements, training grants, enterprise zones, industrial development bonds and other forms of economic development incentives for businesses:

- Those based on federal or state subsistence measures, such as the minimum wage or poverty line.
- Those set at a static dollar amount.
- Those based on local market wages.

It should be noted that those wages pegged at the poverty line are lower, while those tied to the market are usually higher.

There is little indication that wage standards have adversely affected the "business climate" of their respective jurisdictions. In general, the standards mesh well with employers' current needs for employee retention and skills enhancement.

There are several policy options that would avoid any detrimental effects of business incentives:

- A state anti-piracy rule deeming intrastate corporate relocations ineligible for development subsidies like tax increment financing.
- New rules requiring development subsidies to meet certain "location efficiencies."
- Improved transit service as development occurs.
- Additional research and policy analysis.

According to Graham Toft, the New Economy is characterized by: high productivity/low inflation; rapid technology changes; deregulation and market liberalization; a global marketplace; and the mobility of capital, innovations/ideas, business and people.

Economic development is "finding, sustaining and capitalizing upon locational advantage to create wealth and minimize poverty." It is the poverty minimization

element that is often forgotten about during discussions about economic development. Workforce development is "strengthening the localized talent pool of workers to match private investments in technology, capital and product improvement."

The goals of economic development in the Old Economy was to create jobs. In the 1980s, it was to create *any* jobs; in the 1990s, it was to create *quality* jobs. In the New Economy, the goal of economic development is to create, attract and retain talent. Strategies for creating a talent pool for competitiveness in the New Economy include:

- Influencing learning aspirations.
- Creating efficient, responsive education and training delivery systems.
- Providing outstanding information on careers, programs, jobs and assessments.
- Creating amenity value and quality of life.
- Growing high-pay, high-skill, rewarding jobs through capital deepening.
- Cultivating business-skills alliances.
- Incentivizing workers and employers to make human capital investments.

Incentives can be thought of as "nothing more than changes in costs and/or benefits intended to influence choices." Toft shared with participants several principles to guide workforce investment:

- Incentives are no substitute for a competitive business climate and the promotion of quality of life.
- Incentives are not always fair, but they should be strategic. They should not be treated as entitlements, and they should reflect specific workforce goals and strategies.
- Smart incentives build assets (infrastructure, institutions, industry alliances).
- Incentives that work are investments. Incentives that fail are transfer payments.
- Award incentives based on performance, not on inputs. They should not be upfront grants to individuals or firms, rather there should be a baseline for eligibility. Also, the level of incentive should be based on the level of performance, and the progress of a business receiving incentives should be monitored closely.

When properly employed, customized training and business tax credits can be useful development tools. However, there are a number of "next generation" tools that policymakers should consider when developing incentives for worker training, recruitment and retention. One of the most promising among these is the Business Skills Alliances Corporate Income Tax Credit, which focuses on the talent pool for industry clusters and are used to upgrade the skills of the talent pool for demand occupations.

Overall, employing tax credits and incentives for workforce development is very

difficult for states to do in an open economy due to high labor mobility. Strategies should be "embedded" in local/regional economies, and if policymakers are in doubt over what strategy to employ, they should stick to the basics: business climate, infrastructure, education and training system, and quality of life.

Based on the group discussion, participants identified the following issues and strategies related to granting tax credits and incentives for worker training, recruitment and retention.

### **The issue of migration (both into and out of the Midwestern states)**

- Develop polices to assist regions and communities to encourage "new immigrants."
- Explore the impact of migration as it relates to people from other parts of the country and the influx of new immigrants to the Midwest.
- Focus efforts on retention and attraction of workers.
- Increase the number of visas allowing workers into the U.S.
- Address quality of life issues.

### **Ability to respond to change**

- Explore ways to develop policies that allow education and communication to assist with a state's strategic economic development efforts.
- Be able to identify the trends and respond to change related to the growth of information technology and high-tech efforts.
- Take steps to "be ahead of the curve" as the economy and technology continue to change.
- Create venture capital programs that assist research and development efforts and help start-up "home grown" companies.

### **Oversight and monitoring of tax credits and incentive programs**

- Learn to prioritize policy efforts and effectively evaluate programs and the investment of public money into those programs.
- Develop systems for becoming better at determining what is included in the state's inventory of programs and efforts.
- Streamline and target government programs in order to address the abundance of programs, and in some cases, the duplication and overlap of policy efforts.
- Develop "one-stop" approaches (e.g., Michigan's workforce development effort).

### **Funds for customized training**

- Make funding for customized training a public policy priority.
- Examine and better understand employment supply and demand cycles.
- Develop public/private partnerships and incorporate them into strategic planning.

## **Design systems and approaches that are flexible**

- Stick with what works best for the state, and communicate those strengths to all parties involved.
- Increase the focus and attention given to planning implementation.

## **Develop accountability measures and reporting processes**

- Keep the evaluation process one step away from the governmental/political process.
- Recognize the intra-dependence of the Midwest, develop a regional policy and consider potential consolidation of efforts to examine incentives and to evaluate results.

## **Look to other states**

- Analyze, inventory and determine which states are effective at measuring successful economic development efforts, and borrow from those innovators.
- Look at one-stop centers being used by other states.

In a closing session, Ohio Sen. Charles Horn, chair of the MLC Economic Development Committee, Iowa Rep. Willard Jenkins, chair of the Midwestern Workforce Development Policy Forum, Dr. Bill Sederburg, president of Ferris State University, and Dr. Jane Lommel, workforce consultant with the Hudson Institute, led an assessment and commentary on the proceedings and conclusions of the policy forum.

During this discussion with conference participants, several areas for further examination, as well as recommendations for the next steps that the MLC Economic Development Committee should consider, emerged.

### PRIVATE SECTOR INVOLVEMENT AND COMMUNITY COLLEGE INVOLVEMENT

- ❑ Increase and encourage the participation of private sector representatives to discuss what their needs are regarding workforce development. What should state governments be doing to assist the business community with their workforce development needs? What kinds of training does the private sector need and want government to be involved in? What training-related efforts can the private sector accomplish without government involvement?
- ❑ Involve private sector organizations, not just individual firms: trade associations, chambers of commerce, and the National Association of Manufacturers.
- ❑ Encourage more active involvement by community colleges and the American Association of Community Colleges.

### ADDRESSING EMERGING TRENDS

- ❑ Consider structural changes that need to be made in education, such as the question of portability, the image problem of manufacturing jobs and vocational-technical programs, and ways the legislatures can help market these fields and programs.
- ❑ Provide a forum for a debate between four-year and two-year higher education institutions, focusing on "how to turn out skilled workers" and the competition between educational institutions for large sums of money.
- ❑ Explore ways to develop regional cooperation. The Midwest has not embraced regional cooperation to the extent that other regions have. The norms, traditions and attitudes that discourage regional cooperation should be explored.
- ❑ Regional groups, like the Midwestern Legislative Conference, should take up the issue of intellectual property rights and ways to better interact with business and researchers.

### CONTINUING EDUCATION AND LIFELONG LEARNING (FROM "PRE-K TO GRAY")

Promote lifelong learning and educational opportunities for all stages of life, starting with early childhood development and continuing through retirement years.

## **GUIDANCE COUNSELING**

Work to change the image of guidance counselors and counseling. Advising at the university level should be considered just as important as at the high school level. There is a need to bring education together at all levels.

## **MIDWESTERN REGIONAL WORKING GROUP/TEAM**

Create a regional working group/team — composed of legislators, executive branch officials and higher education leaders — to analyze data and promote the region. Such a group should focus on regional demographics and the subtle, underlying demographic trends in the Midwest, with a focus on ensuring that the region is working together to utilize its resources and advance its competitiveness in the global economy.

## **PARTNERSHIPS**

Work to encourage public-private partnerships. State government should collaborate with the business and education communities to promote skills and career development, including the utilization of labor market information systems, such as Iowa's [Smartcareermove.com](http://Smartcareermove.com) and Ohio's [Ohioworks.com](http://Ohioworks.com).

## **DIGITAL DIVIDE**

States need to address disparate technological advancement and connectivity, both between rural and urban areas and between income groups, so as to guarantee that no one is left behind technologically.

Bureau of Labor Statistics  
[www.bls.org](http://www.bls.org)

Economic Policy Institute  
[www.epinet.org](http://www.epinet.org)

Employment and Training Administration, U.S. Department of Labor  
[www.doleta.gov](http://www.doleta.gov)

Employment Policy Foundation  
[www.epfnet.org](http://www.epfnet.org)

Gateway to information on the Workforce Investment Act of 1998  
[www.usworks.org](http://www.usworks.org)

Good Jobs First  
[www.goodjobsfirst.org](http://www.goodjobsfirst.org)

Hudson Institute's Workforce Development Center  
[www.hudson.org](http://www.hudson.org)

Iowa's Smartcareer Move Network  
[www.smartcareermove.com](http://www.smartcareermove.com)

Michigan Department of Career Development  
[www.state.mi.us/career](http://www.state.mi.us/career)

Midwestern Higher Education Commission  
[www.mhec.org](http://www.mhec.org)

National Association of Government Labor Officials  
[www.naglo.org](http://www.naglo.org)

National Association of Manufacturers' Center for Workforce Success  
[www.nam.org](http://www.nam.org)

New Economy Index  
[www.neweconomyindex.org](http://www.neweconomyindex.org)

Ohio's Department of Jobs and Family Services  
[www.state.oh.us/odjfs](http://www.state.oh.us/odjfs)

Ohio's Ohio Works (statewide job and career network)  
[www.ohioworks.com](http://www.ohioworks.com)

Society for Human Resource Management (SHRM)  
[www.shrm.org](http://www.shrm.org)

State Higher Education Executive Officers  
[www.sheeo.org](http://www.sheeo.org)

U.S. Department of Commerce (Digital Economy Report)  
[www.ecommerce.gov](http://www.ecommerce.gov)



# The Council of State Governments Midwestern Legislative Conference

The Council of State Governments was founded in 1933 as a national, nonpartisan organization to assist and advance the institution of state government.

The headquarters office, located in Lexington, Kentucky, is responsible for a variety of national programs and services, including research, reference publications, innovations transfer, suggested state legislation and interstate consulting services.

The Midwestern Office supports several groups of state officials, including the Midwestern Governors' Conference and the Midwestern Legislative Conference, an association of all legislators in the region's 11 states — Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Nebraska, North Dakota, Ohio, South Dakota and Wisconsin — and the province of Saskatchewan.

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