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To: Governor-Elect Rick Snyder

From: Corporation for a Skilled Workforce, Focus: HOPE, Jackson Area Manufacturers Association, Michigan Community College Association, Michigan League for Human Services, National Skills Coalition, New Economy Initiative, Talent 2025, The SOURCE, West Michigan TEAM

RE: A Policy Strategy for Winning with Michigan's Current Workforce

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Michigan's economic resurgence must start by growing from within, encouraging people already in Michigan to start and grow firms. However, with two-thirds of Michigan's projected workforce in the year 2020 beyond high school age, the state's new economy must also ensure that working age adults can acquire the skills they will need to succeed.

The state has begun to take up this work, with four significant policy initiatives that are being used as models by other states: No Worker Left Behind, Michigan Skills Alliances, Adult Learning Regional Partnerships, and the Michigan Green Jobs Initiative. These initiatives provide a strong foundation from which the Snyder Administration can accelerate even more innovative strategies such as:

- Set a goal to increase the number of adults with a post-secondary credential;
- Invest in cross program data systems to measure workforce outcomes of adult learners;
- Enhance the capacity of community colleges to meet emerging skills education and training needs of Michigan's industries and workers;
- Appoint a Chief Talent Officer to work under Governor Snyder and coordinate education, economic and workforce development efforts across state agencies and programs;
- Keep major adult education and workforce programs within one agency and enlist the Chief Talent Officer to coordinate other skill building programs and investments housed in other departments;
- Sustain and expand philanthropic partnerships that can fund R&D opportunities and lead to important transformational strategies;
- Ensure new appointments to the Council for Labor and Economic Growth (CLEG) have an ear to Michigan's labor market demands and a vision for how the state can best position its workforce to address these demands; and
- Host a Talent Summit featuring key business, education, and research leaders to launch the administration's "Reinvent Michigan's Talent Plan" and build support around the plan.

## A Policy Strategy for Winning with Michigan's Current Workforce

As Governor-Elect Snyder has noted, building Michigan's new economy must be anchored by growing from within, encouraging people already in Michigan to start and grow firms. A crucial dimension of that strategy must be ensuring that our state's working age adults can acquire the skills they will need to succeed within a dramatically changing economy. In the glory days of Michigan's automotive-based economy, the state had a workforce with skills well aligned with industry needs. Today, many unemployed or underemployed workers struggle to find new jobs because their skills do not transfer well in the state's new economy.

Furthermore, two-thirds of the 2020 Michigan workforce is already beyond high school; Michigan's next decade of strategy must involve helping those workers transition to new careers using higher and different skills and knowledge. Not doing so may only prolong the unemployment and underemployment of these workers.

The state has begun to move in this direction, including four significant policy initiatives that are being used as models by other states:

- **No Worker Left Behind** is a strategy to dramatically increase the skills of working age adults;
- **Michigan Skills Alliances** shift the state's focus from individual firm customized training to working at the industry sector level;
- **Adult Learning Regional Partnerships** are currently being built across the state to reinvent how the 1.7 million Michigan adults with low basic skills succeed in career pathways that result in post-secondary degree attainment; and
- **Michigan Green Jobs Initiative** focuses on how Michigan prepares its workforce for employment linked to clean energy development and sustainability policy.

These policy initiatives provide a strong foundation from which the Snyder Administration can accelerate even more workforce development innovations and align Michigan's workforce strategy with economic development strategies. By building on these successful policies and incorporating new game changing strategies, Michigan has the opportunity to lead the nation in preparing its workforce for the new, knowledge-based economy.

### The Challenge: Skills Gaps in Michigan's Workforce

Michigan's economic transformation depends on workers who hold a range of skilled credentials including bachelor and advanced degrees as well as occupational certificates, industry certifications, and associate degrees. Skills deficits in the workforce persist and threaten long-term growth and prosperity.

A stark reality Michigan faces is a large proportion of the workforce – well more than 1 million workers – is struggling to make the transition to new careers after losing jobs, many now living in long-term unemployment. They need opportunities to move into jobs in new sectors or catch up to new technologies in their chosen fields. One key dimension of that challenge is the misalignment of their “old economy” skills and what they will need to be employable in family-supporting jobs going forward.

- **Michigan’s industries demand skilled workers** – According to Georgetown University’s Center on Education and the Workforce, 62 percent of jobs in Michigan will need a two-year degree or more by 2018.
- **Michigan trails in educational attainment** -- Only 35 percent of Michigan adults possess a two-year degree or more, below the national average and well below both leading states and researcher projections of need.
- **Basic skills gaps are enormous** -- One-third of working age adults, or 1.7 million, lack the basic skills needed to succeed at a community college or knowledge-based job. Approximately 70% of students who enter a community college must first take remedial courses. Few of them successfully complete a program and earn a degree.
- **K-12 improvement is not enough** – Helping more workers earn postsecondary credentials cannot be solved just by improving education outcomes of youth moving through the K-12 system. About 64 percent of Michigan’s workforce in the year 2020 was already working in 2005, long past the K-12 system.

### **The Goal: Ensure Economic Stability and Growth with a Better Educated Workforce**

Michigan has the opportunity to lead the nation, which too faces the daunting task of economic restructuring, by establishing innovative policy that aligns the skills of its workforce with the demands of its industries.

- **Increase the number of working adults holding a postsecondary credential** -- Set a goal to “double the number” of adults with a post-secondary credential as a multi-year effort, as well as metrics for year-to-year increases.
- **Accelerate policies that can prepare workers for a knowledge-based economy** -- Without a scalable, sustained strategy to improve educational attainment among adult workers, Michigan’s workforce will not be positioned to help Michigan rebuild its economy with knowledge age jobs. Michigan began such a strategy during the past several years; the challenge now is to sustain and accelerate it.

## The Opportunity

Michigan has a head start in transforming our workforce compared to other states. The silver lining in our prolonged recession is that employers realize that skills are essential to innovation and growth, and workers understand that skill development offers a path back to sizable earnings and advancement opportunities. What's more, in at least the short-term, funding for workforce training in Michigan's budget can be drawn from federal sources and not be a factor in the challenge to balance the general fund.

- **Employers in key industries are embracing the need for greater skills --** The days of employers looking for strong backs only are mostly gone. Across manufacturing, healthcare, and other key industries, employers are using increasingly skilled workers to attain productivity and quality results. In fact, they are in many instances collaborating in joint ventures to build a more skilled labor pool in their industries, through Michigan Skills Alliances and similar strategies.
- **Adult workers who are at risk understand they need to go back to school --** With almost no promotion, Michigan's *No Worker Left Behind* initiative (offering up to two years of free tuition to unemployed and low-income workers) has been flooded with huge demand. This high demand is consistent with just published findings in a Detroit News/EPIC-MRA poll that shows a substantial upward change over the past five years in the proportion of parents who believe it is essential for their children to obtain post-secondary credentials.
- **Most workforce strategies are funded outside the state general fund --** This is work that won't conflict in the short term with solving the general fund shortfalls Michigan faces. Most workforce programs are federally supported (with funds dedicated to that purpose), with an exception that part of adult education support comes from the school aid fund. A reality is that federal funds are insufficient to undertake all of the adult learning work Michigan needs, and a long-run reinvention of approaches to funding this increasingly crucial work is required. In the near-term, focusing on optimizing the use of federal funds in this arena is an essential starting point.

## The National Picture: Policy and philanthropic efforts to match skills to labor market demand

National trends in policy development and foundation giving are moving in the precise areas in which Michigan has already begun to innovate.

- **State Sector Strategies --** Over 25 states have implemented statewide sector or industry strategies, similar to Michigan Skills Alliances, to better align state labor market demands with the skills of the workforce. These strategies connect multiple firms from a specific industry with education, labor, workforce, and other stakeholders to develop customized skills training solutions for that industry and

help grow a regional economy. Sector strategies address immediate skills gaps and implement long-term plans to grow the industry with a better trained workforce. Private foundations – in particular the Charles Stewart Mott Foundation -- have served as the impetus of this work, which has since won the support of public investments. The National Governors Association Center for Best Practices has also championed this work over the last several years.

- **Career Pathways** -- National population projections show that two-thirds of workers expected to be in the labor market in the year 2020 were already working in 2005. This means that adult workers need flexible access points to education and training to keep up with labor market demands. Career pathways are reconfigured education and training programs that allow adult students to improve their basic literacy and numeracy skills and earn postsecondary educational credentials while they work and support their families. Arkansas, Kentucky, Oregon, and Washington State have led the way in aligning adult basic education, job training, and higher education systems to get adult workers through the education pipeline. Michigan is part of the Joyce Foundation's *Shifting Gears* initiative, which is also supporting policy change to tackle this need in Indiana, Illinois, Minnesota, Ohio, and Wisconsin.

### **Game-Changing Building Blocks**

Through a mix of strategies, including No Worker Left Behind, Regional Skill Alliances, and Adult Learning Regional Partnerships, launched by the State, private foundations, and regional partnerships, Michigan has initiated the transformations needed to grow its economy and ensure that the workforce can adapt to it. These strategies should be sustained, and supplemented with a few others that carry great potential.

- **No Worker Left Behind** -- This strategy focuses on encouraging unemployed and low income workers to increase their educational attainment with credentials that are in demand by Michigan employers. The state has offered up to two years of free tuition for programs that result in attainment of an in-demand credential. More than 140,000 have enrolled in just over three years, and it is not unrealistic to say that number could've been doubled had the resources been available to operate at that scale. The initiative has been funded mostly by aligning multiple federal workforce funding streams and has resulted in Michigan using more of those resources for worker training than nearly any other state.
- **Michigan Skills Alliances** -- Michigan has been a leader in shifting its focus from only organizing firm-by-firm training packages to working with industry partnerships in regions or specific industrial sectors across the state. More than 40 Michigan Skills Alliances operate, spanning several industries. Within them, employers collaborate to define their training needs and then jointly work with training and education providers to develop customized solutions that meet their

skill needs. Customized solutions may include new training programs to upskill an industry's existing workforce or strategies for ensuring new or potential hires gain the skills needed by the industry. A majority of states have in recent years adopted similar strategies, for which evaluators have documented improved results when compared to traditional training programs. The Mott Foundation has collaborated with the state in developing and supporting these alliances.

- **Adult Learning Regional Partnerships** -- This strategy has been created to focus on how to reach the 1.7 million working age adults with low basic skills, a tiny fraction of whom are served today by adult education programs and remedial courses at community colleges. The core idea is that a learner who starts with low basic skills will need support from multiple resources in their community to attain a two-year degree or more. To align services to increase the attainment of low skill adult learners, the state has launched regional partnerships involving adult education providers, community colleges, and Michigan Works! Agencies as well as other community organizations working on aspects of this issue. They're charged with developing and operationalizing regional strategies that result in substantially increased educational attainment for low-skill adults. This means a GED is no longer considered a successful outcome, but rather just a milestone on the way to credentials more directly relevant to good jobs. The Joyce Foundation's *Shifting Gears* initiative is supporting this work in part, with federal and state adult education funds being the core support.
- **Regional Entrepreneurial Collaboratives** - This network of support for entrepreneurs was launched by DELEG to encourage regions to focus on aligning diverse resources in this cause. MEDC and DELEG have also developed a joint framework for an Interagency Entrepreneurship Initiative to increase the alignment of policy and strategy across state government resources that can support entrepreneurs.
- **Investing in Michigan's Green Economy** -- Innovations in "green jobs" have the potential to play an important role in the state's new economy. Michigan has made this an important building block, including establishing a baseline of the quantity of "green jobs" in the state, and using American Recovery and Reinvestment Act funds to support renewable energy projects and skills training for advanced energy storage, solar energy, and energy efficient construction. DELEG has been convening a Green Partnership Team in which diverse private and public sector leaders are developing strategies to increase the scale and range of "green jobs" in the state.

## Opportunities for More Game Changers

Reinventing Michigan means building upon its assets. These proposed game changing strategies build upon prior work, but also help the state innovate in some new directions.

- **Data and Metrics** -- Michigan, like nearly all other states, has lacked cross-program data needed to do any meaningful measurement of what's working and what is not. This year, as part of a national movement to create P-20 performance data systems, Michigan took the first steps to bring data about adults into the up to now K-12-centered system being constructed by the Center for Educational Performance and Information (CEPI). If this fledgling effort, funded with a federal grant, is aggressively encouraged and accelerated, it would be possible to begin to see solid baseline information about adult learners within 1-2 years. In a related opportunity, DELEG recently entered into a strategic research/evaluation partnership with the Ford School at University of Michigan and three community colleges that would result in establishing a new hub for evaluative research on workforce strategies focused on Michigan.
- **Community College Transformation** -- Michigan has 28 separate, locally controlled community colleges, not a state system as found in other places. While funding for community colleges has fared better than other state-funded programs in Michigan's tight budget years, record enrollments continue to put pressure on the capacity of community colleges to provide quality, industry-recognized programs. Their strategic potential has become more widely understood. A recent Detroit Free Press editorial reiterated what many have said in the past few years – a strong set of community colleges is essential to growing agile companies and workers. Several national foundation-supported initiatives are encouraging the colleges to dramatically reinvent how they do business. Michigan is involved in a few of these efforts but by no means all of them. Putting a strong focus on encouraging community colleges to transform to meet the needs of Michigan's new economy and creating a funding strategy to support such action offers another opportunity to enact game-changing policies.
- **Chief Talent Officer** -- During Governor Granholm's second term, she named Andy Levin of DELEG to be her Chief Workforce Officer, responsible for "connecting the dots" into clear strategies spanning the several departments, including the state's education and economic development systems, that host some aspect of workforce development. A national lesson is that states with someone clearly in charge of workforce strategy move faster and with broader penetration than those that lack such a role. Continuing some variation on the idea of a Chief Workforce Officer provides such a lever for the new administration.
- **Keep Major Workforce Programs Within One Agency** - During the 1990s, Governor Engler undertook massive restructuring that brought the major workforce and adult education programs into a single department. Governor Granholm maintained that thrust and went still further to integrate those programs into a more unified strategy. This alignment greatly enhances the ability to leverage and combine efforts across multiple funding sources toward a common strategy.

- **Align Efforts Across the Cabinet --** While currently most workforce programs live within DELEG, some are based in other departments: transportation, agriculture & natural resources, education, community health, human services, and so forth. States use many mechanisms to seek internal alignment; whichever the Governor chooses for Michigan, it is important to make workforce one of the issues through which integrated efforts to build and accomplish unified strategies is expected. This should be led by whomever is named the Chief Talent Officer.
- **Sustain and Expand Philanthropic Partnerships --** Michigan is currently partnering with a number of national foundations on workforce strategies, including the Charles Stewart Mott Foundation, the Ford Foundation, the Kresge Foundation, the John S. and James L. Knight Foundation, the Joyce Foundation, and the Lumina Foundation for Education. These partnerships have provided R&D opportunities that have resulted in important transformational strategies. The new Governor would be well served to embrace this approach and seek opportunities to expand it as a leverager of change.
- **Appointments to the Council for Labor and Economic Growth --** The Council is charged with providing strategic guidance to the Department of Labor, Energy and Economic Growth and the state workforce development system. By federal statute, the Council is majority business, with other members including leaders from education, labor, and human services, as well as state and local officials. Appointees with an ear to labor market demands and a vision for how Michigan can best position its workforce to address these demands would be most helpful to the incoming Administration. Some states make these federally required state boards major vehicles for change; others give them lower priority and focus. If you make this a major vehicle for change, appoint a strong, trusted chair capable of leading such work.
- **Host Talent Summit -** Mobilize key business, education, research, and other leaders to launch a “Reinvent Michigan’s Talent Plan” and build support around the plan.