

Toward a 21st-Century Workforce: The Job Opportunity Investment Network

Seth Green 10 May 2010

Summary

The Job Opportunity Investment Network (JOIN) is a regional fund that unites Greater Philadelphia businesses, workers and social investors to build pathways out of poverty for low-skilled adults. Greater Philadelphia is currently experiencing parallel workforce crises: businesses in the region are unable to fill good jobs at the same time that an alarming number of residents are unable to find employment. The root cause of these crises is the mismatch between the skills required for the jobs of the future and the much lower skill level of many Greater Philadelphia residents. JOIN invests in industry-led partnerships that simultaneously address both crises by preparing low-skilled workers to fill available mid-level jobs. Through these partnerships, JOIN enhances the region's workforce system to better meet the needs of 21st-century workers and businesses.

Greater Philadelphia's Talent

Mismatch

Over the last half-century, the United States has moved from a manual labor–based economy to a skills-based economy. In 1950, less than three in every ten jobs required a postsecondary credential; today nearly eight in every ten jobs requires such a credential (Shaw 2009: 1). Philadelphia has witnessed this transformation firsthand. One in four city jobs in 1979 was in the manufacturing sector. By contrast, only 1 in 20 city jobs today is in manufacturing (Suarez 2009). As the types of jobs in our economy have shifted, so have wages. In 1975, a college graduate earned just 40 percent more than a high school graduate. By comparison, today's college graduate earns twice as much as a high school graduate (Day and Newburger 2002: 4). Echoing this trend, the average ratio of CEO wages to worker wages was 27 to 1 in 1973; that ratio now is 270:1 (Economic Policy Institute 2009).

All of these indicators point to one unmistakable fact: skills have become the great differentiator in the American economy. Indeed, the United States has moved from a middle-class economy with decent wages for all to a bifurcated economy with one set of wages for the skilled and another set for the unskilled. This nationwide economic transformation has hit Philadelphia especially hard, because the vast majority of city residents fall into the latter category. Philadelphia ranks 92nd out of the 100 largest U.S. cities in its percentage of college-educated

residents (Philadelphia Workforce Investment Board 2007). Not coincidentally, it also ranks 96th out of that same group of cities in the percentage of working-age residents who are employed (Brookings Institution 2003).

When quantified, the mismatch between the skills this city has and the skills it needs for the new economy is especially staggering. The Philadelphia Workforce Investment Board has found that although more than half of the city's population is low-literate, only three of every ten city jobs can be performed by someone with low literacy. That leads to an enormous imbalance: 550,000 low-literate individuals in the city compete for just 211,000 jobs. The result is a labor market environment in which nearly half of Philadelphians are neither working nor looking for work, and in which the 40 percent of Philadelphians who do find work still earn poverty-level wages (Philadelphia Workforce Investment Board 2009).

Meanwhile, workers in Philadelphia are not the only ones struggling. Businesses that rely on skilled labor are concerned about the future of their talent pipelines, as baby boomers begin to retire. Hospitals anticipate a nursing shortage. Transportation and logistics companies worry about a lack of well-trained operators. Clean energy companies fear that growth in the green economy may outpace growth in the skilled labor market. As a recent report by the global employment firm Manpower observes, "Despite global recession and the weakest employment outlook in decades, employers are

nonetheless facing a scarcity of talent in critical areas." Indeed, 19 percent of U.S. firms in Manpower's study said they have had difficulty filling jobs because of a lack of available talent (Manpower 2009).

The Innovation: Industry-Led, Career-Oriented Partnerships

In 2008, the John S. and James L. Knight Foundation, the Philadelphia Workforce Investment Board, the United Way of Southeastern Pennsylvania, the William Penn Foundation and the Commonwealth of Pennsylvania came together to address Philadelphia's dual workforce crises by establishing the Job Opportunity Investment Network. Over the past two years, JOIN has raised \$4 million to build and support industry-led partnerships that simultaneously address the skill needs of low-income workers and the talent needs of regional businesses.

Industry-led partnerships work by forming a bridge between employers and workers. First, they bring together numerous employers in the same industry to identify mid-level talent gaps. Then, they connect these employers to job training providers and social service agencies that can prepare low-skilled adults to fill these positions. Because this approach builds on the mutual interest of employers and workers, these partnerships are very effective at moving low-skilled adults into career pathways. A recent Public/Private Ventures study of more than 1,000 program participants found that individuals in industry-driven

training programs earned 20 percent more over a two-year period than similarly situated workers who were not in an industry-led training program (Clymer et al. 2009).

In addition to being industry-led, all JOIN partnerships are career-oriented, geared toward helping low-skilled adults move into careers rather than into dead-end jobs. Most importantly, JOIN funds career coaching to empower workers to navigate their own professional development. After all, few companies still use the well-defined career ladders that dominated the American economy of a half-century ago. In today's economy, workers no longer stay in one job over their lifetime, and career paths rarely follow a straight line; the average worker today will have ten jobs across three different industries. In this new economy, workers must have clearly defined aspirations, an understanding of their core skills, and the ability to self-direct in a rapidly evolving economic environment. Career coaching helps workers to develop these traits, and the results are demonstrable. Workers who know where they want to go, and who have a clear plan for how to get there, are more motivated than are those who lack such strategic vision. In a recent study of hundreds of employers who use career coaching, 91 percent reported that job performance of participants was "noticeably better" than that of non-participants (Council on Adult and Experiential Learning 2006).

The Community Impact

While implementation of JOIN's partnerships only began in late October 2009, the early measures of success are already strong. For example, the Green Jobs Readiness Partnership run by the Federation of Neighborhood Centers is only halfway through its pilot phase, but its participation rates and literacy improvements have far exceeded best-practice benchmarks. Even through three paralyzing snowstorms, program attendance for the first cohort was a remarkable 89 percent. Participants' eagerness to learn was also reflected in test results, with reading and math scores increasing by two grade levels each in just ten weeks. The contextualization of the literacy curriculum around real industry needs, the access to career coaching, and the program's affiliation with a local community center all appear to have enhanced participants' performance. This partnership was originally seeded with support from the Living Cities funding collaborative, and it has been so promising that the U.S. Department of Labor decided to invest more than \$1 million to expand the partnership.

JOIN has three expectations for the next year. First, it anticipates that its partnerships will help more than 125 job seekers and low-wage workers receive industry-recognized credentials. Second, it expects to help over 100 job seekers obtain employment. And finally, JOIN plans to help more than 50 low-wage incumbent workers to obtain wage increases and promotions. These outcomes will assist some of Greater Philadelphia's

hardest-to-serve populations, including ex-offenders and individuals with less than an eighth-grade reading and math ability.

The Need for Systems Change

While industry-led, career-oriented partnerships have shown strong empirical results, the resources devoted to such partnerships remain a small fraction of the overall spending on workforce development. In order to realize systemic change, federal and state government policy must incentivize more employers to invest in the talent development of their low- and mid-skilled workers. In addition, the federal and state governments need to devote more of their resources to industry-led training and career coaching.

Fortunately, the Commonwealth of Pennsylvania has a record of leadership in supporting industry partnerships. Since 2005, the Pennsylvania Department of Labor & Industry has been a pioneer of the partnership model, and has built a network of more than 80 such training partnerships across the state. These partnerships have been remarkably successful in addressing the needs of both businesses and workers in the Commonwealth. More than 5,000 businesses have reported significant improvements in productivity. More than 70,000 workers have benefited from training, with average wage gains of 6.6 percent in one year (Pennsylvania Department of Labor & Industry 2009). This model helps to explain why

Pennsylvania has weathered the current recession better than have many other parts of the country. Still, state funding for industry-led partnerships has been cut in half in the past four years, and these cuts threaten Pennsylvania's economic recovery.

Philadelphia is the proud home of the Declaration of Independence, which guaranteed every American's right to "the pursuit of happiness." For hundreds of years, this city has been a model for that pursuit by enabling those who work hard to get ahead. But that model is in crisis. While Philadelphians remain eager to work, they lack the training and education programs that they need to thrive in the 21st-century economy. The Green Jobs Readiness Partnership, for example, had more than a dozen individuals apply for each available training slot. That means that for every individual who received support, eleven individuals did not. These are motivated adults who had jobs in the manual labor-based economy and who desperately want to be part of the skills-based economy. While these individuals are currently being left behind, there is a better way forward. JOIN's early successes offer a model that can be replicated throughout Philadelphia and across the country, empowering American workers to pursue their happiness in a 21st-century economy.

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