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Workforce Committee Final Report

December 1998

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ate Majority Leader Roger Moe, Chair

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Senate

State of Minnesota

December 1998

Dear Friend:

Minnesota's economy is booming. Unemployment rates are at a record low. The state's economic growth rate is exceeding even the most optimistic previous projections.

However, beneath the good news are some troubling realities. Minnesota is experiencing a labor shortage that may dampen future economic growth. Complicating the issue is a "skills gap" which prevents many workers from getting better jobs and many businesses from finding the skilled workers they need to increase productivity. Finally, while the average unemployment rate is under 3 percent, some groups of citizens are still struggling to find jobs. For instance, the disabled community has an unemployment rate near 70 percent.

In an effort to respond to Minnesota's workforce challenges, I asked several leaders from business, labor, higher education, state agencies, the community and the legislature to join me and participate in a task force. The goal was to assemble a group of workforce experts, representing a variety of viewpoints, and seek their policy recommendations. This final report contains those recommendations.

I want to thank all of the committee members for volunteering their time and talents to this effort. I sincerely appreciate their hard work and dedication. I want to give special thanks to Monica Manning who volunteered as facilitator. She was very helpful in focusing our discussions and our work.

The workforce challenges before us are huge, but Minnesota has many strengths that give us an advantage over other states and nations. I believe we can move forward and rise to these challenges. I also believe that if we do not move forward, we will lose economic opportunities to other states and nations that are more responsive and positioned for the economic challenges ahead.

To all of you who have been working on the front lines of these challenges, thank you for your dedication. I promise to join you in your efforts. Together, we can position Minnesota's economy, employers and employees for even greater success in the future.

Sincerely,

A handwritten signature in cursive script that reads "Roger D. Moe".

Roger D. Moe
Senate Majority Leader

PREFACE RECEIVED

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A Changing Economy

The changing conditions of Minnesota's labor force and economy create huge challenges and opportunities to the people of Minnesota.

Minnesota's unemployment rates are well below the national average causing labor shortages for many employers. Minnesota's seasonally adjusted unemployment rate was 2.2 percent in October 1998 compared to 4.6 percent nationally. Thirty-three counties had unemployment rates below 2 percent for the same month. This compares to the fact that for decades the term "full employment" was defined as an unemployment rate in the 5 to 6 percent range. Achieving "full employment" has been the goal of federal and state policymakers, and policies, for several decades.

Most of those studying demographics and the economy believe today's labor shortage is chronic, not temporary. Further, the shortage cuts across every sector of our state's economy and all occupations, regardless of skill level. Minnesota's high-tech industry currently competes nationally for skilled workers and they estimate they will need 8,800 new technology workers every year for the next 10 years. A September 1998 report by the Humphrey Institute of Public Affairs, *The Education Industry Report: Workforce Issues and Linkages*, indicates that "in the next 5 years, 18 percent, (or almost one-fifth), of all Minnesota's teachers will be retiring." Others project that in the next 10 years, half of our teachers will be at or near retirement age. Many nursing homes are also finding it difficult to fill nursing assistant positions as potential workers go elsewhere for higher wages.

In addition to this labor shortage is a "skills gap" that often prevents workers and businesses from moving ahead economically. The training and retraining needed to plug this gap runs the gamut from soft skills to English as a Second Language (ESL) to industrial and high technology skills. For workers, this training may be the key to initially getting a job or attaining a better job. For businesses, this training may be the key to increasing productivity during a labor shortage and remaining competitive in a global economy.

The stakes to Minnesota's workers, businesses and the state as a whole are huge. Minnesota has an opportunity to position itself for the 21st Century. What better time to make these adjustments than when Minnesota is in top fiscal health? By moving ahead on workforce strategies now, Minnesota can extend these good economic times and be more insulated from future economic downturns.

Workforce Committee Process

With Monica Manning volunteering as facilitator, the Workforce Committee meetings focused on building a shared understanding among members about current workforce trends, challenges, state accomplishments and what might be done to better position Minnesota's economy for the 21st Century. The process relied heavily on small group work, with the small groups often developing an issue and then reporting their work to the full committee. The committee held five meetings over the summer and fall with the final meeting on November 30, 1998.

The committee concluded by identifying five policy recommendations. Each recommendation was nominated and developed by separate small groups at the November 17, 1998 meeting and later presented to the full committee for review at the final meeting. The five issues developed into recommendations were chosen as priorities from a list of fifteen issues advanced at the September meeting.

The five policy recommendations are enclosed in this final report as well as a summary of the final committee discussion and thoughts regarding those recommendations from the November 30, 1998 meeting.

WORKFORCE COMMITTEE MEMBERS

Linda Baer
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Student & Academic Affairs
MnSCU

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President
Bemidji State University

Duane Benson
Executive Director
Minnesota Business Partnership

Robert Bruininks
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The Honorable Lyndon R. Carlson
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Mary Eaton
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Don Gerdesmeier
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* Shared duties with Robert Bruininks

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The Honorable Cal Larson
Minnesota State Senate

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**Workforce Committee Members,
continued**

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POLICY RECOMMENDATIONS

I. INCUMBENT WORKFORCE DEVELOPMENT

POLICY: Expand access to training opportunities to provide for continuous improvement of skill development across the entire workforce.

GOALS: Develop a systematic and integrated approach to education and training that allows all workers to upgrade skills via incentives and partnerships among individuals, all levels of government, public and private employers and non-profits. Create flexible, continuous educational opportunities to assist workers to upgrade their skills during any phase of life.

STRATEGIES:

Incumbent Worker Strategies:

- Provide varying incentives and encourage diverse partnering which assists different employer and employee groups in responding to their particular training needs:
 - Employer - large, medium and small employers; also employers in rural, urban and suburban parts of the state.
 - Employees - employees already in the work force, i.e., incumbent workers, disabled and retirees.
- Encourage flexible training opportunities for all employees.
- Use technology to expand the times and places training is available to individuals, i.e., on-line computer training available at home or work.
- Educate people about the importance of life-long education and training for all employees.

Prospective Worker Strategies:

- Expand the array of job and career options presented to junior high and high school students (current mind set promotes four year degrees).
- Encourage partnering to address the cultural barriers faced by minority groups and immigrants who seek training.
- Encourage partnering to assist employers and employees in removing barriers to education, training, child care and transportation.

EFFECT OF POLICY: This will allow individuals greater employment opportunities and increase the productivity of the state's businesses by providing a better skilled workforce.

RESOURCES: Existing federal, state, local and private funding sources and mechanisms should be examined to see how they can be maximized to attain on-going workforce development. Private sector investment in education and training should be examined to better understand existing training resources and to facilitate education and training of employees.

Final Thoughts By Committee Members - November 30, 1998

This page reflects the November 30, 1998 discussion among committee members as they reviewed the policy recommendation on incumbent workforce development which had been developed on November 17, 1998 by the small group working on this issue.

Incumbent Workforce Development - Workforce committee members agreed that it is crucial to expand access to training opportunities to provide for continuous improvement of skill development across the entire workforce. Expanding access to training and retraining would allow individuals greater employment opportunities and increase the productivity of the state's businesses by providing a better skilled workforce. Much of the final discussion on this issue revolved around questions of whose responsibility, or role, it is to provide or pay for the training, and who should implement or direct the training.

Responsibility for Training and Retraining? This part of the discussion concluded that a considerable amount of training and retraining is being done by Minnesota's private employers, an estimated \$2 billion annually, and the state's largest employers are the most likely to provide it to their employees. For a variety of reasons, small and medium-sized businesses often lack access to the training they need. Individuals who desire to upgrade their skills also often lack access to training opportunities. Members emphasized that individuals and smaller businesses should be the focus of new efforts aimed at expanding access to training and retraining efforts and that a shared responsibility exists among individuals, businesses, government and training providers to help make that training available.

What Entity Should Direct Training and Retraining Efforts? It is estimated that Minnesota has 2.5 million citizens currently employed (i.e., incumbent workers) and members commented that no institution or entity is currently focused on making continued training available to them. It was suggested that the Minnesota State Colleges and Universities system (MnSCU), or a part of MnSCU, take on the role of training and retraining available to incumbent workers, but that private business must be a key player in developing all programs. Others added that providers of training, individuals and businesses are really three constituencies and that the use of partnerships, incentives and flexibility must be emphasized in order not to centralize any incumbent training efforts.

POLICY RECOMMENDATIONS

II. SYSTEMATIC WORKFORCE DEVELOPMENT

POLICY: Improve the coordination of workforce training and raise the skill levels of Minnesota's workers in order to attract and retain businesses and employees, expand local community economic development and strengthen Minnesota's competitive edge in the global marketplace. "Knowledge is the resource of the future" and training which provides that knowledge is the key to being successful in that future.

GOALS: Create a systematic statewide approach to provide an interface between employers, employees and training providers, while involving the state's industries, businesses, employers and higher educational systems. Create a consistent system that incorporates economic and workforce development programs so they can work together and become one.

STRATEGIES:

- Concentrate first on incumbent workers, underemployed and unemployed individuals who comprise the current Minnesota workforce.
- This new statewide system/structure or process must be independent from existing systems, such as U of M, MnSCU, DTED, DES, etc., although all of these groups will be involved.
- K-12 is important and also involved in training, but including K-12 now would provide too large a scope.
- Provide for state support.
- Businesses should lead or drive this process with assistance from government, much like the process for developing new K-12 charter schools which are locally driven but state supported.
- Establishing a "Corporate College" or redirecting MnSCU's efforts toward technical training.

RESOURCES: Considerable resources are currently available in company training budgets and the state's post-secondary and K-12 systems. Much of the necessary structure is also available. The new system should attempt to identify existing funds that could be "redirected" to accomplish the goal of concentrating all training efforts, or move the current system toward this new statewide system.

Final Thoughts By Committee Members - November 30, 1998

This page reflects the November 30, 1998 discussion among committee members as they reviewed the policy recommendation on systematic workforce development which had been developed on November 17, 1998 by the small group working on this issue.

Systematic Workforce Development - Training and retraining incumbent workers is vital to Minnesota's economic future and positioning in the global economy. The discussion of retraining efforts then turned to how to create a "system" which brings together workforce development and economic development and secondly, the importance of making employers a key voice in this system.

Who Can Provide Systematic Workforce Development? Again, some believed MnSCU institutions to be logical providers of training and retraining programs for incumbent workers. However, some added that any entity responsible for overseeing systematic workforce development should be separated from the institution of MnSCU. The concern was to ensure that any approach to workforce development be driven by employers and the training needs of the market, and the individuals needing retraining, as opposed to the needs of an "institution." Another suggestion was that the tax code be amended to provide tax incentives to help small employers pay for retraining needs.

The Role of Employers in Systematic Workforce Development - Providing employers a strong voice in any systematic approach to workforce development was a common theme voiced by many committee members. Regardless of what entity might be responsible for future workforce development oversight, many members emphasized that such an oversight entity must include employers to help ensure it is responsive to their needs and accurately reflects job market opportunities. Businesses, especially smaller, not only need assistance with retraining, but often need help diagnosing what their retraining needs are. Employers need to be involved initially and throughout each stage.

POLICY RECOMMENDATIONS

III. CREATIVE WORKFORCE PARTNERSHIPS

POLICY: Provide incentives and remove barriers to establishing creative workforce partnerships to enhance Minnesota's economic capacity, strengthen Minnesota's economic competitive edge globally and provide added value to individual partnership members.

GOALS: First and foremost, focus on the needs of the end-user, the individual business. Establish the capacity to quickly respond, be flexible and adaptive to change. Make individual businesses, labor and post-secondary institutions the key players, but also include the Department of Trade & Economic Development, Department of Economic Security, K-12 schools and community based organizations. Partnerships may use an industry group approach.

STRATEGIES:

- Funding incentives to form partnerships.
- Remove policy and fiscal barriers to forming partnerships.
- Increased application of shared and/or reallocated resources.
- Create a core capacity within government, particularly in higher education, to serve businesses' needs and provide dedicated resources for it. (Core capacity is a core ability, or specific basic products and services, which are available to businesses and industries).

EFFECT OF POLICY: Providing new opportunities for workforce partnerships will expand economic development opportunities for businesses and individuals while also providing higher education institutions with opportunities for developing new course programs and degrees that are responsive to businesses' needs.

RESOURCES: All members must contribute resources of some kind, i.e., intellectual, financial or other in order to maximize the leveraging of resources available. Resources to help assess an employer's training needs and create training programs at a higher education institution are areas of critical need. Assuming governmental agencies, including higher education, currently dedicate about 2 percent of their budget for workforce initiatives, the goal should be to increase this, through new or shifted resources, to approximately 25 percent. Outcome measurements should be tied to funding to help participating governmental agencies and higher education institutions demonstrate how they are more responsive to employers as a result.

Final Thoughts By Committee Members - November 30, 1998

This page reflects the November 30, 1998 discussion among committee members as they reviewed the policy recommendation on creative workforce partnerships which had been developed on November 17, 1998 by the small group working on this issue.

Creative Workforce Partnerships - Measures to encourage developing creative workforce partnerships were supported by several committee members as a way to leverage resources and as a potential vehicle for creating "systematic" workforce development. Some members had the opinion that while a significant amount of partnering was taking place at the local level, it could be increased at the state level. Others emphasized that partnerships should be considered in very broad terms. However, while partnering can accomplish many things, it has its limits.

Expanding Partnering - Some members suggested that when partnerships are considered that a very broad array of trainers and analysts should be considered. More potential partners will allow for more ideas and training options. Some committee members not only pointed to training and retraining needs, but also to the need for delivering training in new forms, such as interactive materials in order to improve learner outcomes. Likewise, partnering issues should not only assess the skill training needed by the employer, but the learning needs of the individual workers and how best to present that training to the worker. Further, committee members pointed out that upgrading the skills of one business often causes a ripple-effect impacting businesses which supply or purchase products from the business getting trained. These related businesses may also need to be involved when training partnerships are considered.

Partnering and Training Has Limits - Committee members pointed out that the most successful companies heavily invest in training and retraining of their employees. Training investments are often considered to be an indicator of how successful a business is. However, a caution was added that many of the problems businesses experience are not related to training issues and cannot be solved by skill improvement strategies such as partnering for training purposes. While partnering has the potential to help make businesses more successful, it will not help solve all of the problems and challenges faced by businesses.

POLICY RECOMMENDATIONS

IV. CAREER PLANNING

POLICY: Provide assistance in developing and maintaining a lifework plan for all learners, particularly in middle school, focusing on providing information and experiences to learners to match interests and skills to career opportunities.

GOALS: Develop interest in career opportunities that pay good wages and provide information through school and business to facilitate a good match between skills/interests and career opportunities. Start this process in elementary school, focus especially in middle school and continue in high school when career choices are starting to be made. Finally, nurture and provide mechanisms that allow for a lifetime opportunity to match skills and interests to career opportunities.

STRATEGIES:

- No less than one counselor for every 250 students in K-12. Counselors should follow and keep track of students throughout their K-12 education.
- Community/business partnerships exposing kids to real-work life, including internships.
- School-based enterprise.
- Separate crisis counseling from career counseling to ensure career counseling is available and focused on career information and opportunities.
- Summer workshops for counselors to their upgrade skills with no charge for tuition.
- Information provided to learners should include labor market information, skills needed (SCANS), intern opportunities and soft skills such as interviewing.

EFFECT OF POLICY: Providing a better match with skills/interests and career opportunities will have the effect of reducing education costs and social costs by more focused workforce preparation and a better employed and satisfied workforce.

RESOURCES: This policy would require significant new resources in the form of funds and personnel, both of which would have difficulty in being obtained. However, many resources are currently in place and would simply need to be refocused, promoted and/or redirected.

Final Thoughts By Committee Members - November 30, 1998

This page reflects the November 30, 1998 discussion among committee members as they reviewed the policy recommendation on career planning which had been developed on November 17, 1998 by the small group working on this issue.

Career Planning - Committee members shared the opinion that greater emphasis on career planning is needed at all levels, for all workers and that this need will only increase in importance in the future.

Committee members had differing opinions, however, on whether a new emphasis on career planning should target students in the K-12 system, or older incumbent workers. Those in favor of targeting K-12 students argued that career counseling options are available to adults, but generally not available to students and that younger students should instead be the focus to ensure they get off to a good career start. Others believed the most important message to younger students is to be a life-long learner and that the current labor shortage and skills gap requires emphasizing the details of career planning with incumbent workers since they will be the vast majority of the state's workers for many years to come.

Some Challenges to Career Planning - Committee members emphasized the many challenges to career planning. Advancements in technology make career planning difficult since many jobs which will be available in the future perhaps do not even exist today. Technology changes will also make career counseling available in new formats, such as career counseling via inter-active video packages. Career planning needs also differ based on the individual's circumstances. The state's new WorkForce Center System was also suggested as one logical place to go for career "check-ups."

POLICY RECOMMENDATIONS

V. CUSTOMER-FOCUSED, DEMAND-BASED LEARNING

POLICY: Create a customer-driven workforce learning system which empowers the individual and operates within the confines of industry-based employment demands.

GOALS: Increase the skills of Minnesota's workers and match those new skills with the needs of industry. Give individuals more control over their learning. Improve the individual's ability to respond to employer-based job demands and obtain the learning that best meets their needs. Assist individuals in obtaining learning that results in good paying jobs. Make learning more flexible to the needs of workers and responsive to the needs of employers.

STRATEGIES:

- Provide funding for learning directly to individuals.
- Provide incentives to individuals who choose to train in high-demand areas or industry fields, i.e., information technology, e-commerce, etc.
- Incentives to individuals could include tuition waivers, as well as state tax credits or deductions for training or retraining costs.
- Encourage learning systems which are flexible, able to respond quickly to market trends and which provide for flexible curriculums that can deliver on-site and on-line job training.

EFFECT OF POLICY: Policies which emphasize matching skills with demand will more effectively fulfill the public's purpose. Training funds will be linked more closely to individuals and linked less to systems. More training options will be available to individuals. Training vendors, which may be public or private, will be held more accountable. Competitive environment would likely result in an increase in market share for those training vendors meeting customer needs and a decrease for those that do not.

RESOURCES: This policy change may, or may not, require new resources. Current expenditures must be examined first before considering any new funding.

Final Thoughts By Committee Members - November 30, 1998

This page reflects the November 30, 1998 discussion among committee members as they reviewed the policy recommendation on customer-focused, demand-based learning which had been developed on November 17, 1998 by the small group working on this issue.

Customer-Focused, Demand-Based Learning - Two proposals came together in this policy proposal. First, training funding should be linked more closely to individuals who may then choose any training provider available. Secondly, training funds should be more closely linked to occupations and skills where demand exists and good paying jobs are available.

Discussion of this policy proposal included aspects of each of the previous four proposals. Committee members offered a variety of challenges, suggestions and comments.

Challenges, Suggestions and Comments - Decisions regarding what training to take or what should be made available pose challenging questions about economic realities to both individuals and training providers. Committee members expressed concern that individuals should have the most complete information possible about skills required for jobs, training providers available to teach those skills and existing information about job availability and future career trends.

Others added that training incentives made to individuals should be targeted to particular occupations or sectors with great need. Others warned that it is difficult to predict where jobs will be and prediction attempts are often wrong, especially in today's dynamic global economy.

Proponents of this concept of customer-focused, demand-based learning argued that the two concepts really do tie together employers, employees and trainers. In such a system, employers decide what training they need. Training providers compete against each other to provide that training. And individuals choose what training fits them and what trainer best suits their needs.