



# Reimagining Michigan's Workforce Development Policy

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## The Need for Reimagining Workforce Development Policy

As Michigan's economy transforms, the state faces substantial challenges to overcome about employment, educational attainment, alignment of worker skills and employer needs, and income:

- **Long-term unemployment stagnates at record high.** While Michigan's overall unemployment rate has been falling in recent months, 92,000 Michigan workers have been out of work for a year or more. That's a level not seen since modern labor statistics began being tracked in the late 1940s and not experienced within the state's economy since the Great Depression.
- **Michigan is not keeping up with nation in terms of income.** Per capita income in Michigan has fallen below the national average. Michigan ranks 36<sup>th</sup> in per capita income, down from 17<sup>th</sup> in 1980.
- **Michigan educational attainment falls far short of leading states.** In Michigan, 36% of working-age adults have an associate's degree or higher, below the national average and far short of what researchers forecast will be needed in the near-term. At the same time, one out of three working age adults – 1.7 million people -- lack essential basic skills.
- **Employers are frequently saying they can't find workers with the skills they need.** Anecdotes are seen almost daily in the Michigan media. Recent examples include rebounding manufacturers expressing concern about finding workers for skilled trades, engineers, and technician positions.

Michigan must improve on all of these factors in order to realize sustained prosperity. Achieving significant improvements in any of them is difficult. These trends reflect the impact on Michigan of global economy forces that are changing the rules for success. Companies and their workers now compete in the reality that far more work than ever before can be done anywhere in the world. New technologies have dramatically increased the productivity of manufacturing and other industries, reducing the number of required workers. Remaining jobs are tending to bifurcate into ones requiring skills beyond high school completion and those requiring few skills and paying low wages. And the speed of change in all of this is faster than ever before – and accelerating.

But Michigan, like the rest of the nation, operates with an infrastructure of workforce development funding sources, programs and policies that were built for a different era. Unemployment insurance was designed 75 years ago on the premise that it would sustain workers during short-term layoffs and was never envisioned to cope with the large-scale long-term worker dislocation we're now experiencing. Federal workforce legislation crafted in the 1990s was framed to support immediate employment with little investment in building skills, reflecting its passage during a period of record low unemployment. Michigan's lower than average post-secondary educational attainment reflects an historic economy in which a high school diploma was a sufficient credential to enter many good-paying jobs.

The federal programs and policies that are in operation today were conceived before the Internet was in widespread use. Reflecting about how much has changed in our environment during the past two decades offers a strong case for the need to rethink workforce development policy.

### **Michigan's Workforce Imperative: Increasing Post-Secondary Attainment**

Michigan's most urgent workforce need in a new generation workforce policy is to increase attainment of post-secondary degrees and other credentials. A landmark 2011 study by Georgetown University projects that 62% of Michigan's 2018 jobs will require a post-secondary credential. Michigan's current 36% falls far short of that mark, and while educational attainment is slightly trending upward in the state, the pace would bring Michigan post-secondary attainment barely above 40% by 2025.

Not only does research project that future jobs will increasingly require post-secondary attainment, but data suggests a fairly direct correlation between the level of educational attainment someone achieves and their income and employment. Nationally, 2011 earnings for those with a bachelor's degree averaged nearly twice what those with just a high school diploma achieved. And the 2011 unemployment rate for those with an associate's degree or higher ranged from 2% for those with doctorates to 6.8% for associate's degree holders. By contrast, 9.4% of high school graduates were unemployed as were 14% of high school dropouts.

Attainment of post-secondary credentials matters – to employers needing skilled workers in a transforming economy and to workers seeking employability and family-sustaining income. Today Michigan ranks 32<sup>nd</sup> among states in the proportion of workforce 25-64 with an associate's degree or higher – below the national average and far below proportions found in leading states.

It is important to add one qualification to this analysis. The range of post-secondary credentials needed is diverse; it includes traditional degrees at all levels but also includes industry-valued certificates that reflect attainment of competencies in technical skills, which may be achievable in as little as one year. The use of rigorous competency-based credentials is increasing in a number of industries and represents a crucial part of the mix of post-secondary credentials needed by workers to enter skilled employment.

### **Seven Principles for Workforce Investment Public Policy**

In reimagining Michigan workforce policy, seven principles for investment should guide the choices that are made. Working in combination, these approaches can add up to a policy set that puts Michigan on a clear course to successful results for both workers and employers.

- 1. Increase Educational Attainment*
- 2. Substantially Improve Career Navigation*
- 3. Operate through Industry/Education Sector/Cluster Partnerships*
- 4. Embrace Innovation to Accelerate Learning*
- 5. Embrace Continuing Learning and Change*
- 6. Operate at the Speed of the Global Economy*
- 7. Reinvest in Adult and Post-Secondary Education*

## 1. Increase Educational Attainment

The needs outlined earlier in this paper are stark. Michigan is behind 31 other states in post-secondary attainment, and the trend upward is too slight to improve that ranking. In fact, Michigan risks falling still further as a number of other states are conducting very deliberate, aggressive campaigns to meet this imperative. These efforts -- led in various states by combinations of the Governor, post-secondary leaders, and business groups -- use varied strategies but all attempt to bring a sense of urgency to this charge that is not seen in Michigan at present.

One important strategy Michigan should adopt that is found consistently in other states is the setting of a clear goal and visibly measuring progress towards it. One commonly used goal is the Lumina Foundation's goal of attaining 60% post-secondary attainment by 2025. In some states, such as Maryland, the Governor has set shorter-term improvement goals that are driving in this same direction.<sup>1</sup>

A range of strategies could be employed in Michigan to increase the upward trend in post-secondary education attainment, including:

- **Increase completion of already-started degrees.** 1.3 million Michigan adults have some college credits but no degree. Encouraging many of them to complete degrees could make a substantial impact on overall attainment.
- **Increase the flow from Adult Basic Education to degrees.** Few who enter an ABE program today attain a post-secondary credential. By undertaking policy and program reforms begun in the past few years, Michigan could greatly increase the proportion of those who start with low basic skills to reach the needed post-secondary success.
- **Invest in retraining for working adults.** Michigan can't realize the scale of post-secondary attainment needed unless the state focuses on increasing the credentials of those already in the workforce, even if they've never attended college before. The *No Worker Left Behind* initiative undertaken by the Granholm administration was an example of this strategy, engaging 160,000 unemployed and/or low-income workers in up to two years of post-secondary education resulting in a credential in demand.
- **Target increasing educational attainment for persons of color.** In 2010, just 19% of African-Americans and 13% of Hispanics ages 25-34 achieved a post-secondary credential, far below the levels of the population as a whole. Focusing on reaching both youth and adults among African-Americans and Hispanics is essential to realizing progress.

## 2. Improve Career Navigation

A major challenge in today's labor market is how learners and workers can inform good decisions about what education and career options to pursue. A generation ago, many more workers were employed in large organizations with internal labor markets that were relatively clear to employees planning to spend many years there. Today, far more workers are moving among multiple

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<sup>1</sup> In 2010, Maryland Governor Martin O'Malley set a goal of achieving a 25% increase in post-secondary credentials by 2015 and charged state agencies with combining efforts to reach that goal.

employers and occupations across their working lives. The pace of new occupations being defined has been accelerating, creating a need to quickly and constantly update knowledge about choices.

At the same time, the amount of data available to a job seeker has increased exponentially. The Internet now produces millions of potential pages to visit from a search about jobs and careers, creating an overwhelming amount of noise, almost impossible to wade through.

This is a market that for many requires navigational help, without which decisions are made slowly or badly, and opportunities are missed. But budget pressures across education and workforce development at all levels have reduced the number of staff devoted to student and worker counseling and advising, just at a time when even more such help is needed by many.

What's needed in Michigan is a strategy to provide visible, effective career navigation through a "high tech, high touch" combination. That would include improving portals to be current, accurate and very easy to use that would expedite self-searchers. It would also include creating across the agency silos a cadre of skilled professionals whose charge is to bring high quality career and educational navigational help to anyone who needs it. That sort of service could be provided in a range of locations (schools, libraries, community centers) and even be accessible for online access.

### **3. Operate Through Industry/Education Sector/Cluster Partnerships.**

One substantial new workforce policy framework has emerged during the past decade and achieved broad consensus of support – organizing around industry sectors and clusters. The core idea is to create regional partnerships among multiple firms in an industry facing common workforce issues/needs in combination with educators and workforce developers. Those partnerships, usually informal, flexible and low cost, focus on a range of work from assessing needs to developing and implementing solutions focused on hiring, training, retention and career pathways.

A decade ago, a handful of states were experimenting with this approach as a policy lever. Today, more than half of the states in the nation are embracing sector strategies. Hundreds of such partnerships are in operation around the country, with the largest number in health care and manufacturing, but with examples in nearly every industry, including construction, tourism, agriculture, energy, and others.

These strategies have been popular with state and local workforce leaders for at least two reasons. First, they create an efficiency and increase in impact by working on a multi-firm basis rather than one at a time. Second, these strategies when executed effectively simultaneously improve results for employers and for workers. Interviews with employers in several sector initiatives found they reported significant improvements in resolving specific issues, such as eliminating shortages of good candidates in the pipeline for openings, reducing turnover, and improving quality of production.

For workers, researchers found in a 2009 random-assignment evaluation that participating in a sector-based training initiative resulted in significantly greater earnings, more consistent employment, and greater likelihood of getting a job with benefits.

Michigan was an early adopter of sector strategies as a state policy tool, starting with the creation of Michigan Regional Skills Alliances beginning in 2004. Many of those alliances still operate today. More recently, the Snyder Administration has organized the Workforce Development Agency to have teams focused on working within 5 industry clusters, continuing to encourage this approach.

Learning from this work and investing to encourage expansion and increasing sophistication in its use will provide Michigan with the opportunity to remain a leader in using the sector/cluster approach as a major policy lever.

#### **4. Embrace Innovation to Accelerate Learning**

The national movement to increase post-secondary attainment has converged with research and innovation in program design to offer a solid range of promising practices that can increase the flexibility for learners and the speed with which they can reach attainment. Adoption of these innovations is crucial; it is difficult to see how Michigan could meet a 60% goal without making dramatic changes in the ways in which post-secondary education is delivered.

Three major changes Michigan needs to fully embrace:

- **Get out of the “semesters only” box.** The rigidity of the academic calendar often does not align with the timing of learning that an unemployed worker or a company needs. Offering basic and occupational educational programs that are broken into smaller modules that can be started more quickly than waiting for the next semester is both possible and valuable.
- **Build basic skills within the context of occupational skills.** Currently, learners with skills gaps at entry, whether in adult education or a community college developmental education course, face a linear path that puts off years into the future their engagement in learning about the subject matter they want to make their occupation. Few make it to that step. Many states are focusing on models that combine basic and occupational skills development, offering both acceleration and contextualization, improving results.
- **Expanding online learning.** Online post-secondary education is becoming a major delivery mode nationally, either as a standalone method or a hybrid combined with some classroom learning. Some states have a much more aggressive strategy to increase the reach of online learning than Michigan does.<sup>2</sup>

These changes apply in particular to community colleges, some of which in Michigan are doing important work to bring these ideas into the mainstream of their schools. The Michigan Community College Association’s Center for Student Success is providing support to its members about the opportunities to adopt innovative practices successfully.

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<sup>2</sup> For information on all of these and other promising practices, see [www.shiftinggears.org](http://www.shiftinggears.org).

## 5. Embrace Continuing Learning and Change

Michigan, like most states, has not had a culture that emphasized the importance of lifelong learning. Rather, most people historically have operated from the paradigm that formal education should end as a young adult, with an occasional subsequent occurrence of going back to school.

The scale and pace of global change now makes continuing learning an imperative for most, not a luxury. The growth and contraction of industries and occupations will continue to be turbulent, and workers will continue to find themselves needing to learn new skills and even about newly defined occupations and career path choices.

The implications of this reality require a mix of changes. Here are three:

- **Make it easier for workers to combine work and learning.** This is a question for state policymakers: much of education today is not structured to work well with the schedules and life demands of full-time workers. Increasing the availability of non-traditional hours and locations can help. In addition, examining how to provide meaningful financial aid for adult learners is a crucial step. This is also a question for employers: how do companies modify their policies to encourage and bring together work and learning that benefits both them and the affected workers?
- **Make it easier for workers to translate what they already know into credit towards their next credential.** Colleges today engage in various depths at using forms of prior learning assessment. Expanding substantially the use of this idea is crucial in a world in which workers will need to be able to quickly and effectively build from what they have done before into their next career.
- **Reward and reinforce positively the practice of continuing learning.** Political and community leaders can play a crucial role in helping to modify the state's culture to increase the acceptability of continuing to learn. This is an opportunity to show Michigan as a state that embraces change, rather than hides from it.

## 6. Operate at the Speed of the Global Economy

In industry after industry, firms have had to learn to operate at increasingly faster speeds. Auto industry design cycles for new vehicles are now 2-3 years, half the time taken just a few years ago. The various segments of the information technology industry all stress agile decision-making, in which firms rapidly take product to the marketplace and adjust on the fly rather than enduring a long prototyping period.

By contrast, public workforce programs operate at a glacial pace. Legislation reauthorization is debated for many years. States and local groups are expected to submit multi-year plans, and operate – at the fastest – in annual cycles. Most program policy changes take years to take effect.

As Michigan reframes its workforce policy, a key design component needs to be that the state will strive to operate at the speed industry does. That has lots of implications for shifting from an emphasis on compliance with rules to one that focuses on embracing experimentation and results.

Examples exist around the country of operating with heightened speed and agility. One such example is Western Governors University, which is rapidly expanding enrollment across the country in competency-based, flexible online post-secondary education, including striking deals in several states to become a part of the state higher education system, with students eligible for in-state tuition and financial aid.

## **7. Reinvest in Adult and Post-Secondary Education**

Much can be done to redesign adult learning to increase educational attainment, as suggested above. But without a substantial and sustained reinvestment in this effort, Michigan will fail.

During the budget challenges of the past several years, Michigan has repeatedly reduced its funding for higher education, a reduction of \$600 million in 10 years – more than 30%. Michigan’s support for higher education is now 5<sup>th</sup> lowest per pupil in the country. In parallel, the funding for adult basic education has plummeted from a one-time high of \$400 million to roughly \$20 million now.

Without changing that equation, educators can neither deliver the innovations nor the volume increases needed to “move the needle” on educational attainment.

### **Undertaking a Campaign of Scalable Improvement**

These 7 principles add up to a case for urgency, innovation, investment and commitment. Michigan can’t move up the ranks among states on relative educational attainment without undertaking a large scale campaign to do and sustaining it long enough to realize results.

It is possible to mount such a campaign, and leaders in more than 50% of the states are trying to do just that. But it will require bipartisan support and leadership from all sides – the Governor, the Legislature, the business community, labor, educators, community leaders and more. Today we see valuable and valiant efforts by some on parts of this agenda. Notably, a coalition led by the Detroit Free Press is mounting a campaign in Southeast Michigan called *Reading Works*, aimed at tackling the adult literacy challenge.

What we lack is a clear call to action to undertake an increase in educational attainment as a central strategy for Michigan’s success with aligned investment and policies.

Each of (at least) the last five governors have named increasing educational attainment as a crucial goal. We’ve had several blue ribbon commissions and targeted initiatives, all of which have ended without discernible lasting impact. The challenge for Michigan is to learn from past efforts and to mount a change effort of a scale equivalent with the need.

## **Is It Possible to Make Scalable Change? The Story of *No Worker Left Behind***

As noted earlier, in the face of massive worker layoffs mostly caused by the restructuring of the auto industry, Governor Jennifer Granholm launched *No Worker Left Behind* in 2007 as an effort to help as many of those workers as possible gain new skills and credentials that could help them transition into new careers.

*No Worker Left Behind's* offer was up to two years of free post-secondary education that would result in attainment of a degree or other credential valued by employers. Eligibility was broad: all unemployed workers and those in families making less than \$40,000 per year.

Funding was braided across several federal programs, and supplemented with one year of state general fund support. Michigan Works! Agencies and post-secondary educators helped to design and deliver the statewide effort.

The Governor set a goal of reaching 100,000 workers during a three-year enrollment period. In fact, with no paid advertising and restrained publicity efforts, the workforce system was often swamped with demand. By the time available funding became scarce, more than 160,000 people were enrolled in their educational programs.

It is too soon to know the end results, as many are still enrolled today in finishing their degrees and in looking for jobs. But two things can be learned already from *No Worker Left Behind*:

- **Michigan workers are willing, even eager, to obtain credentials that help them transition to new careers.** If more funding had been available, it is clear that thousands more would've enrolled than the very large number who already did.
- **Scalable change is possible to undertake.** Most workforce programs work with hundreds or a few thousand people at most. *No Worker Left Behind* gave a glimpse of what can be done if state policy is structured to engage large enough numbers of learners to achieve large-scale change.



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