SKILLS, THE RECESSION AND A TALE OF TWO ECONOMIES

Guest Commentary by
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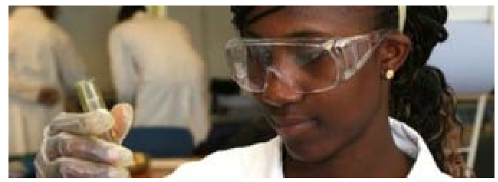
Economic times are bad, and the nation wants answers: What should policymakers be doing to get millions of Americans back onto a path toward prosperity? And what will the U.S. economy look like when it finally comes back from the Great Recession?



The media is on the case, and in its quest has recently given a lot of ink to the rarely covered topic of workforce development. For those running or funding local workforce programs, such press attention has seemed long overdue. With community college enrollments at unprecedented levels, and a near three-fold increase in clients at Workforce Investment Act (WIA)-funded One-Stop Centers and training programs, worker demand for new skills is at an all-time high. Unfortunately, much of the recent coverage has presented two contradictory pictures of the economy: one in which targeted investment in workforce skills is a no-brainer, the other in which job training is dismissed as inconsequential or out-dated.

Witness two articles that recently appeared within weeks of each other on the front page of the New York Times. On July 1st, "Factory Jobs Return, but Employers Find Skills Shortage" tells of Cleveland-area manufacturers who cannot find applicants, even among recently laid-off factory workers, with the necessary math and technical skills to fill waiting positions-a challenge which the National Association of Manufacturers says is hampering hiring by up to two-thirds of its members.

Two weeks later, the Times published "After Training, Still Scrambling for Employment," which questioned the Recovery Act's training efforts, based on the unfortunate stories of some re-trained workers who are still unemployed. This was followed a month later by a widely reprinted Labor Day piece from the Associated Press that further questioned the relevance of skills training even for a post-recession economy, given that manufacturing and the trades will be dead, and the only good jobs will be for those with a bachelors or graduate degree.

So, what's the real story? Here are a few observations to help to clear the confusion, along with some other recent press coverage to fill out the picture.

Don't let conflicting terms obscure the future reality about middle-skill jobs.

The AP story's depiction of an "hourglass economy"-where all jobs will either require low skills or a four-year college degree, with nothing in the middle-has been convincingly disproved by the research of Professors Harry Holzer and Bob Lerman and the organizing of National Skills Coalition's Skills2Compete campaign. Yet with so many construction and factory workers currently unemployed, some journalists have been drawn to analyses arguing that many skilled, non-professional jobs are dead and never coming back. But this is a leap that mistakes current fluctuations in the business cycle, or the restructuring of specific industries, as indicators of a brand new economy without middle-skill jobs. The data do not bear this out.

Further confusing reporters is how some analysts are using the term "middle skills." For example, journalists have recently cited a study by MIT Economist David Autor that says the U.S. labor market is polarizing, middle-skill jobs are disappearing, and successful workers will require "high skills" that he narratively equates with a college degree. Yet an analysis of Autor's paper shows that many of the occupations which he argues will be the source of future well-paying employment are, by Holzer and Lerman'sdefinition, middle-skill jobs requiring training past high school but not a four-year diploma.

Even the aforementioned AP story, which states that there will be no middle-skill jobs, says there will be lots of jobs requiring "specialized" technical training-in other words, industry-validated, middle-skill training by another name. While the terms clash across these articles, there actually seems to be a lot of agreement on the substance.

Some employers can't find skilled workers. Fill that gap, and we help the recovery.

It's not just manufacturers in Cleveland. The story is everywhere: the Wall Street Journal, Manpower's survey of its employer-clients, the Business Roundtable's national survey of firms, reporting by CBS news. Employers in certain sectors are ready to hire. Yet the structural skills mismatch that hampered their growth before the recession continues to slow hiring still today.

In fact ,as reported by Times columnist David Brooks, a recent International Monetary Fund study claims that the U.S. unemployment rate of 9.6% could be two to three points lower if more unemployed workers had been re-trained to the latest specifications. This was no fault of these workers. While their industries were transforming around them, the U.S. did less than their European and Asian counterparts to upgrade workers' skills. As a result, many laid off Americans with strong employment records have not been able to re-enter newly created jobs in their former industries, or even enroll in training for another skilled occupation, because of limited basic skills. Michigan found that one-third of the displaced auto workers entitled to re-training at a local community college couldn't enroll because of limited basic reading and math skills.

Thankfully, data from the U.S. Department of Labor show that people who are receiving publicly funded workforce services are benefiting. While placement rates are down due to the economy, retention rates and average earnings for re-employed training graduates are comparable or higher than they were pre-recession. Hopefully more re-skilled workers will soon see those labor market benefits as well, as aggregate demand increases and creates more employment opportunities.

Not All Training is the Same. Industry Engagement is Key.

Not all job training is created equally. Yet reporters sometimes make pronouncements on the effectiveness of training based on any graduate they encounter-whether that's someone who received a 6-week word processing certificate, or someone who earned an associate's degree in an occupation with a waiting employer committed to their hire. These are not equal cases.

When success stories are reported, they often prove to be connected to training developed in collaboration with employers and other industry or sector partners. Some in the press (CNN, among others) have also begun to acknowledge the findings of a recent, multi-year study by Public / Private Ventures on the effectiveness of sector-focused workforce programs.

National policymakers are starting to realize this distinction as well. In July, the House of Representatives passed-with bi-partisan, unanimous support-the SECTORS Act, which would dedicate federal funding to the creation of sector partnerships involving multiple firms, training providers, and other stakeholders. The Brookings Institution likewise noted at the White House Auto Communities conference (of which the Surdna Foundation was a sponsor) the promise that SECTORS holds for increasing workforce skills to support local industry-targeted development. This is particularly true for cities that want to re-tool their manufacturing and export capacity-a strategy that, as reported by the New York Times and Washington Post, our European competitors have already assessed is unattainable by the U.S. if it does not address its current skills deficit.

In sum, there is still a lot that we, our policymakers and the press still have to figure out regarding what will get our economy back on track toward prosperity. But there should little confusion about where new skills investments should figure into that solution.

The National Skills Coalition (formerly The Workforce Alliance) is a diverse network of local leaders drawn from the ranks of business, labor, community colleges, community-based organizations, and the public workforce system who have come together to advocate for an America that grows its economy by investing in its people, so that every worker and every industry has the skills to compete and prosper. For more information, go to www.nationalskillscoalition.org.

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