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ABSTRACT

A project examined changes in the workplace and in employment in four states that were broadly representative of the United States--Colorado, Indiana, Mississippi, and Missouri. It identified common concerns and issues across the four states, including graduated awareness of the vast changes in the workplace, the ambivalence of business leaders' responses to them, and employees' confusion when confronted with them. In spite of the widespread agreement that continued economic growth required new private incentives and public structures, little genuine change was apparent. The differences among the states were found to be much more significant than their similarities. Five areas were identified as being in need of attention by state governments: recognition of the new realities of economic growth; uncertainty about the appropriateness of new responses; tailoring strategies to meet substate regional differences; lack of success in building consensus within communities on a common future; and education and training systems that function without much regard to changing economic and demographic realities. Employers and employees were not found to be responding to the realities at the speed required and on the scale necessary to make a difference. A new agenda for state action in the 1990s is described, and nine recommendations for state economic policy are outlined. (YLB)

ECONOMIC CHANGE AND THE AMERICAN WORKFORCE

State Workforce Development for a New Economic Era

EXECUTIVE REPORT TO

THE UNITED STATES DEPARTMENT OF LABOR

PRESENTED BY
Jobs for the Future, Inc.
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Somerville, Massachusetts 02144

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PREFACE

Since 1984 Jobs for the Future, Inc. (JFF) has been helping states improve their systems for workforce preparation and economic development. JFF began its work with the premise that making education a central part of economic development is essential if workers are to be ready to fill the jobs of the future. Beginning in Connecticut and Arkansas, JFF looked at what was happening in state economies, especially the new kinds of jobs that were being created, and sought ways to help those states prepare their workers by making better connections between state human development systems and the fundamental changes that were taking place in the economy.

In 1988, the U.S. Department of Labor funded JFF to carry out the project described in this document. In brief, this project examined changes in the workplace and in employment in four states that are broadly representative of the United States—Colorado, Indiana, Mississippi, and Missouri. We amassed new and better data, both quantitative and anecdotal, about what was happening and not happening. Through a variety of strategies—demographic and economic research, sending detailed questionnaires to 35,000 employers and employees, convening regional "congresses," and holding informal focus-group discussions—JFF examined the economic forces bearing on each state, the public and private responses to these forces, and public comprehension of the need for change.

This report summarizes the major conclusions of the study. It serves to be not so much a summary of findings as a guide for state policymakers interested in examining and acting on economic and employment dynamics within their own borders as their states approach a new century and its challenges.

The first chapter of this document outlines the common concerns and issues across the four states. It seeks an answer to the question of why—in light of the widespread agreement that continued economic growth requires new private incentives and public structures—so little genuine change is apparent.

Chapter II goes beyond the similarities in the four states. It examines their distinct economic bases, explores critical gaps in state policy, and looks into how employers and employees are responding. Finally, Chapter III outlines JFF's conclusions and lays out a new paradigm, a new model, for state action in the 1990s.

The intent of this report is to share what was learned in these pilot states that may be useful at the federal, state, and local levels for policy and planning purposes. We want to inform others who see a need to direct resources for the benefit of the American workforce.

Obviously, some things have changed since we began our work in 1988. JFF completed most of the initial economic and demographic analysis at the beginning of each state program—using the most current data available. Several years have passed between that time and the publication of this report, and some of the data is out of date.

In addition, we recognize that the governors of the four states have begun numerous initiatives since JFF's individual state programs began in 1988. Our report is not intended to imply that the states have failed to address the specific problems that are characteristic of a changing economy. To the contrary, we were invited in each state to help in the effort to identify problems, focus discussion on solutions, and build a consensus for implementation. All four states are in the midst of their responses. Their leaders are to be commended for their insight in recognizing the need for action, and for their participation, forthrightness, and willingness to address these critical issues.

In fact, each of the governors has initiated a variety of actions in response to the economic forces that are shaping their state. The number of program innovations are too numerous to summarize completely in this document. Among the many efforts that deserve close attention include:

- Mississippi's Skills Enhancement Program, a joint effort of the Governor's Office for Literacy and the State Department of Education, which offers basic skills and job-specific training to workers in reading, writing, math, communications, problem-solving, and learning-to-learn.
- Indiana's Five-Year Workforce Development Plan, which contains several policy innovations including the Strategic Development Fund—a state appropriation that provides matching grants for targeted joint training ventures between groups of companies.
- Missouri's Excellence in Education Act, which has several innovations including an outcome-based 'Missouri Mastery Test' that assures each public school graduate has learned essential skills,

and establishes a network of 'at-risk centers' at vocational-technical schools to provide intensive counseling and assessment for potential high school dropouts.

- The Colorado First program was expanded and redesigned by Governor Roy Romer to build new partnerships and provide customized job training for companies expanding or relocating to Colorado. For example, the State of Colorado worked with Merrill Lynch to design customized training for 900 employees at a new service center in Lakewood, Colorado, resulting in a new associate degree program at the Red Rocks Community College.

We began this work with the conviction that states are indeed the "laboratories of democracy," and that the people in the states—from governors to front-line professionals in state agencies and other sectors—are the true pioneers of innovations in economic and human resource development. We conclude our work with enormous respect and admiration for the people in states who work every day, often in difficult political environments, to strengthen their economies and expand the opportunities available to the people in their states.

We appreciate the assistance of the U.S. Department of Labor in supporting this work and the cooperation of public and private leaders in all four states. And we gratefully acknowledge the many people in each of our four sample states whose candid cooperation made our work possible.

Hilary Pennington

President

Jobs for the Future, Inc.

I. THE NATIONAL CHALLENGE AND THE NEED FOR PROGRESS

For a generation after World War II, the people of the United States took great pride in this nation's pre-eminent place in the world's economic pecking order. But in this generation, the tables have started to turn. Overseas competition drains manufacturing jobs to other shores. Services join production as a cornerstone of our economy. The Electronic Revolution simultaneously simplifies and complicates even the most mundane tasks. For the first time, Americans must race to keep up with economic evolution.

This report briefly outlines how major changes underway in the national economy are playing themselves out in four states—Colorado, Indiana, Mississippi, and Missouri. It argues that state governments, employers and employees are not yet responding adequately to these changes. Many key leaders are playing a new game by using old rules. The report concludes with suggestions for major new directions in state and corporate policy for the 1990s and beyond.

THE IMPERATIVE FOR CHANGE

Change, as the saying goes, is the only constant. Americans today face changes that are unprecedented in scope and implication. We expect technology to accelerate. But as technology changes, it sweeps away our old ways of doing business and, in many cases, our jobs. We see innovations in communication, manufacturing, and transportation that make our businesses more competitive. But these innovations give equal advantages to our competitors. We assume that American workers will set the standard for the world, but too often they lack the skills required in the modern workplace.

As a nation we have not yet mustered our common strengths to confront these changes. Awareness of the situation is certainly growing, with many state and local officials eager to take constructive action. The population as a whole is beginning to get a clear fix on tomorrow's horizon but is uncertain how to interpret local change within its worldwide context. Business leaders talk about the need for new skills but invest very little in their workforce. Despite a ten-year focus on the declining quality of education, the response lags far behind the rhetoric. Although states seem willing to change, the work of this project suggests that communities and states are only beginning to mount an adequate response to the economic challenges before them.

THE FINDINGS IN GENERAL

JFF's findings reflect a picture of pervasive change in local, regional, and state economies. National trends, those underlying economic and demographic shifts that touch every state to some degree, are actually affecting states in very different ways: from a Missouri in which urban service sector growth means expansion of high value-added producer services, to a Mississippi in which growth concentrates in retail and personal services; from a Colorado in which manufacturing growth has spawned high-technology industries, to an Indiana which faces the challenge of modernizing basic industry.

Against this background, communities across the country are experiencing major shifts in employment by industrial sector, and many are experiencing shrinking demand for the kinds of jobs that created and expanded the American middle class.

As a result, the American workforce continues to split into two disparate parts. A small minority, empowered by education, is highly skilled and highly paid. Others, isolated from supplementary training by employers and schools alike, are relegated to low pay for work requiring minimal skills. And because these issues of livelihood and productivity are central to American life, their implications are interrelated and profound.

Sectoral Employment Shifts

The kinds of jobs available to the workforce have changed dramatically. The business consequences of the growing importance of the service sector are predictable. The human consequences are deep. Residents of all four states report seeing the effects of this trend around them, profoundly changing the lives of their families and their friends' families, and they have a fair idea of what it means. Some generalized from their specific experience: "Things are changing," said one woman from Tupelo, Mississippi. "Jobs that are here today may not be here five years from now. And the company that has that job now has to have employees that can handle the new jobs."

The implications of the shift to services differ markedly, depending upon which part of the service sector is expected to grow in any particular state. In some parts of the Northeast, for instance, 64 percent of new jobs are expected to be in the service sector, and half of them will be in producer services (these are jobs that provide services to other businesses, and include such things as legal, accounting, consulting and marketing services). By contrast, in some parts of the South, 75 percent of new jobs will be in the service sector, but more than half of these will be in lower-paying retail trade and restaurant positions.

Despite these distinctions, workers tend to identify service-sector jobs exclusively with lower-paying jobs like those available in fast-food restaurants. Discussing the disappearance of familiar mid-level jobs, one woman from Kansas City rejected the service sector with a typical observation: "If I wanted to work at McDonald's, I could," she said, "but that doesn't match my job skills."

Higher Skills and Greater Educational Requirements

Recent Department of Labor analyses of changes in jobs by the turn of the century indicate that higher-skill jobs will increase, but lower-skill jobs such as helpers and laborers will decline.

At the same time, the kinds of skills that people need to have—even if they hold the same job as before—have changed in the direction of higher skills, and more of them. The competitive workplace of today—regardless of the product or service—is a high skill environment designed around technology and people who are technically competent. Assembly-line workers must now understand their work as part of a much larger whole. Many workers must be comfortable with computer-numerically-controlled equipment. Front-line supervisors must confront tasks like budgeting and fiscal planning; clerical and other support personnel must handle complex word-processing and spreadsheet functions. Relatively few of these workers are likely to have graduated from college, while not long ago most of these skills would have been demanded only of the college-educated.

But the problem runs deeper. It implicates the basic schooling that most Americans receive. Indiana companies, for example, report widespread deficiencies in the basic skills of the recent high-school graduates working as laborers and clerical support. Coloradans note that many workers have difficulty understanding the work environment and its expectations, even such basics as attendance and punctuality.

The "Haves" and the "Have Nots"

As mid-level jobs disappear, our society is dividing between high earners "empowered" in the workforce because of their high level of skills and between those in survival-wage jobs, consigned to unskilled employment. The Urban Institute reported in 1988 that during the preceding decade only families with incomes in the top fifth increased their purchasing power. Families in the bottom tenth of the income scale (between $3,500 and $4,100 annually during this period) lost nearly 15 percent of their average purchasing power in constant dollars. The purchasing power of those in the top tenth, by contrast (between $102,000 and $109,000 in this period) gained nearly 17 percent.

The middle class and the poor are threatened by income bifurcation. Unable to access school-based training and blocked by employers' inactivity in providing on-the-job training, these essential workers are unable to move into the upper half and unwilling to go quietly into the lower.

This income polarization is the one economic development trend that was obvious to respondents in all of the four states. Coloradans universally mentioned the growing gap between those making a good living and those struggling to survive; Hoosiers uniformly make a sharp distinction between "professional" and "low-skilled" workers, noting that "we're beginning to lose part of our middle class. Many people are poorer or richer, and the people in the middle are separating out."

Social Implications

The social implications of these three major developments are sobering. But these findings are not, in themselves, new. Other groups worried about national progress, state development, and community growth have pointed articulately to the same set of issues for at least the past ten years.

It is the lack of commitment to act on what knowledgeable observers agree needs to be done that is one of the most striking and challenging features of our work. We found ourselves asking: Why is it that so very little genuine change is apparent? The answer is complex. It is made up of several different strands.

THE CAUSES OF OUR FAILURE TO ACT

Looking north to Indiana, west to Colorado, south to Mississippi, and into the central heartland of Missouri, we see the need to change—but people are reluctant to act. We see that many American workers do not understand the changing economic scene, and we see the shadow of the anxieties that always hinder human progress—fear of the future, fear of the unknown, and fear of meeting failure.

But against these anxieties, we find people eager to keep pace with a changing world and to obtain information about how to do so. We find political leadership wanting to experiment with solutions but frustrated by the difficulties of moving bureaucracies and communicating a coherent vision of a stronger future. Across the board, the single greatest obstacle is the need for understanding: understanding what kinds of solutions will work, understanding how to construct viable solutions, and understanding how to use the tools—the pragmatic innovations—to effect positive change.

Such understanding requires business leaders to act on their perceptions of the state of training, competition, and the world economy—to back their words with resources as they have never done before. It presupposes credible public leadership, able to communicate facts to its constituents, ready to build strategies in partnership with them, and willing to share the burden of reshaping the workforce to the demands of a new economic age. For both political and business leaders, it requires beyond all else the ability to see the world from the workers' viewpoint, to recognize that most Americans lack clear and useful information.

Above all, we conclude that there is an unbridged chasm between what seems to be obvious about economic change and what the public believes, between what needs to be done and what is being done. In regional meetings across all four states, we see people alert to the sea-changes of the *world* economy, and eager to reassert a *national* position of economic leadership but uncertain about what these pressures really mean for their families, their employers, and their communities.

Part of this inaction, undoubtedly, reflects a general sense of powerlessness, which was most apparent in the focus groups and worker surveys. But much of the failure to act must be laid elsewhere, to the fact that such challenges can only be met through political action—and political action is never unopposed, always diluted by compromise, and effected only through cumbersome institutions. Add to these factors a definite distrust of experts and leaders, and the result is a nation poised for indecision.

A Sense of Powerlessness

Project findings confirm that many Americans feel that they have lost control over their economy. State and local governments find it difficult to respond to the situation, and this is perceived by their constituents. Many existing governmental agencies were established in response to the rise of manufacturing in this country; they were designed to answer questions that often are no longer asked. Created to foster "employment security," their very function is called into question when job insecurity is a defining characteristic of the economy.

Workers of today seem unable to sort out the barrage of training opportunities coming to them from all directions. With some exceptions, their appreciation of education is genuine and their desire for improvement is real, driven by the concern for economic change. But many of today's workers have let this concern incapacitate them. Participants from all four states agreed that they, personally, needed training but claimed that it was unavailable—despite an array of television advertisements for literacy programs, cooperative education programs, and community-college offerings.

This confusion is not surprising. On the one hand, employers do not offer sufficient training to help their own workers fill the more demanding jobs that open in their workplaces. On the other hand, many displaced workers see their own jobs becoming obsolete and they are not aware of the new jobs that are replacing them. The nature of these new jobs—as well as the qualifications needed for them—are as mysterious to most workers as the hodgepodge of training opportunities available from an ill-coordinated mix of public and private institutions.

Missouri is a good case in point. During the 1980s, many Missourians were displaced from jobs in traditional manufacturing industries like leather products and apparel as those industries declined. Nearly 90 percent of the new jobs that opened in Missouri between 1984 and 1987 were in services like trade and finance, insurance, and real estate—which indicates the tremendous conceptual leap that a displaced worker would have to make in order to transition well into a shifting labor market.

Confusion Over the Value of Training

Many of the workers with whom we talked believe that they need more education and training—both to keep the jobs they have and to get the jobs that they desire. By and large, they are not satisfied with the kinds of training they are offered by their employers. The workers JFF surveyed want formal training that leads to a credential and to career and personal growth. Many would prefer this formal training to the informal, on-the-job training they most often receive. Many are skeptical about the words "job training" so commonly used by employers and representatives of the public sector. They view this as demeaning and somehow related to welfare, a sign not of the economy's need but of the worker's failure.

Some substate regions also face a long-standing bias against education itself. A considerable number of respondents deprecated the need for education in general. "I know people who can't read or write," said one man. "They make more money than someone coming out of college." "Who needs education?" asked another.

Even workers who value education do not know what kinds of jobs to look for or what kind of training to seek. Aware only that their training and experience are no longer as marketable as they once were, many workers simply do not have the perspective they need to direct themselves toward alternative careers that better suit today's economic climate.

What people did not say in the focus groups is almost as significant as what they did say: participants acknowledged the fear of losing their jobs, but none outlined a plan of action to deal with that fear. They worried about the changing nature of work, but none described career-development strategies that they would pursue. They spoke of jobs leaving their areas, but none talked of relocating in search of work. While participants were able to speak about economic problems in terms of their impact on their personal lives, they could not outline a personal solution.

Political Conflict Around Change

The very nature of the economic problems described here often paralyzes communities and works against effective political action. These problems affect labor and management alike, touching public and private concerns, local and state governments, teachers and administrators, and the young and the old. Traditional adversaries all must agree to common action if any headway is to be made. New kinds of partnerships are emerging, step by step, here and there; but each camp treads very carefully, unwilling to run the risks of too rapid advance.

In this area particularly, traditional interest-group mentalities work against a sense of common purpose. Many businesses, we find, do not yet see training as an integral part of capital investment; many employees are still reluctant to spend their leisure time in job-related training. Schools, traditionally, do not aim their curricula at the needs of industry, and many students do not see a direct relevance in the job market. Public officials do not always understand the dynamics of private enterprise, and many policy initiatives, to some business leaders, appear to be poorly-disguised interference with the free-enterprise system.

More than anything else, political action against these economic woes is crippled by a growing popular cynicism about official pronouncements from political or business leaders.

Lack of Trust in Experts and Leaders

One of the chief obstacles to accurately understanding the situation is a pervasive lack of confidence in institutional leadership in public and private sectors. The findings provide substantial evidence for the working public's deep skepticism of experts and officials.

The cynicism seems rooted in the widespread national attention given to the huge speculative profits generated by the "paper capitalism" of the 1980s while the nation's manufacturing infrastructure was visibly decaying around the American worker. It draws sustenance from the daily realities of many communities in which the well-to-do prosper while blue-collar work disappears.

Moreover, many respondents believe that large corporations use local resources to make profits that are spent elsewhere, that traditionally trained, experienced workers are now relegated to dead-end jobs at low wages, and that their current problems are part of an inevitable "boom-and-bust" cycle over which no single agency exerts any control.

In the midst of these developments, the public is often confused by corporate actions and views. Despite a growing sophistication about the world economy and positive action by individual business leaders, many employers are ill-served by strategies developed in a different economic climate. In the four states, international competition is of comparatively little concern to the companies surveyed. Many have yet to budget the resources needed to renovate and restructure their businesses.

Indeed, the prevalent attitude is that trained people will be found, somewhere, to fill upper-level jobs and that unskilled workers to fill menial jobs are always plentiful. Those in the middle, whose jobs are known to be disappearing, are left to fend for themselves as best they can. The idea that a business can effectively and efficiently invest in these stranded workers is not a closely held value.

Most striking of all, although business leaders frankly acknowledge the importance of training when asked, most admit to doing very little. In Indiana, 70 percent of those surveyed said that training was a good investment, but 80 percent reported that they had not increased formal training at all in the past five years. Similarly, 70 percent of the Missouri employers ranked their own programs "satisfactory" or "highly satisfactory", but only 44 percent said that semi-skilled clerical and administrative support staff received any training whatsoever—the very classifications that the same respondents reported as most deficient.

America's workers perceive their employers' ambivalence toward education and training. They hear leaders' frustration about the quality of education while they see public schools continue to decay. Naturally, such gaps between words and deeds and between promises and results engender skepticism in the best of times. But when workers see their jobs vanishing, these gaps generate hard feelings and skepticism toward traditional leadership.

THE DIFFERENCE THIS TIME

Devising new answers to new problems has always kept the United States at the forefront of technological development. The difference this time is that today our economic difficulties are not self-contained. In the parlance of the financiers of Wall Street, the American economy is in international play. American markets and jobs are up for grabs in a global economic struggle in which keeping and creating good jobs in sustainable economies will depend on investing strategically, and learning and working smart.

II. View from the States

The problems that came to light in this study—graduated awareness of the vast changes in the American workplace, the ambivalence of business leaders' responses to them, and employees' confusion when confronted with them—come into sharpest focus at the community level. It is at this level that global issues converge into the fundamental pocketbook concerns of raising a family, building a nest egg, or simply making ends meet.

Because today's economic trends are global, all of the states that we surveyed show similarities on the surface. State leaders, employers, and employees all recognize the nature of these trends and, to a greater or lesser degree, they understand their effects. Most states reflect the new economic landscape described in Chapter I. Three of the four show a definite shift away from employment in manufacturing and toward jobs in the service sector. In each of our four states, all of the major actors—government, employers, and workers—are responding to the realities we have described, but not at the speed required and on the scale necessary to make a difference.

The Underlying Differences

But, the differences among states are much more significant than their similarities. Each state embraces widely different regions and a whole range of demographically distinct populations. Regions depart from national averages; regions within states vary; entire communities confound conventional wisdom. This chapter briefly describes each of the states and then focuses on the responses of government, employers, and employees to the economic changes described in Chapter I.

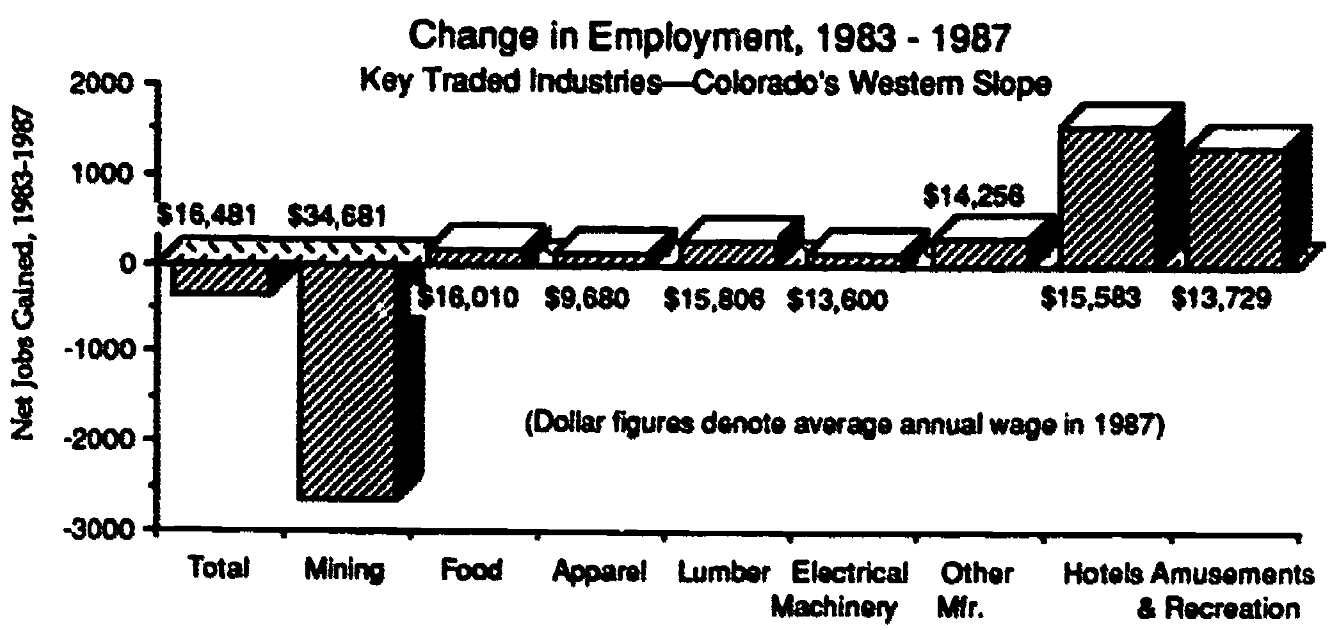
Colorado

Colorado is a state with a growing service-based economy and a strong component of high-tech manufacturing. The state enjoyed healthy growth rates from 1970 until its mining industry collapsed in the mid

1980s. The loss of this traditional economic base left the state without a secure substructure of mature industries. Workforce growth, particularly for high-wage jobs, has come from in-migration. Colorado ranks highest among all fifty states in the percentage of population having a college degree, but many of these people come from elsewhere.

The sectoral shifts evident in all four states showed strongest in Colorado. From 1970 to 1988, jobs in the service sector accounted for 71 percent of all new jobs in the state, while the goods-producing sector provided for only 9 percent of new jobs. In the 1980s, blue-collar workers in Colorado faced unemployment rates three to five times higher than those of professional and technical workers.

Figure One



Source: JFF Analysis of Colorado wage data

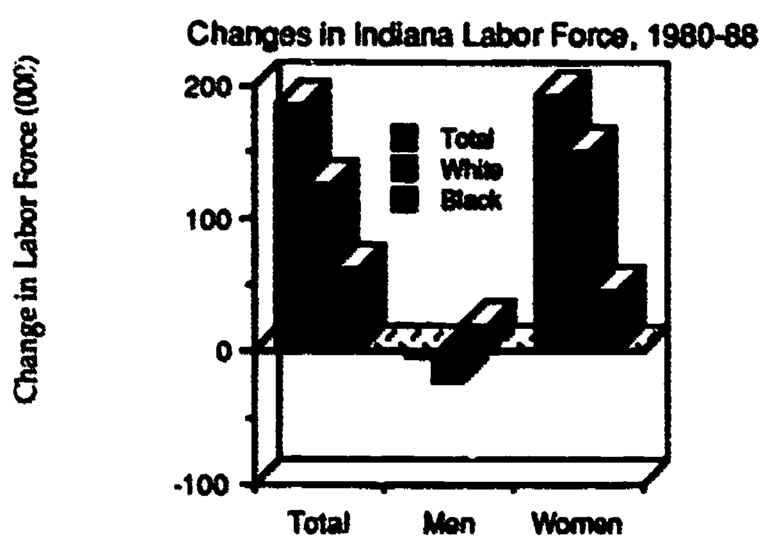
The split between urban and rural shows more clearly in Colorado than in most other states. Average wages in the Front Range and its urban cluster of Denver and Boulder are increasing, but they are decreasing everywhere else in the state. On the Western Slope, employment in the hotel and recreation industries (paying $13,000 to $15,500 annually) has boomed along with these industries (see Figure One). Jobs in mining (paying nearly $35,000 annually) have dropped out of sight. During that period and in that substate region, the only industrial sectors showing any growth had lower-than-average wages.

Indiana

Until the 1980s, Indiana maintained a traditional manufacturing economy associated with heavy industry and blue-collar jobs. But between 1973 and 1988, 125,000 manufacturing jobs closed across the state while 152,800 new jobs in service industries were created. Even with these changes, Indiana has one of the highest concentrations of jobs in the manufacturing sector of any state.

The state is also in the midst of striking demographic change. Every net new entrant into the labor force between 1980 and 1988 was female (see Figure Two). The state lost eight percent of its population in the last decade. Aging is also a significant workforce issue in Indiana. Nearly half a million workers aged fifty-five and over will be retiring during the next ten years, but this loss will be replenished by only about 75,000 young people between the ages of sixteen and twenty.

Figure Two



Source: JFF analysis of Current Population survey data

These workforce changes are part of a major ongoing demographic shift. In terms of its percentage of the overall state population, *every age group under 34 years is expected to decline* in Indiana between now and the turn of the century. *Every age group over 35 will increase.* More of the younger people in the state will come from racial minorities and single-parent homes.

Missouri

Unique in its diversity, Missouri has a set of highly divergent regional economies. The St. Louis area, a center of manufacturing for more than a century, has a high concentration of mature industries. Kansas City, on the other side of the state, is growing quickly because of telecommunications and other new service industries. The northern farming area has been hit hard by the farm recession, but the southwestern corner of the state is booming with new jobs in tourism and retail industries, although income levels are very low. The southeast shares a rural, branch plant, low-wage manufacturing profile traditionally associated with the Deep South.

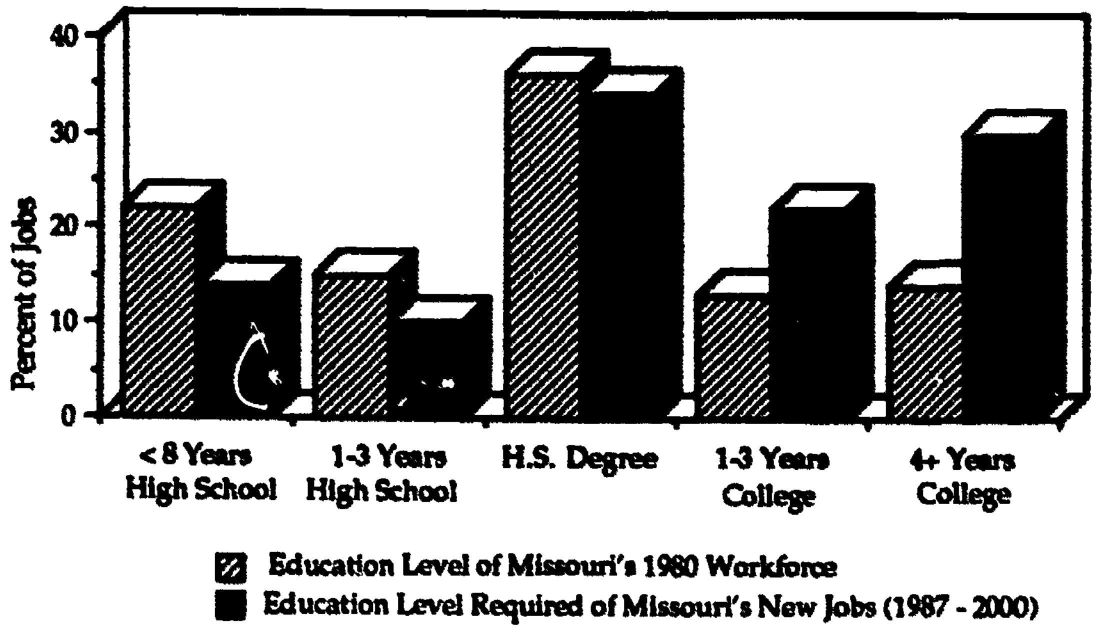
The state's demographics seem to be moving in the same direction as those of the other states—but much faster. Because the Ozarks in the southwest attract large numbers of retirees, Missouri's population is aging faster than the national average. More than in the other three states, this factor may accelerate future problems for the state's active workforce as limited public funds may be drawn away from education and other public investments to fund services for the elderly.

Missouri is more vulnerable than most areas to overseas competition. Leather goods, apparel, and textiles, as well as automotive and other mass-production industries, lost ground during the last decade. Service industries have more than made up for these losses, but the problem in Missouri, as in Indiana, is that displaced workers lack the knowledge that they need to follow this transition and take advantage of new opportunities.

Missouri, like the other three states, also faces a gap between the education level of its current workforce and that required by new jobs of the future.

Figure Three

Missouri's Workforce Education Level is Below What is Needed for New Jobs



Source: JFF Analysis of data from the Missouri Occupational Coordinating Council

Mississippi

Mississippi has an industrial profile that continues to depend on industries like apparel, textiles, and furniture-making despite recent growth in higher technology sectors. Unlike Missouri, whose population is aging rapidly, Mississippi has experienced a recent boom in its infant population. A very high percentage of its children are born into poverty.

Mississippi's younger workforce, therefore, stands in sharp contrast to the profile in the other three states—only about 55 percent of the future workforce is on the job today in Mississippi. This is compared to a national figure of 80 percent. Yet few teenagers work and jobs that elsewhere are typically held by younger workers are held by adults who need them. As is true in most states, many of these young people will not graduate from high school. As many as 27 percent of the adults in the state, some 400,000 people, are functionally illiterate.

In general, Mississippi faces more persistent poverty, a weaker industrial base, and more acute deficiencies of basic education. It is taking steps to address these problems and is achieving results, such as its recent success in encouraging NASA and other high-tech firms to establish plants within the state.

THE STATE GOVERNMENTS

These developments challenge all state governments to reorient their economic development strategies and programs. Five areas in need of attention stand out:

- Recognizing the new realities of how economic growth occurs;
- Uncertainty about the appropriateness of new responses;
- Need to tailor strategies to meet large and growing substate regional differences;
- Lack of success in building consensus within communities on a common future; and
- Education and training systems that function without much regard to changing economic and demographic realities.

New Realities of Economic Growth

The changing nature of economic growth has not escaped the attention of state officials. State officials understand that different industrial sectors are rising and falling within their boundaries. They are aware of the growing importance of small companies in creating employment opportunities and the consequent importance of encouraging the growth of indigenous companies. Some state officials are often among the first to recognize the growing importance of high-skill workplaces and the consequent imperative for sophisticated, flexible education and training systems. They know that manufacturers and suppliers are building new complex relationships with each other, relationships dependent on highly skilled workers.

But this growing awareness is not reflected in how state governments are, in fact, organized to encourage economic development. Very few leaders have responded strategically to these changes.

- More than fifty years ago, Mississippi pioneered a new form of industrial recruitment that eventually became standard economic development practice across the country—encouraging the in-migration of branch plants by promoting the state's low-wage labor climate. Now, as these companies leave in search of workers willing to settle for lower wages, many Mississippians are left without work and without prospects. The state has responded with strong attempts to look at infrastructure needs, focus on community development, and improve the educational system, but these efforts have yet to gain the full support of those used to traditional methods of industrial recruitment.

- The State of Indiana has had only modest success in replacing its manufacturing base with high-wage, high-level manufacturing, producer or professional services. As recently as 1988, the state ranked 48th in the country in the proportion of workers holding managerial, professional, or technical jobs and state employers purchased much of the professional expertise they require, including legal and financial services, from outside the state.
- Colorado is dominated by small companies which, like small companies everywhere, provide much less training than their larger counterparts. But the state has not picked up the slack—it spends only $700,000 annually on adult training compared to a national average of $15 million per state.
- Historically, Missourians have invested relatively little in education. In consequence, employers seeking training for their employees prefer private sector resources, rating public services lower in quality and less appropriate to their needs.

Our key operating premise going into this effort was that improving workforce skills is the single most important component of a state's economic development. In the four states with which we worked, that assumption was not fully shared. And, to the extent that state leaders understood that skill growth ought to be a priority, there was no consensus on solutions.

Substate Regional Differences

It is nearly impossible to overemphasize the significance of substate regional differences. Our examination indicates that within-state differences are every bit as significant to economic development policy as cross-state distinctions.

For example:

- Colorado has an urban population of highly-educated adults and a rural population burdened with a high degree of functional illiteracy. One consequence is that employment opportunities and wages in the Front Range are increasing while everywhere else in the state they are declining.
- In Missouri, between 1984 and 1987, 600 new jobs opened in the Central Ozarks; 2,300 in Kansas City; and 400 in Southeastern Missouri. But this common story disguises uncommon diversity. The jobs in the Ozarks were low-paying and mostly in tourism and recreation; those in Kansas City and the Southeast, by contrast, offered high wages in telecommunications and in health care.
- Mississippi has experienced strong growth in the communities of Tupelo and Jackson, and along the Gulf Coast. The concentration of poverty in largely black communities in the Delta region raises a concern for reasons of equity as well as economic development: all of the net increase in the state's working population in the 1980s was accounted for by black workers and 60 percent of the state's new workers in the 1990s will be members of minority groups.

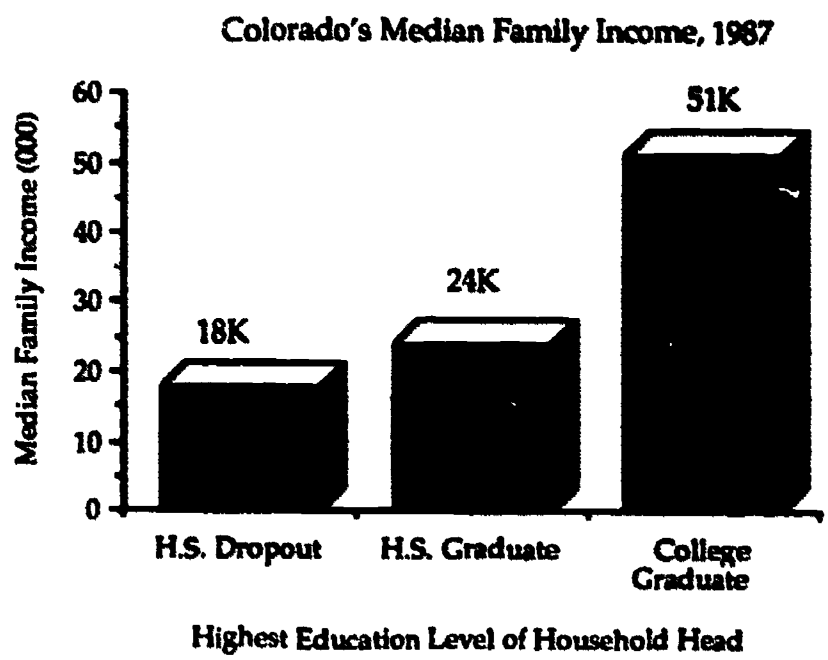
Building a Common Future

But the third difficulty the states face presents the greatest challenge—the inability to mold a common cause from common problems. It is here that state leaders have to confront the complex political effects of economic differences. For example:

- Missouri's 'show-me' reputation is home-grown. Regional and economic diversity within the state has produced a highly fragmented political structure; many citizens feel isolated and disenfranchised from the political system. In fact, the state government's presence is small. Goals, according to regional leaders, are seldom clear and their outcomes rarely known.
- Colorado most vividly demonstrates the connection between income and education. Employment and earnings opportunities for the college-educated are encouraging—even in the face of economic difficulties within the state. High school graduates and dropouts, on the other hand, face bleak futures. The figures

on median family income in Colorado are instructive. In 1987, the figure was $51,000 for families headed by college graduates; $26,700 for high school graduates; and $18,000 for families headed by school dropouts (see Figure Four).

Figure Four



Source: U.S. Bureau of Census, Current Population Survey

- Income bifurcation is demonstrated with particular clarity in Indiana. By 1986 in Indiana, the top 20 percent of Indiana families received more income than the combined income earned by the bottom 60 percent of families.

The three difficulties cited above—slowness to recognize new realities; inability to tailor strategies to substate needs; and lack of community consensus—could be overcome if statewide education and training policies permitted employers and employees the flexibility to create their own solutions. Unfortunately, most do not. The unresponsiveness of education and training systems to changing economic and demographic realities is, instead, the fourth major difficulty for state policy-making.

Unresponsive Education and Training Systems

In the states we examined, 60-80 percent of state budgets are devoted to human resource development. The lion's share—over 90 percent—goes to traditional education, K-12 and higher education. Less than 5 percent of the total is spent on adult education or direct workforce preparation. And yet:

- In Indiana, 400,000 skilled workers will retire by the year 2000 and only 75,000 young people will enter the workforce to replace them. Every age group under 34 years will decline—and every age group over 35 will increase—in this decade.
- In Missouri, the fastest growing part of the workforce is among workers who are between 45 and 55 years old—this workforce segment will increase by 60 percent by the year 2000.
- In Colorado, fewer than one in a thousand state dollars goes to adults in need of basic education. Of 400,000 functionally illiterate adults, only 20,000 (5 percent) were served by adult basic education programs in 1989 and only 9,000 of these individuals completed their GED. At that rate, it would take 44 years simply to reach every citizen who is functionally illiterate today.

Clearly the old rule—invest in traditional educational institutions for the young—does not serve well the increased need to raise the skill levels of working adults. Public policy must change to meet new realities.

THE PRIVATE SECTOR

But if states appear to be behind in the race for economic development, the private sector has barely entered the starting gate. While companies in different states were generally aware of the economic changes and their impact on labor markets and skill levels, very few companies have committed themselves to action. Perhaps the most surprising finding in the research is that *international competition is not viewed as a serious threat to future growth in any of the four states.* International competition is of little concern to employers and ranked last on the list of serious problems for business growth. In Mississippi and Indiana, less than one percent of the companies surveyed believed international competition was a serious problem. This finding is particularly surprising in Indiana, a state whose manufacturing sector is dominated by heavy industry subject to competition from abroad.

Against the overwhelming evidence of global shifts in the economy, American businesses fall into two major camps—business transformed and business as usual. Business as usual, unfortunately, is still far more common than business transformed. Most employers—far too many, by any standard—fail to supply training, the value of which they unanimously endorse. Even those few employers who would like to provide education for their workers, face a bewildering field of possibilities. Most often they do not know where to begin.

Business As Usual

In light of the undisputed need for more and better employee training, the clear evidence of employers' unwillingness to invest in their human resources is startling. Project surveys show they believe that they are doing more than enough. Ninety percent of the employers interviewed overall ranked their own training efforts as "superior" or "very superior."

A few examples help illustrate the discrepancy between what companies think and what they do:

- Two-thirds or more of employers in all four states say education and training is a good or excellent investment of company resources, yet the majority of companies interviewed spend less than $5,000 annually on education and training.
- Employers in all four states believed that workers lacked skills in areas such as setting priorities, problem solving, and communicating effectively, yet very little of the training that companies provide is directed at developing those skills.
- Employers cite the greatest skill deficiencies among their semi-skilled workers, yet the majority of training in companies in all states goes to managers and professionals.
- Companies in all states experience considerable difficulty hiring skilled craft workers yet few develop skilled workers in-house.
- Eighty percent of the companies surveyed use informal on-the-job training as their dominant mode of training; yet 80 percent of workers favor formal, classroom learning.
- Companies are concerned about the costs of education and training, but in all states they utilize private training resources to

a much greater extent than public training resources (see Table One).

Table One

Training Sources used by Firms: Percent of Firms Responding "Yes" when asked if they had used the following training resources

	Indiana	Colorado	Mississippi	Missouri
In-house training/staff	59%	74%	75%	85%
Trade or professional groups	34	58	48	40
Consultants	39	40	40	43
Vendors	34	44	52	45
4-year colleges and universities	26	27	29	32
Secondary vocational schools	26	20	20	31
Technical, junior, or community colleges	25	16	33	38
Adult education	26	23	13	18
Apprenticeships	17	20	20	21
Chambers of commerce	20	19	18	7
Private industry councils	13	9	10	12
State customized training	5	7	7	7
Labor unions	3	3	2	5
Local community organizations	13	25	17	16
Proprietary schools	5	8	19	17

Source: Jobs For the Future Employer Surveys - Indiana, Colorado, Mississippi, Missouri

Business Transformed

Business transformed is represented by Unisys Corporation in Colorado, where the company has created partnerships with education providers and other local employers to prepare new workers and improve current workers' skills. These efforts offer training, college courses, and other programs for which Unisys helps pay tuition.

Business transformed is represented by Kelsey-Hayes, a maker of steel automobile wheels in Sedalia, Missouri, where 5 to 10 percent of a worker's time is spent in formal training (mostly through videos), and promotion to high-skill positions comes only from within.

Business transformed is Baldor Electric in Mississippi, where a program to teach advanced statistical process controls and quality improvement to three hundred workers failed—but managers persisted, tracing the failure to their employees' lack of basic literacy. In response, Baldor Electric built a classroom in the plant, bought computer equipment, hired tutors, and developed new, ten-week programs to build basic skills. And workers responded, too, signing up for the basic classes in droves, and on their own time.

Successful business programs attack the major obstacle to worker education: they cut through the morass of red tape and confusion to bring workers and prospective workers into contact with the resources they need.

THE WORKFORCE

While most employers cling to a business-as-usual mentality, complaining of inadequate worker skills, the workers themselves have yet to respond purposefully. Surveys of working people underline their anxiety about job security, restricted access to training, and an unclear connection between training and long-term prospects for earnings, promotions, or keeping the jobs they have. Workers surveyed are ambivalent about getting more training and about half are not willing or able to do much to obtain training. A few key findings illustrate this ambivalence:

- Most workers believe that their employers already provide more than enough training for them to do their jobs well, and that their skills and education are underutilized.

- Significant numbers of workers in all states—close to 50 percent—said that they would attend training only if their employers required it and only on company time.
- Many employees view "training" as negative, somehow connoting failure.
- Yet employees who had participated in some form of structured training over the past five years were positive. Over 80 percent of those who had participated in training feel it was very useful and they want more.
- Formal training generates good "return business." As more employers sponsored employee training, more employees came to value continuing education.
- Workers face significant obstacles to their participation in training. A majority reported that training is not offered at a convenient time or place; half believe it costs too much; 40 percent said good programs are not available or that they lacked the time and energy for training.
- Another important criterion for training, in the workers' eyes, is job specificity. Coloradans and Hoosiers, particularly, cast a doubtful eye on adult education that is not directly related to career advancement; they want to be sure that training will pay off. Missourians and Mississippians tend to question the utility of education and training if there are not enough good jobs for people.
- Finally, workers in all four states express the need for support in meeting pressing family responsibilities. Many spoke of the strain of needing two paychecks merely to make ends meet, of having to care for children, and of securing adequate health care, transportation, and other basics.

Taken together, these findings suggest that employees will not respond to training opportunities without stronger motivation and help in overcoming obstacles. All of these factors combine to foster a core of cynicism in a substantial minority of the workers we surveyed. Frustrated by obstacles, skeptical of society's faith in education, ensnarled in red tape whenever they look at the educational process, many workers have lost faith in the system.

Awareness and Confusion

Across all four states, this analysis adds up to a compelling argument for major changes in the way that government, business, the education establishment, and individuals operate. Workers need to dedicate themselves to the new reality that maintaining job security in the face of rapid economic change means constantly upgrading. Businesses need to understand that they must adapt to a new world order based on high performance operations that require significant investments in their workforce. The education sector must internalize the need to direct resources toward the learning needs of adult workers and to deliver more learning services at the work site.

Most important, the analysis speaks to state government because this new information requires a different way of looking at government, a new paradigm, a fresh model to define state functions in a new economic era. State policymakers have to look at human capital as the next frontier in economic development. They have to transform narrow, targeted, programmatic approaches in education, job training, and human services into broader, "wholesale" initiatives. They have to infuse a new vision of what economic and human development might be into every nook and cranny of the state so as to reach and influence the greatest number of individuals and companies.

Above all, state officials have to reach out to the public and private sectors throughout their state with a new message: economic development at its best represents collaboration for the common good, a collaboration among public and private leaders to create high-skill workplaces and the highly-skilled workers that make such workplaces possible.

III. A STATE AGENDA FOR THE NINETIES

The need to change is clear.

The 'system' must also change in response to the new realities described in this document. The key to our national progress, everyone has agreed, is education and training; but now this must be reformulated to meet the new demands of a different workplace. If we are to advance as a nation, high-skill, high-wage careers must be within the reach of all. All Americans, whatever their background are entitled to the prospect of a future unfettered by the poverty or deprivation they experienced as children. Translating thc appeal of that vision into the stuff of everyday life is this country's enduring economic challenge.

It has become abundantly clear that America is at risk if it simply accepts the underlying economic and occupational changes that are shaping the future. American companies are losing the chance to grow not just because of inadequate worker skills but because of their inadequate investment in improving skills. Many communities, many companies, and key state leaders still need to be convinced that education and skill improvement is *the* key to economic growth. But no major sector of society is investing adequately in helping people work smarter. Many in government and the private sector—by inclination, reflex or force of habit—still hope to get by with business as usual.

We see the need for a new paradigm for economic development that actively promotes education and the polishing of workplace skills. It must realize that high-skilled jobs are the dividends paid to investments in people. It must reflect local needs and draw on local strengths. It must bring public and private sectors together into a common enterprise to build a better future. Above all, it must be designed to keep the jobs that we have today while creating better ones for tomorrow. Once developed, this paradigm, this new agenda for economic development, needs to be promoted on a vast scale.

A NEW AGENDA

A new agenda for the nineties has to be based on the economic realities in which we find ourselves today. The agenda must be grounded in ambitious principles designed to point youth, our workers, and our communities toward a different future. Its fundamental premise must be that individuals in the United States have the right to create their own futures. Any economic development plan not organized to transform that truth into operating reality is seriously flawed.

OBJECTIVES

1. Economic Development Depends on Human Development

This first principle is the foundation of the new agenda for the nineties and beyond. Adherence to this fundamental belief must become second nature to state and local officials interested in economic development. They must come to understand that economic development is not bricks and mortar, not fancy new technology or even trendy new management styles. Economic development starts and finishes with the people in the community.

To be improved, human investments must be seen as developing and maintaining an integrated system for learning, not as disaggregated pieces—public and private, elementary or secondary education, and higher education. States and communities must broaden their views of what needs attention and, in doing so, expand their notions of integrated workforce development systems.

It is important to know how well schools are doing. But if 70 or 80 percent of a state's future workforce is already on the job—and if 60 to 70 percent of the state's high school graduates are migrating elsewhere in search of employment—then it is also important to know how well the adult education and training system is doing.

More than anything else, states need to begin seeing adults as a basic resource. The traditional view of pouring more funding into existing educational institutions does not serve well the reality that a state's future will depend on those who are adult workers today. In response, states, businesses, and education institutions must begin to use the workplace as a learning place, to deliver learning where the people are.

2. Emphasize Lifelong Learning

One key to future success will be the development of public and private sector partnerships with a broader view of necessary human investments. Most states invest a majority of their education funding in traditional schools and institutions of higher education.

Schools and colleges are important. But other needs are also important to economic competitiveness. The targets of these other investments are the people outside of the K-12 range, outside of the colleges and universities: those in early childhood, those who need to learn in the workplace, and older workers who are in need of retraining. Responding to these needs can pay tremendous economic and human dividends.

States need to have a system of lifelong learning—a system of education that meets the needs of individuals and workers from cradle to grave, a seamless web from the perspective of the user that allows learners to move in and out easily as their education and training needs change.

States need to refocus educational systems to engage the majority of the workforce, present and future. Today, the 50 percent of our students who are not college bound have very few credible options to develop the skills that technologically-minded employers need. Our system largely abandons drop-outs; it offers little in the way of an integrated approach to the transition between school and work; it reaches adult workers in a limited, haphazard way. As a result, we find, many companies do not use or trust public institutions to help their workers.

RECOMMENDATIONS

With these principles as a guide, outlined below are nine major recommendations toward which state economic policy in the nineties should be directed.

1. Develop an Integrated, Market-Driven System of Lifelong Learning

States need to undertake a variety of initiatives to make education and training more accountable, more able to provide a closely integrated lifetime of skill enhancement, and more sensitive to the needs of employers and workers.

These would include such actions as:

- Strategic planning for education and training at both the state and the job-market level;
- Better articulating the transitions from high school to work and from high school to higher education;
- Credentialling the learning that takes place outside of the school system;
- Development of an aggressive public strategy to bring the private sector into the market, demanding more of public institutions through consortia, financial incentives, and public-private partnerships; and
- Development of an aggressive public-education campaign, with public and private leaders explaining and demonstrating how education and skill enhancement leads to better jobs.

2. Develop A System That Makes Existing Institutions Accountable To Serve Workforce Needs

It is time to introduce the principle of accountability to the workforce preparation system. Among education and training institutions and public job training programs, it is virtually impossible to measure what we get for what we spend. Public education budgets reward process but not performance; *i.e.*, they pay for enrollments but not for learning or skills acquisition. There is no 'consumer information' for employers or employees by which to compare the performance of institutions and programs.

Further, the educational and training resources available are diverse, apparently unrelated, and confusing. Many people and companies become frustrated by the complexity of the system and abandon public education or turn to private sources for help.

There is an urgent need for:

- State and local clearinghouses or information systems capable of providing uniform, usable information about economic change, skill needs, job opportunities, and training requirements at the labor-market level;

- Providing information to small business owners about literacy resources and other training programs available to their employees through the local education and training system;
- Development of common measures of performance for institutions, and the establishment of sanctions for non-performing institutions and programs; and
- Making performance information for education and training providers accessible to employers and workers.

3. Encourage Work-Based Adult Training

Many companies have taken pioneering steps to invest in their people to achieve continuous improvement. Several action steps suggest themselves as ways to cash in on the tremendous opportunities for accelerating the amount and quality of work-based learning:

- Secure the commitment of top management, making training part of the company's plan;
- Find ways that allow the private sector, as the chief beneficiary of new training arrangements, to pay most of the cost of the training, using public investments strategically as 'leveraging incentives' like tax credits and loan pools;
- Develop the ability of public sector institutions to train at the worksite during working hours;
- Keep education closely linked to work tasks;
- Design and encourage training for front-line workers, not just for management and professionals;
- Ensure that training is continuous, not just a one-time affair;
- Encourage companies to demand more of local educational institutions; and
- Offer incentives for the development of small-business consortia.

4. Improve the Transition from High School to High Skill Careers

Our research convinces us that communities and states cannot effectively pursue new human resource investments without addressing the needs of the 'forgotten half,' those high school youngsters who are not planning on attending college. States and private companies must achieve a closer integration of school and work, between academic and occupational learning, and between classroom and work-based learning. One promising model is the creation of structured work-based learning opportunities for young people beginning with their last years of high school and extending through the first two post-secondary education years.

Such programs should seek to build on the best practices of our European and Asian competitors who have well-developed career ladders. Yet they must also provide the flexibility and personal incentives that American students demand. A youth initiative provides an easily understood means to transform the learning system radically, motivating young people and linking them to employers and higher-education opportunities. It also ensures that technical training will enjoy the same prestige as college-track schooling and offer the same opportunities and rewards.

These school-*and*-work transitional programs should seek to do the following:

- Arrange employment opportunities in key local industries with complementary in-school learning;
- Provide credit and credentials for work-based learning;
- Ensure that students in technical areas are prepared for advancement toward higher education if they so choose;
- Encourage achievement early in high school; and
- Enhance the status of vocational-technical schooling.

5. Close the Emerging Skills Gap

One of the most significant economic realities in any community is generally not well understood or acknowledged. It is the existing gap between the skills businesses need and the skills available in the workforce. It is an inherently moving target, with skill demands changing with the advent of new technologies, new markets, new products, and new ways to organize work within a firm.

This gap is never fully identified in any standard economic and employment data. The gap is usually only clear in hindsight, meaning that policymakers end up responding to skill needs as they were and not as they are today or will be in the near future.

Awareness of such a hidden skills gap gives policymakers a leg up in constructing a new education and training agenda. It calls for a detailed examination of private sector skill needs in light of what the public sector is providing. It calls for new relationships between the private sector and public education and training institutions and programs. It calls for new ways of helping workers understand the role of an objective skill assessment in helping shape an education plan to achieve economic security.

By defining what is needed in the workplace and what is being provided by public and private trainers, analyses of the 'skills gap' galvanizes employer interest in issues of human resource development. It is a critical first step toward developing and maintaining the kind of skilled workforce a community needs if it is to meet competitive challenges at home and abroad.

6. Involve Citizens in the Debate over Solutions

At each stage of its development the United States has placed its faith in the inherent good sense of the average citizen. The problems of maintaining economic growth and standards of living for this generation and the next are a central concern today of the average citizen. They are entitled to inform the thinking of local and state leaders on these matters. Even more significant, local and state leaders need to understand public thinking on these issues as well as how citizens can be involved in charting a course ahead.

Involving everyone in the process permits policymakers to emphasize that everyone has a stake in the *outcome* as well as a responsibility for making the desired outcome real. This presupposes building a constituency for change at the grass-roots level, using the language and understanding of citizens to pave the way for the change process. People must understand what is happening in their economy and they must understand that they alone can create the necessary improvements.

Lasting and effective change requires strong 'bottom-up' pressure, but it also needs visionary leadership to pull the process along. State leaders need a broad base of support if they are to help change American life, and the people at large need a challenging vision of what they can accomplish.

7. View Workforce Issues Through the Lens of Substate Regional Economies

Workforce skills must be understood and met in the context of operating labor markets, not in the context of theory or statewide data. Our examinations of regional information in each state convinces us that policy-making has to be sensitive to dramatic substate and regional variations. Policy developed for Colorado's urban and suburban Front Range will have little relevance on the Western Slope; initiatives developed to respond to the needs of St. Louis almost certainly will not work in southwestern Missouri. Concepts applicable to rural Indiana and its comparatively healthy small towns cannot be transplanted to rural Mississippi, which has a far different set of needs.

Effective strategies must include:

- Development of a local capacity for economic development and workforce preparation;
- Creating new community and regional forums for strategic planning of human investment and workforce preparation decisions, and for coordinating institutions and resources; and
- Designing programs that are managed locally and not by statewide bureaucrats.

Job-training strategies in particular must be geared to the realities of the local labor market. Essential to this is the creation of flexible funding and innovative programs to shift attention to the differing needs of states, regions, and communities.

To be fully effective, this 'localization' of resources and control must be accompanied by strategies that require participation by the users of the programs—by individuals, local businesses, and by communities.

In other words, in this new conception of government, public investments must be structured to leverage private investments. Rather than a system of entitlements or local aid, they must become a bridge to self-sufficiency and responsible initiative. The message should be that "we will invest in you if you will invest in yourself."

8. Build the Demand for Higher Skills

Many of the other recommendations that appear in this report focus on ways to build a structure to develop higher skills within the workforce. States must also give a high priority to building the demand for higher skills within their state economy, as well. Put another way, states must give the highest priority of their economic development to modernizing the existing industrial base.

Many companies around the country have shown that they can restructure themselves into high-performance organizations capable of competing on a global scale. These businesses combine the latest in production technologies with innovations to make the highest quality goods and services. The strategies to accomplish this all emphasize quality and the continuous improvement of worker productivity.

The strongest demand for new and higher-order skills come from these companies. But comparatively few businesses have even attempted to adopt a high-performance profile. State economic development in the nineties must help build demand for higher skills by encouraging more existing industries to adopt a high-performance posture. States can:

- Assure that they have technology transfer programs in place that help small and medium-sized companies gain access to available production technologies;
- Encourage groups of companies—business or trade associations, or several companies located within a single community—to work together to identify and solve common workforce needs;
- Make sure that all state business development programs incorporate a component for human resource development; and
- Encourage larger companies to promote technology assessment, management assistance, and training along supplier networks (larger companies have the internal resources that their smaller suppliers lack).

9. Attack Workforce Challenges on a Scale Large Enough to Make a Difference

Most state interventions, whether job-training programs or manufacturing modernization, affect only the smallest tip of an enormous iceberg.

The public sector can undertake a variety of strategies to leverage significant or dominant investment and ownership in training from the private sector. Many kinds of initiatives can reach and involve large numbers of people if they are created, funded, and owned largely by the private sector. Small-business training consortia, apprenticeship programs, drop-out prevention, modernization efforts, and many other effective programs can be convened by state leaders and encouraged by the strategic use of incentives.

A critical component of this effort is the need to confront the misplaced notion that workers who need retraining are somehow 'failures.' The private sector can be the public sector's most effective representative on this issue arguing that training—by adding to skills—adds to workers' income, their value in the company, and their importance to the community.

A New Policy Process for the New Agenda

Assuring progress in responding to economic transition on the scale that is clearly needed suggests that states undertake a new public policy process. Three realities are clear. First, achieving the new agenda will be accomplished, in part, within the context of the existing political climate. Traditional political debate over goals, over the allocation and investment of scarce resources will continue. The situation in the states today is one where extraordinary pressure exists to meet short term needs with fewer resources. It is not a climate that encourages significant innovation.

Second, solutions will require an unprecedented degree of collaboration between sectors—between business and labor, government and the private sector, and between state and local agencies. For example, business, labor, and education should all work together to prepare an integrated curriculum for new youth transition programs. Without formal collaboration, the goals of learning at, and for, the workplace will not be met.

Finally, implementation that involves maintaining alliances and relationships among groups with fundamentally different political imperatives—management and labor, corporations and small business owners, the profit and non-profit worlds, traditional educators and adult trainers—over the long-term. There are no quick fixes. States can no longer hope that limited action at the margin of public policy will have the desired effect. New structures must be created both to institutionalize the ability to respond quickly to constantly changing conditions and to remind the diverse actors of their common stake in success.

These are the new rules that states should follow in defining the process to accommodate change:

- **Take the long term view.** Economic transition creates challenges without regard to the terms of office of state leaders or the budget and legislative cycles. States should seek to institutionalize a process that is able to withstand changes in political administration and avoid getting caught up in biennial debates over funding based on changes in the state's fiscal position.

- **Keep an open door—admit into the policy debate a wide variety of sectors and interest groups.** Advisory boards should be comprised of leaders from business, labor, education, community organizations, and state government. They should also include key representatives across several state agencies as well as the state legislature, and attempt to balance state-level with local-level leadership, including private citizens.
- **Nurture new relationships.** These advisory groups offer a way for leadership from different sectors to work together on common issues. They should use their power to build new and permanent collaborations that are part of a more effective multi-sector approach to public policy.
- **Give the process high visibility within the state.** In almost every case, appointments to multi-sector advisory groups should be made by the governor of the state, who should demand a clear set of recommendations for action. Regional meetings, citizens meetings, media publicity, and other techniques should be used to build awareness of and support for new policy initiatives.
- **Inform the 'process' with appropriate strategic information and choices.** This report points out the need for states to collect and synthesize new kinds of information that is not otherwise easily available. This includes diagnostic information about the nature of economic change and the skills implications. It means knowing a lot more about the outcomes of investments that the state already makes in a variety of programs and institutions. And it means sharing success stories from elsewhere in the state and the nation that may have applicability in the local setting.
- **Make participants feel responsible for implementation.** The action plan that results from the policy debate will challenge every sector to behave in new and different ways. Participants in the policy process must include leaders from a range of groups willing to commit themselves to promoting the new action plan among their constituents.

A Better Tomorrow

These are trying times for the American worker. Foreign competition and wrenching economic change in the 1980s promise to accelerate in the 1990s as Europe prepares to unite, newly industrialized countries continue to advance, and energy costs threaten to rise.

Now our resilience is being tested anew. But Americans have always known how to stop, how to change directions, and how to channel their energies into productive new directions. We must do so again.

It is time state leaders stopped and framed the need for change in their communities in compelling new ways. Our research indicates that the public will respond—that the public is, indeed, eager for an authentic restatement of traditional American values in the context of the economic demands of today.

It is also time we changed direction. We must stop thinking of employment and training issues as isolated components of the nation's economic dilemma and come to understand them as part of a comprehensive whole. The traditional approach to dealing with social problems in the United States has tended to be fragmented and piecemeal. It has left behind a legacy of disjointed, if well-intentioned, programs. If we are to clearly gauge priorities and understand interconnections among different pieces of the economic development puzzle, communities must integrate individual views, business impressions, and public data into a unified whole.

Such integration, of course, is precisely the responsibility of leadership in a free society. It is the most difficult—and therefore the most important—task facing those who would channel public energies into productive new directions.