

## PREPARING MORE OREGONIANS FOR GOOD JOBS THAT ARE VITAL TO THEIR LIVES AND OREGON'S ECONOMY A Business Plan Priority for 2022

### Why This Is a Critical Priority

Through unprecedented federal and state resources Oregon has an opportunity to make a once-in-a-generation investment in adult workforce training and support. The investment would have two goals: 1) prepare and place unemployed or underemployed Oregonians on satisfying family wage career paths in manufacturing, health care, and construction, and 2) build institutional capacity to support tens of thousands of additional Oregonians in pursuit of promising career paths in a wide variety of sectors over the decades ahead. Executed well, the investment would provide pathways to the middle class for tens of thousands of families, accelerate progress toward meeting Oregon's Adult Education and Training Goal, and strengthen the state's economic competitiveness.

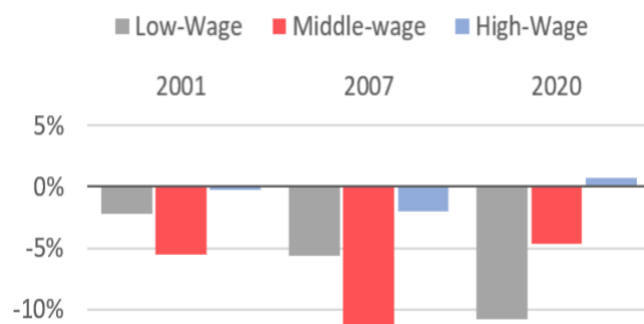
### Why the Timing Is Right

The pandemic has vividly exposed a gnawing challenge we have faced many years. In our dynamic economy, jobs disappear through automation, the rise of new technologies, and other disruptions. Often, adults displaced by the changes are unable to gain the support needed to access new opportunities. The delivery services to provide such support are scattered, incoherent, and underfunded. People of color, rural Oregonians, Oregonians who have grown up in poverty, and those with less education are particularly vulnerable.

The disruption created by the pandemic is immense. More than 285,000 Oregonians lost jobs between February and April last year, and Oregon is still down by 117,000 jobs as of June 2021. Compared to recent recessions, job losses in this downturn occurred disproportionately in low-wage occupations – especially in the leisure and hospitality sector (see Figure 1). This spurred higher unemployment rates for women, people of color, youth, and those with less than a college degree.

Meanwhile, the U.S. Bureau of Labor Statistics (BLS) sees longer term impacts on low-wage service and sales work. In February 2021, BLS reassessed its 2019-2029 projections – developed pre-pandemic – to account for observed changes in customer and firm behavior during the pandemic.<sup>1</sup> The agency expects slower job growth in the lodging, food services, art, and entertainment industries. Some restaurants and hotels will retain technologies that limit unnecessary contact with customers (e.g., check-in kiosks and phone-based meal

Figure 1. Job loss by recession in Oregon, change from pre-recession peak to trough



<sup>1</sup>Source: Bureau of Labor Statistics and Oregon Office of Economic Analysis

<sup>1</sup> Bureau of Labor Statistics (2021). *Employment projections in a pandemic environment*. <https://www.bls.gov/opub/mlr/2021/article/employment-projections-in-a-pandemic-environment.htm>

orders). Telework will reduce activity in downtowns and impact associated business-related dining and entertainment.

Trends in favor of online shopping, which accelerated during the pandemic, are expected to slow job growth in the retail trade sector. The persistence of telework will reduce foot traffic around brick-and-mortar stores and lead to further consolidation of smaller retailers. Finally, a reduction in downtown office construction, as businesses sort out their remote work expectations and policies, will slow the growth of the construction sector.

Oregon’s state economist shares the BLS outlook and, in May 2021, projected that leisure, hospitality, and retail jobs would be slow to return to their pre-pandemic levels (see Figure 2).

Demography will continue to drive needs for skilled labor throughout the decade. The Oregon Employment Department projects 36,000 job openings annually during 2019-2029 in the health and social assistance sectors to care for an aging Baby Boom generation. And the manufacturing sector should expect 23,000 yearly openings as younger Boomers age out of the labor force.

The upshot: Oregon entered the decade with a declared need of 300,000 additional postsecondary credentials to prepare adult workers for a future of increasingly complex work. The need for skilled work persists, and the pandemic has eliminated a share of projected lower skill, routine jobs.

Recent labor trends suggest that workers may be eager to make the transition to new, higher skilled job opportunities. Job quit rates reached all-time highs in mid-2021, and rates are highest in the leisure, hospitality, and retail sectors (see Figure 3). Ongoing fear of the coronavirus, federal supplements to state unemployment benefits, and the lack of childcare could be driving short-term trends. But anecdotally, some people are saying that they’ve reassessed their career goals during the pandemic and are not keen to return to low-wage jobs. If that’s true for enough workers, retraining should be appealing.

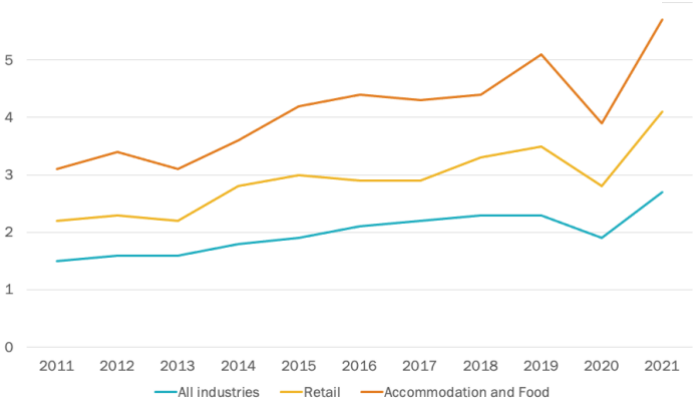
The stars have aligned for a significant investment in, and redesign of, adult workforce training and support. The pandemic has sidelined tens of thousands of adult workers without postsecondary experience. Some will return to their former industries as the economy

Figure 2. Recent and projected nonfarm employment indexed to 2019 levels, Oregon, 2019 job level = 1.0



Source: Oregon Office of Economic Analysis, May 2021 Economic Forecast

Figure 3. Job quit rates (%) by selected industries, U.S., June 2011- June 2021



Source: U.S. Bureau of Labor Statistics

rebounds, but many won't. The quit rates signal a motivation to make a change, and the federal government has delivered unprecedented levels of resources to spur the recovery.

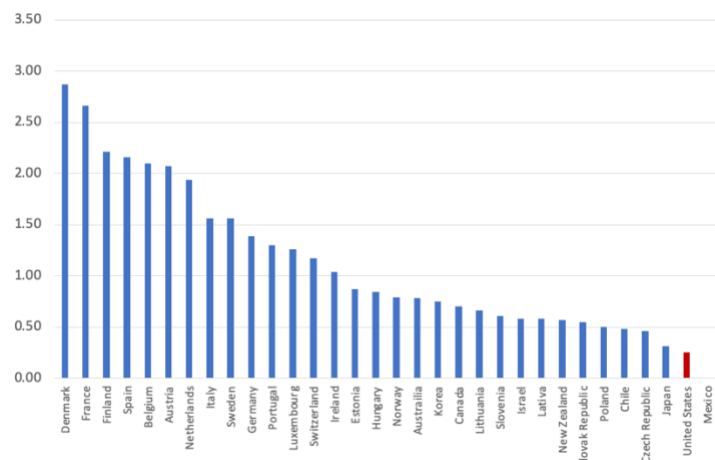
With American Rescue Plan Act (ARPA) funds, we can address the immediate challenges facing Oregonians seeking new careers *and* build capacity to support underemployed and dislocated Oregonians long after the pandemic is over. As we invest in people now, we can concurrently take steps to build a new delivery model that will serve Oregonians better for decades to come. But to be successful, the new delivery model will have to address some fundamental problems.

### Problem 1: Existing Training Resources Are Both Unclear and Inadequate

When Oregon established its ambitious adult learner goal, it did so without a clear roadmap of how the training would be funded. By international standards, the U.S. spends a small fraction of its Gross Domestic Product on labor market interventions – unemployment insurance, school- and employer-based training, recruitment incentives, employment maintenance incentives, job sharing programs, wage subsidies, and apprenticeships (see Figure 4). The main federal program, the Workforce Innovation and Opportunity Act, sent about \$30 million to Oregon for its 2019-2020 program year. Economists point to the U.S.'s underinvestment in training for dislocated workers as one possible explanation for the decline in labor force participation among prime-age workers—and especially those impacted by globalization.

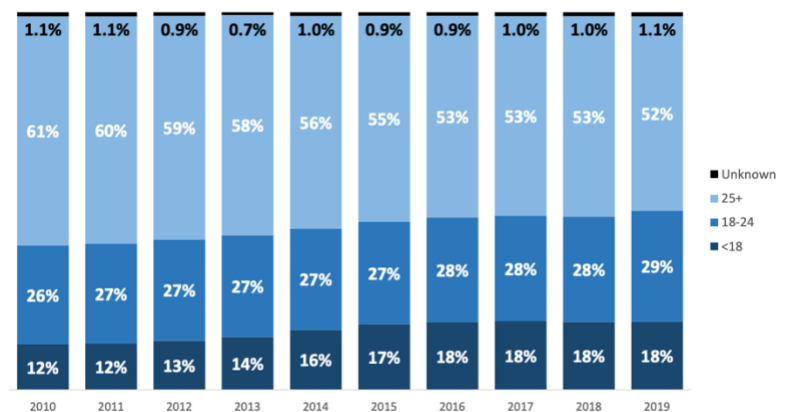
But federally funded programming represents only a small fraction of training for Oregon adults. Most of the training is funded by the state and localities and takes place in community colleges. Students aged 25-plus represented a majority of enrollees as recently as 2019 (see Figure 5), but their share of enrollment has declined over time as community colleges have made room for dual-enrolled high school students and a growing share of traditional aged students. The growing share of younger students coincides with the enactment of Oregon's 40/40/20 attainment goal. Much of "middle 40" education — more than high school and less than a bachelor's degree — takes place in the community colleges.

Figure 4. Public Spending on Labor Market Programs Expressed as a Share of GDP in OECD Countries, 2018



Source: Organization for Economic Co-operation and Development

Figure 5. Oregon community college headcount enrollment by age, 2010-2019



Source: Oregon Higher Education Coordinating Commission

So, Oregon’s community colleges sit at the center of two ambitious initiatives at once – achieving middle 40 and adult learner goals. And while opportunities for productivity improvements and efficiency exist, few observers contend the colleges have the resources necessary to meet such goals. ARPA resources, as sizable as they are, don’t solve the longer-term funding issues. But if deployed well, this short-term money could provide an opportunity to demonstrate what an appropriately scaled system could deliver.

## Problem 2: The “System” Was Not Designed for Adult Learners

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There are many wonderful examples of displaced adults who have navigated through education and training onto productive career paths. And there are many examples of service providers who have assisted in that pursuit. However, the reality is that the “system” to provide such support is woefully inadequate to the scale of the challenge. Services are scattered and funding is far below the scale and duration needed.

Our education and training services are largely designed to support people in the early stages of life. The assumption behind it is that education occurs in the early adult years, and careers begin at the end of formal education and training. This assumption leaves unaddressed significant barriers that confront adult learners:

- **Economic.** Adult learners share some challenges with younger students, including the rising cost of tuition, lack of transparency in pricing, and the complexity of applying for and securing aid. But in addition to those common challenges, adult learners are also more likely to have dependents and a need to be employed while studying over the lengthy time frame of a degree or certification program. Managing the logistics of school and work at the same time can overwhelm or put off some aspiring learners.
- **Cultural and social.** Adult learners are more likely to navigate multiple roles – student, employee, spouse, parent, community member. And given the untraditional timing of their training, some hear discouraging messages from family and friends. Personal relationships can be strained. Because of family obligations, many adult learners must live off campus, which makes it more difficult to collaborate on student projects or engage in social activities.
- **Institutional.** Pathways – from admission to course selection to credential to new employment – are not as clear and efficient as they need to be. An underfunded system has provided too few counselors and navigators to help learners acclimate to unfamiliar surroundings, identify the right training package, organize a school-life schedule, and assemble the variety of supports needed to complete an academic program.
- **Structural and identity based.** BIPOC students encounter academic systems, programming, and assessments that were designed for an earlier generation of predominately white students. Some BIPOC students carry negative experiences from secondary education: exclusion from Advanced Placement or college preparatory courses, limited exposure to college opportunities, and low educator expectations. BIPOC representation in faculty and staffing is low.

A new system must address these barriers directly for the state to make progress on its appropriately ambitious adult learner goal. Success will require sizable new resources and, in addition to money, new curricula, onboarding processes, navigation aids, relationships with employers, and more.

## Problem 3: Employers Offer Too Little Information about the Skills They Need

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U.S. business leaders have identified access to skilled labor as a competitive strength in the United States, but a deteriorating one. They and civic leaders point to an anomaly: persistent underemployment while employers struggle to match the right talent to open positions. Concerns have ranged from widespread skill gaps (e.g., too few workers with STEM or technical skills) to skill shortages

in specific, in-demand occupations (e.g., engineers, welders). Employer surveys also routinely report too few applicants with requisite soft skills, such as work ethic, motivation, and the ability to work in teams.

Some economists challenge the notion of gaps and shortages. They counter that if these voids existed, wages would have risen faster than they have in recent years. Absent strong wage growth, some economists contend the skills problem has more to do with a mismatch than gaps or shortages. Workers are acquiring skills, but the timing is off and the skills don't match today's market demand. Consequently, for too many workers, skill investments aren't translating into higher wages.

In short, employers, civic leaders, and economists acknowledge a U.S. skills problem, but frequently disagree on its nature.

Stepping into the middle of the debate, workforce strategists – led by Harvard University's Joseph Fuller – contend the problem is created by a broken supply chain for labor. Employers do a poor job of communicating skill needs to educators, and educators fail to communicate opportunities to students. The dysfunctional supply chain, uninformed by employer needs, overproduces some skills and underproduces others.

Rather than formally forecasting labor needs and collaborating with educators, U.S. employers have increasingly settled for “spot market” hiring. Employers call on educators to graduate larger numbers of generally capable candidates, and businesses hire, train, retain, and dismiss individuals through an inefficient churn that results in too many hires and fires. Harvard's Fuller and others argue that businesses need to invest more in their labor supply chains through deeper, sustained collaborations with educators and the expansion of internships and apprenticeships.

However, employer-educator collaborations are inherently difficult to establish and sustain. Skill needs vary among subsectors within industries, and every labor region in Oregon has its unique industry mix. Skill needs evolve constantly, and for some positions forecasts are not feasible. But complexity is not an excuse for inaction and substandard outcomes.

### What is the Transformational Vision? —

The Workforce and Talent Development Board commissioned the Equitable Prosperity Task Force in 2020 to reimagine a service delivery system that would guide adult Oregonians to well-paying jobs and support the needs of industry as Oregon moves through the pandemic and beyond.

### Skills for an Inclusive Economic Recovery: A Call for Action, Equity, and Accountability

The National Skills Coalition (NSC)—a partner in Oregon's quality credentials work—calls on state and federal governments to make generation-defining investments in inclusive skills policy. NSC has advanced six principles and six goals that should guide Oregon's ARPA investments.

#### Principles

1. Invest first in those who have been hurt the most.
2. Measure the impacts of our interventions and hold ourselves accountable.
3. Eliminate structural racism in skills policies.
4. Emphasize better jobs than before the pandemic.
5. Prioritize sustainable careers vs. just a job.
6. Encourage industry-specific partnerships with small businesses at the table.

#### Goals

1. A safety net that supports workers' long-term pathway to a skilled career
2. A comprehensive approach to retraining and reemployment for all displaced workers
3. Publicly funded job creation that includes training for those in need of a new career
4. Support to local businesses to avert layoffs and encourage upskilling
5. Sector partnerships to drive industry specific training and hiring strategies
6. Digital access and learning for all working people at home and on the job

The Task Force called out four imperatives for a functional system:

- **Center the system on the user.** Often, workforce development is too narrowly considered a “labor matching” activity with employers and educators as the key actors. But the experience is much more complicated for the individual who is attempting to re-enter the market or find a new job. Looking for a job is just one of the activities that users are undertaking when they enter the system.

A reimagined system would put the user, rather than the organizations, at the center of the process. Every user experiences the system differently. Entry processes may be straightforward to some applicants and overwhelming to others. Office hours might serve trainers and counselors better than the trainees. Online training works for some but not all. And career navigation tools are still rudimentary and hard to use.

A new approach would apply “design thinking” to Oregon’s workforce system to differentiate the experience across the diverse profile of job seekers. And a revamped system would stabilize a household’s financial conditions, restore confidence for those who have suffered a job loss or other disruptive life event, offer a range of in-person and online training opportunities, bring greater clarity to career navigation, and provide continued supports after job entry.

- **Provide wraparound supports needed to pursue career goals.** User-centered design requires special attention to critical, adjacent services that allow trainees the resources and time to focus on skill-building. The pandemic has underscored the critical role of childcare in parents’ ability to engage in training and ultimately enter the labor force. And many job seekers will also need

assistance with transportation and other basic needs, including food. The nonprofit agencies and schools that support these individuals need to provide such assistance flexibly. This requires knitting together the complex maze of public programs and securing access to flexible funds to address sudden, unexpected challenges.

- **Foster deeper, sustained engagement by employers in identifying and communicating the skills they need.** Oregon colleges are offering an expanding number of credentials that students can earn in shorter time periods, and combine or “stack” to acquire skills for higher paying work. However, the market value of credentials is mixed, in part because employers have not collaborated in their development.

### Talent Pipeline Management (TPM) – A Model for Employer Engagement

As Oregon seeks to formalize and strengthen employer engagement in skills development, the U.S. Chamber of Commerce’s TPM initiative offers an initial framework. TPM connects the classroom, students, employers, and careers and develops talent pipelines with long-term strategies for upskilling, gap filling, career pathway development, and succession planning. The initiative:

- Builds on industry best practices and is authentically employer-led.
- Generates granular, actionable data on employer demand.
- Provides a structured process for collective action and decision-making.
- Engages the full spectrum of talent sourcing providers.
- Creates shared value, competitiveness, and accountability.
- Focuses on employer Return on Investment.

TPM is a demand-driven, employer-led approach to close the skills gap that builds talent supply chains aligned to dynamic business needs. Through the approach, employers play an expanded leadership role as “end-customers” of our education and training systems.

In the redesigned system, new employer-educator consortia – organized by key industries and regions – would strengthen communication and collaboration. Regional employers would provide colleges with clearer statements of skill profiles required for high-demand occupations along with anticipated staffing requirements. The consortia would develop shared accountability measures and routinely exchange data on outcomes.

- **Build new curriculum models, often that directly involve work-based learning.** Promising practices include “earn and learn” models where Oregonians can learn on the job. Not only can the model provide financial support to individuals, skills can often be gained effectively on a worksite. More broadly, we need to examine a whole range of curriculum options for adults, often combining basic skills in English and math with applied learning. Schools and employers need to team up to design the models and the associated credentials.

## The Proposed Investment

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Governor Brown has convened a joint task force of the Racial Justice Council and the Workforce and Talent Development Board to craft a new workforce system plan for consideration by the 2022 Legislature. The plan, in final development, would direct dollars to achieve two ambitious goals:

1. Prepare and place thousands of unemployed or underemployed Oregonians in satisfying family wage career paths in manufacturing, health care, and construction.
2. Build institutional capacity to support tens of thousands of additional Oregonians in pursuit of promising career paths in a wide variety of sectors over the decades ahead.

Most of the investment would provide direct services to targeted populations delivered through a combination of community-based organizations, community colleges, and other career training providers. The funding, delivered per training slot, would provide financial assistance to cover tuition, fees, and supplies.

The investment would flow through several channels. It would direct dollars to local Workforce Investment Boards to contract for wraparound support and training for targeted populations in their communities. It would provide additional dollars to develop career pathways in the community college system. It would expand apprenticeship programs and organize industry consortia.

Industry consortia in key sectors would engage employers to identify statewide workforce needs and high-value credentials, working closely with education and training partners and community-based organizations to design curriculum and support job readiness, including recruitment, retention, and career advancement opportunities. Perhaps most important, the plan includes a competitive grant program to test new models of service delivery to overcome the barriers highlighted in this paper.

With resources for assessment and program evaluation, Oregon would be able to learn from the results of these investments what programs work best to help Oregonians achieve their career goals. This would set us up well for improving service delivery over the long-haul.

## What Should Look Different in Three to Five Years?

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Individuals, employers, and the broader community would benefit from the investment.

- Trainees would gain a mix of flexible and specialized skills used in occupations that are projected to be in high demand. Similarly designed programming, organized around sector collaboratives, has boosted trainee earnings by 20 percent.
- Employers would increase the supply and qualifications of applicants for their fastest growing occupations, which would reduce hiring and turnover costs.

- Oregon would accelerate its progress toward meeting its Adult Education and Training Goal, which calls for an additional 100,000 trainees – above baseline expectations – during the balance of this decade. Increased earnings by trainees would translate into a reduced reliance on safety net services, increased spending in local economies, and increased tax payments.

### How Should We Measure Success?

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The Workforce and Talent Development Board would track the intervention’s success through the following measures:

- Number of trainees, average training duration, and completion percentage, including disaggregated data that captures participation of women, individuals from communities of color, and low-income and rural Oregonians
- Share of trainees employed in the target sector 12 months after completion
- Accelerated hiring and lower turnover rates than average in targeted sectors
- Increased share of Oregon workers with some postsecondary experience or credentials
- Participant and employer satisfaction surveys.