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P R O C E E D I N G S

MS. JACOBS: I think we'll get started. My name is Elisabeth Jacobs. I'm a Fellow in Governance Studies, and it's my pleasure to welcome you all here today, both our live audience as well as our Webcast audience. We have a live Webcast. We also are tweeting this event, so I encourage you to live-tweet your comments and questions to our twitter feed, which is the hashtag #BIWork.

This is a panel on "The Future of Federal Workforce Development Policy," and we have a great panel of speakers here today. But before I turn it over to them, I wanted to say a few words about how important I think this topic is and how relatively little attention I think it's gotten given the economic climate in the last five years.

The central question we're addressing this morning is what the future of workforce development policy should look like for our nation. And it's a question that I think, while it's gotten some kind of big picture attention, it's gotten significantly less attention than one might imagine on the ground given that we have the main federal vehicle for workforce development in this country, the Workforce Investment Act, technically expired over a decade ago. Efforts to reauthorize the legislation have repeatedly stalled in Congress. So right now we basically have sort of a stalled system for addressing what's arguably one of the biggest problems that we're facing today, which is the question of skills in the labor market. And that applies both to developing a globally competitive skilled workforce and also addressing the needs of unemployed workers.

Today we have a historically high, long-term unemployment rate and arguably a substantial population of people who could really use training in order to get back in the workforce, either back at the level where they were or to continue up into better, more economically secure jobs. So there's kind of both a small bore arguably just reauthorizing the existing legislation piece that we'll be talking about today, and there's

the bigger picture of kind of blue sky looking forward towards the more inventive policies that we might put together for our future of federal workforce development policy.

And we have some of the nation's leading experts here today to join us in that conversation. They come from a variety of perspectives. We have starting all the way over there -- let's see if I can get the order right because I switched up where everyone was sitting and so hopefully I can actually manage to introduce the people in the right order. Starting all the way over to my right, Andy Van Kleunen is the Executive Director of the National Skills Coalition, which he founded in 1988 as the Workforce Alliance in collaboration with leaders from workforce development and philanthropic communities. He's led the coalition to become a nationally recognized voice on behalf of its member stakeholders, which include business leaders, labor leaders, community colleges, community-based organizations, and leaders from the public workforce system, who have come together to advocate for an America that grows its economy by investing in its people. Van Kleunen is a widely recognized expert in federal and state workforce policy issues and is widely cited in leading news publications, including the *New York Times* and the *Washington Post*.

Next we have Lou Jacobson who's a labor economist with a national reputation for analyzing the cost of job loss and the effectiveness of job search assistance and training for dislocated and disadvantaged workers at one-stop career centers and community colleges. I should say that I read Lou's seminal paper on the cost of job loss to displaced workers when I was in graduate school, and then I came to D.C. and kept on seeing him on panels and seeing policy papers he'd written that were more directly relevant to policy. And so it's a pleasure to have him here. He's someone whose expertise spans from the econometrics of basic labor market policy to more specific policy expertise. He's written two papers for the Hamilton Project at Brookings

on how the workforce development system can best serve unemployed workers and is completing a third paper examining the monitoring and evaluation of workforce development programs. He was the principle author of *Improving America's Workforce Through Enhanced Collaboration Between the Public Workforce System and Community Colleges* for the Department of Labor. He's testified before Congress, and he served as the Chair of the Performance Monitoring Committee of the Montgomery County, Maryland, Workforce Investment Board from 1997 through 2005. So not only is he an academic and a policy guy, he's also actually been directly part of managing one of the programmatic aspects of workforce policy in the country.

Next we have Peter Cappelli who's the George W. Taylor Professor of Management at the Wharton School and Director of Wharton Center for Human Resources. From 2003 to 2005 he served as a senior advisor to the Kingdom of Bahrain for employment policy, and since 2007 he's served as a Distinguished Scholar of the Ministry of Manpower for Singapore. Earlier in his career he served as a staff member to the U.S. Secretary of Labor's Commission on Workforce Quality and the National Center on the Educational Quality of the Workforce. Dr. Cappelli is the author of numerous publications examining changes in American employment relations and their implications. Most recently his 2012 book, *Why Good People Can't Get Jobs*, identifies shortfalls with current hiring and training practices and has been excerpted in *Time Magazine* and reviewed in the *Wall Street Journal*, *The New Yorker*, and most major business publications. I read *Why Good People Can't Get Jobs* on the beach on my summer vacation. It is a great read. I recommend it to all of you.

MR. CAPPELLI: That was the idea -- beach reading.

MS. JACOBS: And last but not least we have Jennifer McNelly who's the President of the Manufacturing Institute, which is the nonprofit affiliate of the National

Association of Manufacturers where she advances an agenda focused on improving and expanding manufacturing in the United States through education, innovation, and research. She has extensive experience in workforce development, employer engagement in business, and is the chief architect of one of the organization's flagship initiatives, which has been NAM endorsed Manufacturing Skills Certification System, which I imagine she will tell us something more about. Prior to joining the Manufacturing Institute, McNelly was the Administrator for the U.S. Department of Labor's Office of Regional Innovation and Transformation, and she also served as the Director of the Business Relations Group for the Department of Labor's Education and Training Administration where she managed the High-Growth Job Training Initiative and the community-based job training grants. Her private sector experience includes serving as the Senior Vice President of Strategic Partnerships LLC, an international consulting firm specializing in assisting Fortune 500 companies build strategic partnerships with government agencies in support of workforce development.

So without further ado, I'm going to turn it over and let each of our panelists make a few minutes of opening remarks, and then we'll move on to what will hopefully be a lively discussion.

MR. VAN KLEUNEN: Great, so I think I'm first. Thanks, Elisabeth, and thanks to Brookings for bringing some attention to an issue. I know that currently when most talk about what's going on here in Washington is whether or not it's going to have a bad effect on the economy. It's nice to actually talk about some things about what the federal government could be doing to actually help to get what is still a struggling economy back on track, to help businesses find the workers and to find the other things that they need in order to expand and to promote job creation and career advancement.

And clearly there are a lot of things that we can and should be doing at

the federal level to spur this economy to get back on track. But there always used to be general bipartisan agreement that one of the things that we always should be thinking about is how it is that we're investing in our people. So across a range of workers throughout the labor market, what can we be doing to make sure that they have the skills they need to advance overtime, to develop a career and in some cases multiple careers, while meeting changing industry need?

And, unfortunately, for those who've been working in this field for quite a while, we know that what our nation is doing in terms of investing in people, investing in workforce training, is just not enough. It's not enough compared to what we were doing, say, ten or 15 years ago despite the fact that the economy is growing. It doesn't compare to what our international competitors are doing in this area, and quite frankly it's not enough based on what we see happening in the labor market. I know there is some debate about what the size of the skills gap is out there in the labor market. It seems to me, based on employers that we talk to throughout the country across a range of firm sizes and industries, that there are employers who just cannot find folks with the skills they need to fill current jobs despite what is still, unfortunately, high unemployment.

And while investing in skills is not going to solve the unemployment problem, it certainly needs to be part of the solution. And I think that that's where it is that we hope that we can have some conversation here in D.C. moving forward about how we can do that effectively. Now, unfortunately, what's been happening -- Elisabeth mentioned the fact that we still have not reauthorized WIA as just one example. Most of the debate here in D.C. that has derailed the skills conversation has not been about how it is that we're serving workers and businesses in terms of investing in skills. WIA reauthorization has been derailed by things related to whether or not we should be using public resources to hire people for religious training, whether or not we should be

restructuring a range of programs into block grants, or recently what we should be doing around deficit reduction. Much larger conversations are not really about what's working out there in the field currently, partnering businesses with each other, with other stakeholders to get folks skills so they can advance in the labor market.

So is anything going to change coming forward into the next Congressional session and the second Obama term for this administration? I will say you have to keep hope alive. And if you've been working on these issues for quite a while, you need to figure out where there is a silver lining. And I will say I take some encouragement from some of the debate that we saw during the Presidential Election over this past year. So despite the fact that we've had employers saying for 15 years that they've had difficulty finding skilled workers in different industries, we've never really had two national candidates running for president who've actually talked about that issue in the context of their economic policy proposals. We actually did have that during this past Presidential Election. If you think back to four years ago, President Obama was very clear about what he wanted to do in terms of college access and completion. But once he took office, clearly with the situation of the economy was in, he recognized that we needed to be thinking about a range of things that we're doing in terms of investments and skills and workforce training. And that led to things such as increasing some resources that we've put to workforce training under the Recovery Act. It led to the new investments into community colleges, specifically to help folks get back into the labor market. There are a number of things that the Obama Administration proposed under the American Jobs Act that was proposed last year under its proposed budget investments in community colleges and in expanding our universal dislocated worker program that came out of the President's budget proposal earlier in 2012.

So there was a platform that the President was starting to develop on

these sets of issues and it became the key part of how it is in terms of what he was talking about, what he hoped to do in his second term. And we did have -- with Governor Romney we did have a response to that. Governor Romney also thought that we can and should be doing more and more effectively in terms of workforce training. He had a very different set of proposals about how to approach that. Our organization has some perspective on where those proposals came from. Unfortunately, I think it came more from some of the budget debates that were going on here in Congress. Ironically, the first proposal that came out of Congress in the 112th Congress around what we should do around workforce programs didn't come from the Senate Labor Committee or the House Education and Workforce Committee. It came out of the Budget Committee of the House and really was part of Congressman Ryan's budget blueprint, which said that across a range of programs we should be consolidating and cutting a whole range of programs. We should essentially be stopping to fund WIA for the next year and a half even when at the time we had 9 percent unemployment.

And from our perspective this was much more about what was going on with the budget debate and using workforce programs as kind of an example of where it is we want to cut programs as opposed to talking about what's working on the ground and what's working out there in the field.

So we're hoping that now in this second term of the Obama Administration and in the 113th Congress we're going to have more conversation about what is actually going on out there with businesses working with stakeholders to get people into skilled jobs and help them advance along a career path.

I should also say that obviously we hope that there will be programs that actually talk about it. So I kind of alluded to the fiscal cliff conversations that are going on here in D.C. We still need to make sure that we actually have some programs to actually

reform. And so what happens in the next couple of weeks or it could be the next several months around nondiscretionary defense program funding will have a big impact on whether or not we're going to have education and workforce programs to actually talk about improving overtime.

MS. JACOBS: Thanks.

MR. JACOBSON: Once again I do appreciate the invitation, and I'm going to read my remarks to see if I can condense what I have to say into five minutes.

Here's where my views about the current WIA-supported workforce system are positive: First, job search assistance, the main service provided by the system, substantially reduces the time it takes unemployed workers to find jobs. Indeed, every dollar spent on JSA for a UI claimant reduces UI outlays by \$2.00 or more. Second, the assessment and counseling provided by the system helps ensure that course for course we have funded training raises earnings by as much as attendance at selective four-year colleges. These findings are not surprising. One-stops offset information deficits that lead to prolonged unemployment and selection of training programs that are unlikely to be completed; or if completed, unlikely to lead to higher pay.

What is surprising to me, however, is the evidence does not carry much weight. And as a consequence, the public workforce system has been starved for funds for so many years. Here are my suggestions for further increasing the benefits of WIA-funded programs:

First I would expand the role of one-stops as honest brokers, helping to improve selection of training programs. I would do this by requiring assessment and counseling be provided to all recipients of Pell grants and other forms of aid and by providing the funds for these services, which only are a tiny fraction of the thousands of dollars spent on training, per person. I also would make it easier for unemployed and

lower wage workers to enter high return training. I would do this by increasing the amount of aid available for a worker with substantial debt and family obligations and by allowing aid to be used for non-degree career programs with proven records of success.

Second, WIA has an excellent information collection system, but awful performance measures. The supressing need is to better use the information to assess the returns on workforce investments. My eight years on a WIB convinces me that faulty performance measures has led to over 40 percent of WIA funds being diverted from helping workers to making the local one-stops look good, but only on paper. Accurate measures would help local one-stops increase their cost effectiveness and help convince skeptics that the WIA benefits are larger than their costs.

Third, the information system should be used to fulfill WIA's mandate to identify local high demand, high return training opportunities and effectively disseminate this information, much in keeping with the intent of the bipartisan Student Right To Know Before You Go Act. This can be accomplished by providing funds to expand the information base to track trainees who are not enrolled in WIA and to have an organization such as the BLS develop appropriate methods for producing and disseminating accurate information.

In summary, WIA-funded programs should be strongly supported by Joe Biden and by Paul Ryan as they not only benefit the unemployed and the economically disadvantaged, but boost economic growth by increasing the supply of skilled workers and by reducing taxes firms and citizens otherwise would pay for UI and other transfer programs. Moreover, WIA funds are targeted on precisely those individuals who want to improve their economic circumstances through their own hard work. So just to make it crystal clear is that this is an unusual program because the benefits actually do exceed the costs. So if you were someone like Paul Ryan or a neoclassical economist like

myself, this program really does deserve more support than it has received.

So anyway, thank you for your attention and I look forward to further discussion.

MR. CAPPELLI: Well, good morning. It's nice to look in the audience and see some familiar faces, although I should say that one of the things that strikes me because Elisabeth nicely didn't tell what year I started to work in Washington, but it's been a while ago. And the one thing that strikes me about this, at least from the '80s, is how the debates remain the same, the issues remain the same, but the people change. And the audience has got different people in it now than it did in the 1980s and different people than in the 1990s, but the issues are pretty much the same.

And let me maybe just tell you what I think the consensus was as early as the 1980s on this, and that is the idea about trying to have a workforce development program make some sense is to get employers closer to schools and to get employers working more together. It's about building the connections between these organizations, and that's been the story more or less since the 1980s. For all kinds of reasons it is more difficult to do now, and I think it is important to begin with some basic understanding of the facts. So let me begin with that, and I'm going to get up to the 30,000 foot level here just a little bit and outline sort of what's going on in the economy.

I had a quick conversation yesterday with a Ph.D. student at Harvard who was writing her thesis about the skills gap. And the question she's investigating is why is there so much policy attention and consensus around this when, in fact, there's so little evidence that it even exists? So that's the thesis that she's trying to examine, and let me tell you a little bit about why I think that is.

First with a definition of what do we mean by this, and you'll see that the definition gets slippery depending on who you're talking to. But the basic idea is that

employers have jobs they can't fill because they can't find people who are qualified. The reason for that is because schools are failing and job requirements are rising. So that's the story that we hear a lot. As the great commentator, Stephen Colbert, says, "This has the ring of truthiness to it." And truthiness is something that's not true, but it sounds true. So let's talk a little bit about why this is not so true.

And if we start thinking about it a step back and rationally, here's why it doesn't ring true. One reason is that we know that most all of those people who are unemployed now are not school leavers. They're people who've been out of school for quite a while. So if there was a school problem with respect to preparing people for school, it wouldn't explain much of anything except the experience of those folks who have just come out relatively recently. The other thing you might believe, if you are neoclassical folks, is you'd say how could there really be a shortage? Don't prices adjust and make these things even out? And if you look at the labor force, you find that actually wages have been declining in real terms despite the fact that there's this view that there's a shortage. How could you have a shortage if prices are actually falling? And to some extent they're falling quite a bit. If you look, for example, at a machinist which is a job we hear a lot about and are concerned about, the real wages for machinists have fallen 20 percent in the last 20 years.

How about schools failing? Well, there's no real evidence for that. In fact, the evidence is schools are actually getting better. People are still quoting the Nation at Risk study, which was done on data in the 1970s, and it's pretty clear that schools were getting worse when I was in school. So most of the people who are complaining about schools being a problem, in fact, they were in school when schools were really a problem. We've got a skills problem then among 50 year olds because after about 1982, the U.S. education system -- if you look at dropout rates and I've given

you a little sheet with some of things in it -- if you look at the national assessment of education performance, those measures indicate slow but reasonably steady progress in terms of improvements in schools.

So the idea that schools are failing is a little hard to swallow. Certainly we've seen students making huge moves toward more practical education. The idea that all these kids are stuck in liberal arts programs is absolutely not true. Those have been dropping like a stone. I have one of those kids who's a graduate of a liberal arts program and, yes, he's unemployed, and I'll tell you more about that in a little bit. But students have been killing themselves to try to figure out where the jobs are and how to get more practical-based experience. Skill requirements are rising -- no they're not. The National Academy of Science has looked at this a couple of years ago, and I was on that panel looking it over. And on average skill requirements are changing a little bit up here, down here. It varies job by job. It varies employer by employer. But this idea that there is a huge shift toward more skilled requirements in the workforce is not true, no evidence for that. It's a confusion between technology, which is getting more sophisticated, and the skills required to use it, which are not getting more sophisticated. Think of your cell phone, for example, an incredibly sophisticated piece of equipment. You can more or less if you want call home by pushing a button.

The other thing that's going on is this issue of employers complaining about not having people to fill the jobs. This is not a new story; at least it was going on in the 1980s. I just saw the other day -- I found an article in 1982 in the *Monthly Labor Review* evaluating the employer's concern about complaints about skill shortages in the machinist area. And they concluded that no, there was no evidence of a skill shortage in the machinist area. And their recommendation was that employers who think that was the case should raise their wages and increase training, that that is the way to deal with

this. The complaints are not new. Interestingly enough if you look at the data on hiring managers, what they're complaining about -- I gave you a sheet on this from the Business Roundtables Commission and one of the studies they did, but there are several that find the same thing -- what they complain about are workplace attitudes, not academic skills. That's been true since the '80s. I wrote a paper about this in the early '90s, summarizing all that literature, and it was the same then. The complaints are about punctuality, conscientiousness. They're not about academic skills.

So let's talk a little bit about why employers are experiencing this problem, and then I'll try to finish up quickly. If you've watched the TV show, *House Hunters*, or any of those like that; there's like a dozen of these shows and they're all the same. You take this young couple. They go out looking for a house. Here's what they want. Here's our budget. They come back and guess what? They can't find it. Can't find what they want. Now the show doesn't end there. The show doesn't end with the homeowner saying "Ha, there's a housing shortage." End of the story. What happens is the real estate agent who's old and experienced says you have to either raise your budget or you have to compromise on what you want if you're going to get what you think you need. But I think what's happened if you look at these studies of employers -- they're not studies. They're asking employers first are you having trouble finding what you want? The answer's yes. Then they ask them to diagnose the problem. And the problem they say is there's nobody out there to hire. Some of those studies like the one done by Manpower actually shows that nontrivial proportions say the problem is they can't get people to accept the jobs at the wages they're offering, which, of course, doesn't sound anything like a shortage. It sounds just like you're being cheap.

So what is really different in what has happened in the workplace over the last generation or so? Here's what's happened. First, job requirements are going up.

They go up in a recession every time in recessions. They rise because you can get pickier. The difference now in the '80s when I was around the Labor Department is employers no longer said give us a warm body. They now said give us somebody with the right attitude and we'll train them. Now what employers are saying is give us somebody with the right attitude and who has the skill and who has the experience. So in virtually all cases what employers can't find is somebody with those three to five years of work experience. Why is that? One of the reasons is apprenticeship programs are largely dead. Some of those went down with union programs. Work-based training and work-based education has not exactly been on the increase. It's never been very high. If you look at the individual employee data -- and the data on this are not very good and they're not very recent -- but they show there was rarely very much training given to new people going into jobs. And every indication we get now, particularly based on turnover data, show that it can't possibly be very good because employers are churning people so quickly.

So what do we know? Wages are down, training is down, and employer recruiting efforts as you see in the chart I gave you is down as well. So why is it that it would be difficult to find the people you want? Well, if you're not recruiting and you're dropping your wages and you're not training people, you've got a problem.

So here's the context I think for policy going forward and that is we've now got a context where employers for all kinds of reasons -- and I'm not suggesting they're just bad guys and just don't want to do this stuff -- but they're requiring more, they want more from candidates, they can be picky right now, and they're not willing to do as much as they used to, particularly on work-based training. The big shortage we've got is work-based skills and experience. And the policy program is if employers are not going to be involved in this, how are we going to get it done? And that's a real conundrum.

We're not going to get European-style apprenticeships here. The country's too big. It's too diverse, too dispersed. But it seems to me that's a big problem. It's long-term problem. It's not a new problem. But we're wrestling with it once again.

MS. McNELLY: Great. Thanks, everybody, for being here. Elisabeth, thanks for having me. And I'll say you're going to hear a series of consistent themes, and I'm going to take us back not just to the '80s. About six months ago I had a graduate student from GW come in to interview me on our skills gap report. And everything Peter just said certainly highlights what we hear from our manufacturers. We actually brought a group of them here to sit across the table from the Washington Press Corps to talk about whether or not the skills gap was real. And one of those employers set their entry-level math exam that was about at the sixth grade level on the table and then set a NIMS certification on the table and said here's what I need and here's the point they can't pass.

And I think this issue is incredibly complex. And I'm going to go back to the GW student that interviewed me about six months ago on his graduate thesis. And we got all the way through and I asked a ton of questions and shared the perspective of what we hear day in and day out from manufacturers as we travel the country. And he said, okay, I'm going to be a little controversial now. Okay, and he read me a quote that essentially said we as a nation have a huge challenge. We're not producing the quality workers we need in this country. We have a shortage of individuals with math and science skills. And he looks at me and goes when was that quote? I wanted to say last week in the *New York Times* or the *Wall Street Journal*, take your pick. He said 1954, 1954, pre-Sputnik.

And what does that tell me? This, again, is not a new problem. The difference is we're operating in a different business environment. And I feel incredibly passionate about the fact that we need to create our own Sputnik moment because it's

not going to happen the way it did before. And it's going to be the aggregation of a whole host of really great activities that makes that happen. And I'll start with what we've done in manufacturing.

So for decades we've been very good at documenting the problem. In fact, the roots of the institute are really grounded in a research-based agenda. Everything we do is somehow linked to a series of either analyses on big public data sources as it relates to manufacturing so use of VLS and Department of Commerce data and everyone else's data through a manufacturing lens and what does that tell us? And in our own research what that tells us is manufacturers in this country face a 20 percent cost differentiator to our nine largest trading partners, which means before we open the doors and turn on the lights, we have to figure out how we do it better. And part of that and key to that is the quality of our workforce because what we also know is talent is, in fact, an important element to innovation. In fact, it's the human element of innovation. It is the people that are on the frontlines day in and day out.

We also look at the voice of manufacturers and what they say. So it's a balanced research approach that looks at government sources as well as the voice of the customer. And for years we've published the skills gap report and consistently manufacturers are finding it difficult to find quality workers. It was true in our 2005 study. It was true at the height of the recession. And it's been true in what we've published as we've started to come out of the recession.

So we decided in part on the anniversary of *A Nation at Risk* that there was little harm in action; that what we, in fact, needed was an architecture that no longer stood around and waited for some big structure to solve the problem, and that we as manufacturers needed to get at the table and start to engage. So we took a couple of really important steps. First and foremost we actually established an education council

representative of the K-12 system, community colleges, and four-year institutions. It was a really important step because we knew if, in fact, we were going to stand as leaders in this human capital dialog that we needed to have a network of individuals that served the customers we were trying to get sitting in the room with us, telling us what was realistic and what wasn't.

Second we published a roadmap for education reform and none of these themes are going to be new. They're exactly what were talked about. We need more on- and off-ramps. We have a structure and a system that is designed and defined by an endpoint. And, in fact, Lou, you mentioned this. The incentives associated with WIA don't necessarily align to a system that recognizes that we are a nation of working learners; that individuals are going to need to move in and out of the education system.

Second we knew that we needed a new form of discussion between the public and the private sector, and we chose industry-based standards. The translator between what an output looks like from a consistent quality measure because a machining program in Kentucky can have a different output than a machining program in Seattle and a different output in Texas. But anybody with a NIMS-certified credential in bench work and layout consistent across any of those locations understands the same fundamentals. They may know more, but that's the basics.

We also, in fact, knew that we had to be partners with education; that we had to stop pointing fingers and start getting at the table; that we needed to create work-based learning opportunities. So, in fact, there are consortiums -- one at Central Piedmont Community College where a group of manufacturers led by Siemens have developed those work-based learning opportunities. It's true we can't completely replicate the German apprenticeship system here in the United States. Education is a local action. But what we can do is offer more internships and most important we can

ensure that job training, that traditionally in the education structure has sat on the side without college credit, could be integrated into academic programs so that the learner could advance. Should they want to get their associate degree, there's an opportunity in which to do that.

And then we also knew that action had to happen at the community level in partnerships. So in 36 plus states across the country, manufacturers are working with the education system, the publicly funded workforce system, the economic development system, and they're coming together to say how do we stop pointing at each other and work together.

So I look forward to this discussion. Andy, I'm like you. The glass is always half full in my world. I am hopeful that we can get to policy at the federal level that supports this flexibility; that ensures training matters to the labor market and ensures individuals move in and out because, in fact, this is a jobs discussion.

And what I can tell you is a week and a half ago we hosted a global symposium on talent-driven innovation. And what's really clear back to that context in the environment in which we work in is the pace of change has accelerated. And if you look at the United States against the world, as we argue everyone else is doing, and that's sort of what the facts say.

MS. JACOBS: Great, thank you. I want to pick up on the Sputnik moment quote from your student interviewer. I think the question to me that I want to throw to all of you and some of you have touched on this. But taking him at his word that we need to create a new Sputnik moment, what's the federal government's role in doing that? We have WIA which we can't even get reauthorized. We have arguably a lot of other programs and maybe one of you -- Andy can say something about the push to consolidate and the fact that we have sort of programs in addition to WIA. But then we

also have these kind of big picture, blue sky, initiatives, some of which the President is talking about, some of which Governor Romney had some ideas, and many of which are just sort of happening in the private sector arguably because the public sector hasn't been able to do much. So what should the public sector and specifically the federal government be doing in terms of pushing the Sputnik moment because the federal government had a lot to do with the Sputnik moment, the original Sputnik moment, happening? So what should the role be today?

MR. VAN KLEUNEN: Well, I have no issue with the quote of the Sputnik moment, but I do think what we should recognize is that as opposed to when we need a rocket scientist to get us up to the moon, we do not need to train a whole new generation of rocket scientists to get people back into the labor market. And I do think that has been part of the challenge in some way in the conversation here in Washington over the past ten years.

And I do want to respond in part to Dr. Cappelli's assertions around -- I mean it seems to me that there are these categorical assertions about education, whether we need education or not and whether the success in the labor market is based on a general categorical reading about what happens to somebody who graduates from a four-year institution or whether or not we should take some lessons from that about what kind of training or education or skills are needed out there in the labor market. The fact of the matter is not all programs are the same, not all institutions are the same, and quite frankly the message that we've been sending and has been the prime part of the federal conversation here in D.C., which in part has made it difficult to get more apprenticeship investment, more workforce training to move forward, is the fact that we do not need to send everybody to get a four-year degree or a graduate degree in order to get a good job in this economy. That's one of the reasons why we're so disinvested in training folks for

industry-recognized credentials such as the kinds of things that manufacturers are seeking on the production line for jobs that ten years ago -- in those studies that Dr. Cappelli notes from the '80s and the '90s -- those jobs are different today than they were ten years ago. You could run a lathe with a steady hand and a good eye ten years ago. Now you have to run a computer. You need a certain level of numeracy skills that many folks who want to get back into that work, who were doing it for years, they can't get back into it without some kind of basic literacy and numeracy skills and many of them didn't need to have when they were working in that industry ten years ago, but they need it now.

What we should be doing as a country is saying yes, absolutely, you have got an incredible amount of experience and worth that should be brought back into this industry, but we should be investing in your skills to help you get to that point. That's the kind of thing that we are not doing. When you have a third of the auto workers who have been laid off in Michigan, who when Governor Granholm said we will send you back to community college for up to two years to get some kind of training to get back into the labor market, whether it's in your old industry or in a new industry, and a third of those workers could not take their first technical training course because their basic skills were not sufficient to even walk onto the campus of a community college, that's a structural problem. When we are finding that there are estimates of 80 to 90 million folks currently in the workforce do not have the skills to advance into some kind of technically proficient job because of outdated or not updated basic numeracy and literacy skills, that's a structural problem.

So we can have conversations about what's going on with the business cycle, but the reality is that while other countries have figured this out, other countries are investing in these kinds of basic and technical skills training programs, we are not. We've

kind of taken our eye off the ball in part because we've been so focused on sending folks for four-year and graduate degrees and not looking at what the labor market is actually demanding. And what employers are willing to do, including putting some of their resources and time up in order to be able to help folks train to that spec, if we can just kind of get them to that first step.

MR. JACOBSON: I want to compliment the remarks at the end you made in a very particular way. I remember Sputnik very vividly. I believe it was a Saturday morning in September when it came up. And I recently did have a Sputnik moment myself when President Obama early in his term actually talked about career training and college training, both at the same time. I think this is a fundamental shift in attention. And as Andy was saying very clearly that there is a problem that two-thirds of high school graduates are not equipped to do four-year college level work. This is a real problem, but they are equipped to use the resources of community colleges better than they do now and that I think should be the central focus of the WIA program. In fact, at the local level I think it is the central focus. Many students who attend -- community colleges provide terrific opportunities to advance your career. The problem is that a lot of students don't understand how to navigate through that system. The thing that WIA does and the one-stops do better than any other institution in America is they provide the kind of assessment and counseling that ordinary people need in order to make improved choices.

So I think virtually everyone in America will agree that the role of the government, the primary role of the government, is to provide public education and now it's expanded beyond pre-K through 12 to postsecondary. So I think that the Congress should, in fact, support the public education system and particularly the connection between community colleges and careers.

MR. CAPPELLI: I just wanted to make a pretty, maybe obvious, observation. The one group that's not represented on our panel up here are people who are looking for jobs. We've got the employers. We've got the thinkers. We've got the associations of various kinds or ways. And this is not a criticism. I don't know that there is any representative of people hunting for jobs. They're just part of the problem. But I do want us to think a little bit here about the message that we're sending and how it really is cruel, and I mean that seriously because the message we're sending is that there are jobs out there if you only could get the skills to do them.

We look at the aggregate data. We know that there's a huge gap still between the number of even positions which are advertised and the number of people who are seeking jobs. So there's still a shortfall that's pretty big. And we don't want to suggest to people because it's just not true, that if you only went to this college or got this degree, there's a job waiting for you out there because it's not true. And one of the reasons why this matters is a lot of people are spending a lot of time and a lot of energy, particularly parents paying for kids to get more education or paying for people to get more credentials, and they don't get jobs as a result.

Now let me give you a couple of quick anecdotes on this. I talked to my own college. We have a pretty elite university at the University of Pennsylvania, and I talked to the career people about our graduates with the science, engineering, technology, and math skills -- the STEM skills -- and I said where are they going? Are they getting jobs? They said oh yeah, they're all getting jobs. Where are they getting jobs? They said they're not getting jobs that use science, technology, math, or engineering skills. They're going to consulting firms. Nobody's hiring them for their math skills or their science skills or their biology skills. They're not getting jobs in any of those fields. And the idea that if you just had a math degree, somebody would snap you up is

not true. So I'd like us to think about this in terms of the message we're sending to people.

With respect to the recession and getting people back into the workforce, the evidence we've got, which is pretty good, shows that this recession -- the economy at the end of this recession -- looks remarkably like the economy before this recession. This was not a 1981 recession where there was this huge shift away from manufacturing. This is not a 2001 recession where there was a huge shift away from technology. The economy now in terms of across industries and things looks remarkably the way it did before.

So the idea that suddenly there are all these people who need new skills to get new jobs that have been created after this, there's no evidence for that. And the idea that we have all these new jobs that have new technology, like the CAD/CAM stuff, is a 1990s invention and that stuff has been around for quite a while. And it is true that those jobs require different skills. They don't necessarily require greater skills because they automate all the math that used to be required of a typical machinist.

I spent a little while on the chat rooms looking at machinists talk about their jobs and what they're doing and how they're doing them, and that's their view. They say that the machines now do all that sort of stuff so you need different skills to do those jobs. You certainly do. But the idea that technology creates higher skilled jobs all the time is not true. In fact, the typical use of technology is to de-skill jobs, to replace knowledge in a machine form, in an IT form, for human knowledge. So I worry about this a lot. I mean I do have an unemployed son, but I also have lots of colleagues who have lost their jobs and lost their houses. And these are people who were thought to be highly skilled a couple of years ago. And the idea that there are jobs out there for them if they could just get off their butts and get some skills -- come on, it's not true and it's cruel.

MS. McNELLY: I'm going to circle it back to a policy-based discussion before I turn it back over to you, Elisabeth. I'm also going to add a story or two about the dislocated worker. So I'm going to come back to a community-based, action-oriented, activity, and Peter I think you were interviewed for this as well.

A couple of weeks ago *60 Minutes* actually aired a story on the manufacturing skills gap, and they interviewed an executive from Click Bond in Nevada. And Click Bond is an example of a leader in industry that has stood up and said let's stop talking and start doing. And in partnership with their community colleges, they have implemented and realigned their manufacturing education program to integrate industry-based certifications.

And, Andy, to your point of basic fundamental skills in reading and math, part of the architecture of our efforts is the use of work keys and ACT's National Career Readiness credential because a high school diploma doesn't mean the same thing anymore. And to enter into and succeed in that community college program, they get both the remediation they need grounded and assessed in work keys and the training. They also have a direct link to employment as part of an eight-week, on-the-job, training program while they're still learning and most important the opportunity to go back and get additional skills. So you see that kind of activity happening at the local level.

So what does that mean from a policy perspective? We need a single language, and right now the world of career development, career exploration, and even understanding what the world of work looks like, is all over the map. And I know from my own experience at the Department of Labor that we couldn't really delve into helping educate kids on what careers are because that was an education issue. The point is human capital development is a lifelong journey and everywhere along that way we need to make sure people understand the reality of expectations not just in manufacturing, but

in the world of work, and that in the end the role of the federal government is to enable good policies to get to best practices that allow people to get the training they need and move into a job.

MR. CAPPELLI: Taking us back to policy and following from that, I think there is something which is fundamentally different now and does represent possibly a big shift in the direction of policy.

So in the '80s and in the '90s -- and by the way, everything we've been talking about and every one of these innovations you saw in the 1990s and you saw some of them in the 1980s as well -- the big difference was I think in those days the idea was if you could get people into a job with an employer, then the job was done, that the employer would take care of their skills, their training, and in fact employers used to say that. In the '80s they would say give us the right attitudes, we'll take them and train them.

That's not the case now, and I think the question is what do we do about that? Where people are expected to move across jobs -- and by the way, I wrote a book about that a while ago -- and that was an employer initiative. That wasn't because employees decided it'd be fun to quit and work someplace else, it was because of the rounds of layoffs that began in the 1980s and the willingness to churn workforces to get new skills.

So what do we do about that? So one of the things we might do is move toward a more credential-based system, and those of you in the audience who are old enough will remember the National Skills Standards Board and the efforts in the late 1990s that were designed to do exactly that. The question is do we really want to do that? Do we really want to have a system that looks like some of the European systems where you've really got a set of credentials and they're transferrable and it makes it easier to move across -- the way manufacturing has done? It's a possible direction, but

in Europe it hasn't worked that well. In fact, in Europe I'd say the takeaway of this, which was tried extensively in the 1990s, is that these become bureaucratic very quickly. It's easy, as we saw with the National Skills Standards Board. The chemical group has an idea of what a secretary job requires that is different than what the electronics group thinks a secretary requires. And you end up with all these different credentials, which just end up with rigidity in the system.

And the other thing we've got is that employers have not been particularly willing to stick to these programs for developing people and learning programs that were -- some of them came out of the School-To-Work Opportunities Act in 1994. As soon as business went down, they pulled out of them. And more to the point, when people were in these programs and the employers needed them, they didn't wait for the people to finish the programs. They'd come in and hire them out before the programs were finished.

Now in Europe they can solve all these problems frankly because they can get all the employers in a country like The Netherlands in a room, which is what they do. And they say here's how we're going to run this thing. We all onboard? Yes. We can't do that in the U.S. So the problem is should we move down this path of having transferrable skills, a credential-based system? It makes it easier for people to come in and out. That's a big bet if we go down that path. It's a very different bet than the bet we were making a generation ago where we said the key is just to get people into a good employer and they'll take care of things after that.

MS. McNELLY: If I may speak to the "is it a big bet." I'll say what employers are doing in the skills gap speaks to that. So do I want it regulated by government? God no. It is not the role of government. In fact, I would say part of the challenge with National Skills Standards Board was it was a government-orchestrated

activity with support of employers as opposed to a market-driven opportunity that employers had a great enough need that they reacted.

And I'll speak to what my peers are doing in other sectors. I'd like to say that in manufacturing we've solved the problem and we're unique, but the point is I have stood on stage and used the Western Grocers Association's competency model and tools because everyone else had slides and I didn't and I said it's okay. We're all saying the same thing. Fundamentally they all need basic skills. Secondary to that and Peter had said what's in the paper that you shared? They need workplace skills and personal effectiveness skills and then technical skills. And in a room full of 100 manufacturers, they would say if they'd just show up on time I'll take it from there because they'd know what they need to do is train them their way. But industry-based credentials eliminate chaos in the marketplace.

And am I delivering to our nation's manufacturers a perfect solution? No. I'm a big fan of the 80/20 rule. But if 80 percent of what they all need is common and 20 percent is a reflection of the local economy, then it's a good idea. And IT has done it for years. The automotive service industry has done it for years. Health care has done it for years. And you see industry after industry moving this direction so they can figure out a way to have a conversation that they haven't been able to do before. In my mind industry-based standards create clarity and transparency between the world of work and the world of learning, whether that's in a traditional K-12 environment, in a community college environment, or in customized job training.

MR. JACOBSON: I think there's a fundamental issue here that needs to be at least discussed in a little more detail. The question is, is it worth going to college today just as it has been all through American history or not? And there are a lot of articles about this. Many of them appear in the *New York Times Magazine* and recently

my wife said here's another one of these articles, but don't read it. To us it's all nonsense. And I think it is all nonsense. If you're a lower income person in Chicago and you go to Malcolm X Community College and get an RN degree in two years or three years and then go to work across the street at the hospital, your income is going to be doubled over your lifetime. And I think that was true five years ago, ten years ago, and it's still true today. The issue is -- and once again I want to link this to WIA because what WIA does -- and I think many of the people who are listening don't really appreciate this -- they try to help individuals select programs that are right for them. And I would say that the biggest failure in the American education system isn't that the educators aren't doing a good job. It's that the connections between the appropriate training or education aren't being made. So people who come from a lower income background or workers who have been out of work or been out of school for 20 years, they really have trouble figuring out what it is they should do. And they could use some help from an honest broker, someone who has no axe to grind.

So I think that within a free market system, people should make their own choices and that the colleges should be responsive to the choices that individuals make and the advice that should be given should take into account the true way the market is working, what the employers need.

And I think we have come pretty close to that system, but once again I'm going to return to my basic point, that WIA is incredibly underfunded and that there is no resource available to the average person today to get the counseling and assessment they need to navigate the current system. And I think that's really why I would strongly advocate that WIA be maintained in its present form.

MR. VAN KLEUNEN: There are a few things I'd like -- so let me pick up on a couple of things here and try to bring it back to kind of where the debate maybe

heading here in D.C.

So what Jennifer was talking about, which is -- I mean if you believe in market function, if you believe that markets will clear whatever -- I mean the market has already spoken. Employers are trying to figure out a lot of this on their own in part because there's not been a tremendous amount of support for it from the federal government even though we think that there can and should be more. States have started to figure this out on their own in part because there has not been a tremendous amount of support from the federal government; which is how is it that you can rationalize the chaos in the market in some way so that people who are coming from a variety of different perspectives can understand what the jobs that are out there in a particular local industry that has a big employer across a range of different firms? What are the skills employers typically are looking for? What's the credential that they're looking for when they make a decision about hire? And then what are the range of things that I need to do to get myself from what I can do today to where it is that I can get to that point? And while we often talk here in D.C. about what we can and should be doing to improve our education and training programs, there's a lot that actually government can do without creating a National Skills Standards Board, without trying to get every manufacturer in the United States together around the same table, is to create the capacity to bring employers together from within a common industry to figure out that 80 percent that Jennifer was talking about.

So across all of our different needs, what are the jobs that we're having a hard time filling? What are the particular skills that we're looking for? And then how is it that we can work with our adult education training providers, our community colleges, our job training programs, even our career and tech-ed programs in our high schools, to figure out how to develop a set of pathways to get folks to that particular outcome?

There's a role for government to play in that, particularly for small- and medium-sized employers who do not have the in-house training programs that the larger corporate employers do. The corporate employers are the ones who more often than not solving some of these problems because they have the capacity to do it. But the small employer who employs 50 people whose HR department is the one day of the week when the owner sits down to do payroll and things like that, they're not going to have an in-house training program, but they can and should be at the table with other 50-person shops from within their industry to kind of figure out collectively what is it that they need and then you can kind of aggregate that need to try to drive some change within your education training programs that are at large.

So that is something that there's been actually bipartisan agreement here in town about the role that we can play with public dollars to bring employers together around a table, to sit down with the other stakeholders to figure out what a particular industry needs. We would like to see that drive what happens with WIA reauthorization. It's going to be hopefully a priority if the Obama Administration is successful in getting their community college to career funds funded. That is going to be an expectation that those colleges are going to be sitting down with groups of firms within industry.

That is something where I think there's bipartisan agreement and those are the kinds of things I would love to be talking about in terms of how to move the conversation forward. Unfortunately, I think we get distracted by some of these other issues that don't allow us to kind of figure out where it is we have some agreement, where there are working models overseas, and the fact of the matter is there are international competitors that are coming here to the United States that are setting up factories that are doing just this very thing now. They figured out that it works. Why is it

that we can't make that happen more consistently across the country?

MS. JACOBS: I have a host of other questions that I would love to ask, but I want to be sure to leave time for all of you who have joined us, including our Web audience, to ask questions as well. So I think without further ado, I will turn it over to the audience. There will be people circulating with microphones so wait until you have a mic in your hand to ask your question and please first of all make sure your question is a question, and second of all let us know your name and if you have an affiliation where you are coming from. So let's see. We'll start right in front. Wait for the mic, please.

SPEAKER: I'm Malcolm Lovell. I was formerly Assistant Secretary for Manpower and Under Secretary in the Reagan and Nixon Administrations. And at that time we had a group called the National Alliance of Business -- NAB -- that represented the business community. And they were very active in helping to formulate national policy as well as local business policy. So my question is do we have an organization like that today and if not, shouldn't we get one?

MS. McNELLY: No, I don't think we do. I wish that we did. I do think that I spend a lot of time talking to my peers about how we could get to a NAB, and I don't know that I'm -- I'm never in favor of creating yet another organization. I think part of this is how we all speak to our own constituencies, but with a common language. And I do have extensive conversations with the Institute for a Competitive Workforce at the U.S. Chamber and with the leadership at the Business Roundtable, and I think we're starting to see a movement of a need to get around a table on a regular basis to overcome some of these challenges. Again, a lot of us are doing the same type of activity. We're just talking about it differently.

So how do we help create the roadmap that then informs policy in a consistent approach? And I'll say that at the NAM they've been strong advocates for a

piece of legislation called America Works, which would, in fact, align federal funding in job training, regardless of where it happens, to industry-based standards. And we have partners in education, institutions that have stood in support of it. We've had partners in other industry sectors that have stood in support of it. But does the NAB equivalent exist today from my perspective? No, but we need to be better about how we work together on these kinds of solutions.

SPEAKER: Hi. I'm Brett Altman. My question is seeing the largest percentage of the unemployed are people who just graduated high school or didn't even graduate high school, wouldn't a reasonable amount of this effort go to improving the primary and secondary education system so people are better prepared to make the switches and do everything else that the training programs you're talking about address?

MR. JACOBSON: I mean I've spent a lot of time examining No Child Left Behind and its consequences. But, of course, we'd love it if everybody was extremely literate when they came out of high school. The question is, is that a realistic expectation? And unfortunately it turns out that most students, the majority of high school graduates, cannot perform at the 12th grade level. So we've moved forward as someone has already indicated, but not fast enough. So the question then becomes what should we do? Up until this current administration, there's a tendency -- the problem was that everyone needs a four-year degree. But even if that was true, it's not an attainable goal. So I think what we're discussing here and what I think business and government and educators coming together can do is they can provide opportunities for people who are leaving high school, independent of what their performance level is, to find them the best possible niche so they can progress with their careers. I mean this current election was really about this. The thing that was said over and over again in Ohio is how are we going to keep people in the middle class? And that seems to me that

the K-12 improvements are a part of it, but the biggest area for improvement is actually postsecondary and particularly the community colleges, which do provide the bulk of career oriented training.

MS. JACOBS: All the way to the back, right there.

SPEAKER: Hi, my name is Sam Lakin from Prosperity Project. This is supposed to be about policy and policy is about choices. All the panelists one way or another have indicated that there are insufficient resources for workforce development; very little on the political horizon suggests there's going to be adequate resources. So my question is why not simply make a decision that says money needs to go to those people who need the most help? And we know, for example, that people who have dropped out of school, who haven't been in school for a long time, have enormous learning gaps, and it's tremendously expensive to fill those gaps. They will not be work ready overnight in a six-week training program. The kind of career navigation that has been mentioned is also extremely costly and rarely done by one-stop centers, and they certainly are no substitute for the career advisors you could have at a community college.

So my question is simply this: Why don't we cut out every bit of aid to employers and let them get smart enough to figure out if they need to get small and large companies together in a group, let them figure out if on-the-job training is worth it, and then do it because given our lack of resources, shouldn't we be spending money on the people who need it the most and for whom solutions are the most costly?

MR. VAN KLEUNEN: So, Sam, there's a couple of important things that you've lifted up there. Let me take the part about where it is that we're targeting our resources and for which workers maybe as kind of a lead-in to at least where some of the debate we think is going to be next year around WIA reauthorization, based on the proposals that were being debated in the House Education and Workforce Committee

during this current session and we're thinking will be brought back up again in the next Congress.

So, yes, there are limited resources. We think there should be more. We think if you look internationally we're not spending what we should be compared to what our international competitors are, but given that we need to start to make some choices. The current move towards eliminating a range of programs -- so, for instance, the majority in the Education and Workforce Committee, the House Republicans, are proposing to eliminate about 27 different programs and put them all into a single block grant. Many of these programs have been set up for workers with particular needs, particular geographic challenges, things like that. One of the concerns that we have with taking that approach to federal policy is that you're going to make it very hard to actually make sure that the folks that have extraordinary need are getting some additional investment. So I think moving forward, even as we are very much in support of trying to figure out how to better align programs, how to make it easier for folks to navigate and move from investment to investment and program to program, that we need to maintain some targeting of resources for those that have the highest needs.

Now to your point about what it is that employers should be investing in versus not, this is a challenge. For entry-level employees that have not been working for your company for more than a couple of months, it is a harder task to ask the employer to put money into investing in that person's training as opposed to the person who's been working there for a year or two that they know are going to stay and what have you. And the private sector spends a fair amount of money, actually a great deal amount of money, in terms of incumbent worker training. It just never really makes it down to the lower skilled part of their workforce. So we feel there needs to be some kind of balance here. We think that the private sector can and should be playing a role to help more folks get

training both before the job and on the job. And that overtime then we're expecting employers to be putting more money into folks' ongoing training over the course of their career.

So it's not to rule out the private sector training, but I think it is going to be largely a public sector role to help the entry level folks in particular get onto the job and get some of those skills at least initially before the employer's convinced that person's going to stick and that it's worth their while to put someone into their continued training.

MR. JACOBSON: I want to correct some misapprehension which I think you mentioned is first of all, the assessment and counseling that are provided by one-stops are actually quite excellent. And I think for those of you who may have actually gone to a one-stop and observed them would find that they're far superior to what you find at a typical community college. Community college counseling is involved with making sure the student takes the right courses in order to get a credential. They sometimes will provide job placement while you're in school, but they don't actually provide the kind of counseling you need to better select your courses. And I could go into great detail of why -- there's disincentives to actually do that. So that's one thing.

The other misapprehension is that we are spending I would a conservative estimate is \$40 billion a year on community college training. And I think that what I'm suggesting is that if the WIAs were better funded that the return on those investments would be radically increased, be enormously increased, to the benefit of everybody in society as well as the lower income people and the unemployed. And I think that it's extremely important to have a hardheaded view of exactly what are the achievements of the workforce investment system because I've scrutinized them as well as I could with real data, and I find that they do pass fairly stringent benefit-cost criteria.

MS. McNELLY: I want to add one point to this and it speaks to, at least from a manufacturing perspective, what percent of manufacturers are looking for a solution in the public sector. Less than 8 percent of our nation's manufacturers respond that they're even looking or using or partnering with community colleges and the publicly funded workforce investment system. And frankly if the jobs are -- and I would venture to say in my experience as the Director of the Business Relations Group in the Department of Labor, that was not uncommon. Therefore, if, in fact, we want to move people into good employment opportunities, we need to increase the connectivity between the two of those points, not look for ways to decrease it.

MR. CAPPELLI: And I think just one more follow up on that, too, back to Sam's point about the work-based and on-the-job training, which seems to be the big issue. If you look at the jobs that employers say are hard to fill, they are the ones where the criteria include three to five years of work experience. There's not very many employers that are interested in hiring people right out of school and yet, as you were saying, nobody wants to give that initial training to those folks.

So what do we do about that? That seems to be a real conundrum because work-based learning is not something we easily provide in schools. It's not easy in a community college to give somebody the experience of what it's like to build a building or to do trade work or even machine work or things like that. You can kind of do it, but it's not nearly as good as if employers were doing it. A generation ago the story was employers would do that. If you get them the right people, they'd hang onto them. Now the sense is employers won't do that. And I think the problem we've got is do we -- I mean you can imagine the nightmare scenario, which is kind of what we've got. Somebody right now who's looking for a job and all the job requirements say you must have three to five years of experience doing this. Even if you go back to school and get a

new credential, you don't have experience doing it. They don't want to hire you. They don't want to hire people who are unemployed.

How do you get into that market in the first place? So one of the things you could do is you could try -- because we're not going to force employers to do things -- can you bribe them to do it with subsidies for training? Can you do that? That hasn't worked particularly well, I wouldn't say. The other is if we don't do that, what do we do? And I think then we're into the schools need to do more things and more certifications and more credentials, but it's a really imperfect solution.

And when you do look abroad -- and by the way, I don't think we want to hold up the rest of the world as having solved these problems. As far as I can tell -- Jennifer and I were at the same meeting of the World Economic Forum about a month or so ago. We were on opposite sides of the room as you might imagine, actually in different committees, and the one I was on was on skills gap issues and there were people from different countries there. None of them think they've got this thing figured out. They're all struggling with roughly the same kinds of problems. The difference is in some places they can make employers do things, and the employers can make each other do things that we can't do here. So I don't think -- there are models out there that are pretty lift-off-the-shelf and use them here. Again, this is all déjà vu all over again. In the 1990s we were trying to think about these models from Europe and which ones would work here. None of them seem to work very well here. We've got a very difficult conundrum. We need work-based experiences particularly. The other things the schools probably can do. How are we going to do that? Employers don't want to do it anymore. Can we bribe them? Maybe. Can we try to replicate that experience expensively and imperfectly in schools? Maybe, but it seems to me that's the tough choice.

MS. JACOBS: I'm going to jump in with my own question and then I'll

turn it back to you because I think Lou has a couple of times cited his research and others' research that points out how well WIA does on certain things that it's meant to do, as an example a federal policy actually working. But one of the big critiques coming from the Congressional debates around reauthorization in the last Congress was that we have all this duplication of programs. We don't really know what we're spending our money on. We don't know what we're getting for it. So I'm wondering whether you all have a perspective on that, whether Congressional skeptics really do have a point in saying that we don't know what we're getting out of this system and so we really should be paring it back a whole bunch.

MR. VAN KLEUNEN: Well, I'll defer to Lou because I know Lou has actually done a lot of research and examination of this. But on the general debate about whether or not we know what's happening with programs versus not, these programs all have performance measurement. The debate has been whether or not they've all been submitted to random assignment control group studies over a period of time and whether or not that is a proof of whether or not these programs are actually working.

I would say those who are effective practitioners out in the field embrace the concept of higher levels of accountability. They do want to do right by the people enrolled in their programs. They do want them to find jobs. They do want to see them succeed. Part of the challenge -- and I would say that we would hope to see it come out of any conversation around not just WIA reauthorization, but what happens with the Perkins Career and Tech Ed reauthorization, what's going to happen with the Higher Education Act, maybe what even happened with ESEA -- is that if we're seriously going to be about measuring success overtime, we need to be putting some investment into the data systems that are going to allow us to actually figure that out. And that means that you as an adult education provider who is working with somebody who's been working on

the job for 20 years, has an eighth grade reading level, has been laid off, and you've worked with them to get them to the point where they could take a course at the community college. They could get a technical certificate. Maybe they transfer over to the four credit side of the college and they've got a really good job out of that. But because the point where they got the job is years after you helped them actually move from an eighth grade level to a 12th grade level, we need to have data systems that kind of can follow people through that pathway.

Right now we spend \$750 million on improving longitudinal data systems in the states specifically focused on K through 12 education. We have not brought into the range of workforce and education training programs or the postsecondary programs that need to be brought into those data systems so we can actually figure out where folks are moving and how they are benefitting overtime in this range of investments to get them into the job market.

So I would hope as part of the accountability conversation, there's also recognition that we need to have investments in data that brings together all students and all pathways and measures employment and credential outcomes that really will be a better marker of how it is folks are actually succeeding from these investments and skills.

MR. JACOBSON: I would want to say that I think the group that really does need reeducation are people in Congress who make some of these decisions, and I'm not trying to be facetious about this. I think there's general agreement in the economics profession that most of these programs we're discussing are actually pretty efficacious. They're not perfect, but they do tend to actually be quite helpful, more helpful than most people believe and most Congressmen believe. So I know that Brookings does run a program for new representatives, and I'm hoping that they've explained to them what cross benefit analysis is and maybe they should take this a little more

seriously. But the truth is the performance measures they typically use are very poor. There is study after study that indicates they don't correlate with true measures of performance, which as Andy was indicating is that one of the things we really want to know is if you go through a certain educational program, does it increase your earnings or does it not increase your earnings? But colleges tend to be graded on whether people complete a degree within six years, independent of whether the degree has any value.

So a fundamental change that should be made is, as Andy was saying, to increase the flow of information so people and the decision makers can tell if a program is a high return program or a low return program. Get rid of the low return programs. Help people make better choices to get into the high return programs and have more of them. We do not have that kind of system in place, but I would say this is a very important role of government; that the one thing the government should do is, in fact, provide honest information to people who are making fundamentally important decisions. We don't have that kind of information right now, and it's actually reachable at I would say a modest cost when you think about how many billions of dollars are actually spent on these training programs, both by the private sector and the public sector.

MR. CAPPELLI: Just want to follow up briefly on that and particularly this idea of understanding where the jobs are going to be, which again is an old story about how good are we going to be at that. But one of the choices we make, if we move toward a more education-based system as opposed to the older models of just trying to get people into employers and let them take care of it, is that we are then in the forecasting business, and the forecasting business is lousy. So I can tell you as a business school professor -- my day job, I look inside organizations and see how they operate on this stuff -- it's really hard. The forecasts are terrible. Business forecasts are terrible. It's not because people aren't smart, it's because the business environment is so

uncertain.

So I'll give you an example of that. Lou, you were talking about the people getting nursing degrees. The placement rate I understand for nursing graduates from Philadelphia schools right now is only 50 percent. Everybody thought there was this big shortage of nurses? It's over. I've got a son -- I told you my unemployed son -- who went back to school. He has a classics degree, went back to school to get one of these credentials in health care. It's supposed to be hot. Turns out no jobs in those credentials by the time he graduates. You've got to have experience to do it.

You look at the Silicon Valley companies who always screaming about not having enough tech graduates. When you focus down, what they really want every year changes. They want computer science degree graduates with very specific programming skills that change year by year. The problem is you have to make those decisions, those major decisions, three or four years in advance. So what happens in those industries -- you remember the 1991 tech recession? People in colleges bailed out of IT programs. That cohort graduated about three years later, four years later, which was when? Right when the IT boom started and then all these kids poured into IT programs, growing 40 percent a year. That cohort graduates when? 2000, 2001, which happens to be exactly when the IT crash starts. So the problem is we find ourselves then in this forecasting business, which is exactly what we tried to get out of in the 1980s and 1990s. And I think the extent to which we are back into that, it's kind of a losing proposition. The problem for us then is to figure out how can we make, as Jennifer was saying before, how can we make those links even tighter between employers and employees and job seekers? How are we going to make them tighter if we've got this intermediary in the middle -- and the intermediary is going to be go into school, do this program, get this credential, and then graduate and hope the job is still there.

MS. McNELLY: I think there's one other element that hasn't come up here, and we certainly have experienced this in manufacturing, which is the end. The education system, and I would argue the public system, is at the front end of huge structural pressures and something's going to change the way in which we do business because that's the reality of what is coming forward. This morning I was listening to the television. I was getting ready, and I heard that Georgetown actually just announced a whole new host of online programs and then followed by Anacostia is the same. Open university, iTunes, and I can get online and take a class from MIT. Something is wrong with the structural costs of how we give access to information and skills. And part of what I think manufacturing can offer in this big environment is how we look at the use of enabling technologies to help expand basic access to information and learning. So to the one-stop person that may -- and I also know that there's a whole discussion on how adult learners learn and whether or not it needs to be in the classroom, and I won't claim that every circumstance is the same, but the fact that one of our marquee universities released a series of courses at the same cost when I know the cost of delivery is not the same, something's got to change in this equation. And money in the end, what we can afford to do and, Sam, to your point on the choices we can choose to make and how we invest in that money, capacity and technology that gets to data systems and gets to open access of information on job opportunities and everything else has to be a piece of this discussion, too.

MS. JACOBS: All right, right there with the tie in front.

SPEAKER: Thanks. Charles Cummings. I'm the -- your missing panelist -- I'm the unemployed person. So I've done the 300 applications. I've interviewed at 18 places. So if you want some interesting case studies, I'd be happy to sit down and talk to you afterward.

A couple of questions. One is if you take unemployed people, underemployed, and people that are out of the workforce but in theory would like to be employed, what does that come to? Twenty million, correct me, in a minute. What percentage of those or what number actually needs this really intense kind of skills increase counseling and what is like the rest of us that we're just out there doing the hundreds of applications, getting interviews, et cetera, et cetera, et cetera.

Secondly, moving to kind of transitioning to the second question, if you think about -- you -- there's no name tags, but the gentleman in the middle here, you had a very cogent talk initially about how HR in America is trying to pigeonhole people -- this exactly the number of years of experience, and if you're too much you can't get an interview or you can't get hired. If you're too little, you can't get the interview. If you have the wrong type of general experience or specific experience -- I can go on and on and on. It's hard to move on in the process. We pretty much know HR in America is terrible. That's not new knowledge for anyone. The question is, though, does it actually increase unemployment because rather than me getting the job just someone else is getting the job. So as far as I can tell, it just means there's an inefficiency there as far as -- okay, I probably provide more value than the other person, but they can't actually get to the point because HR in America sucks.

Just so you know I just lived overseas for eight years. I've just moved back to America. And yeah, I kind of -- I was a bit shocked at just how bad HR in America was. I knew they were bad. I didn't know they were quite this bad. And by the way, there's no way America would go to a German system. The Republicans would never go for it. You'd hear Communism, signs come out. It can be done on a small scale. I lived in Germany so I know a little bit about it, but people would be saying it's un-American. It would never pass on a large scale, but it's an idea. Like locally, like

Piedmont, that stuff can work. But on a large scale, I cannot imagine it being funded.

Thank you very much.

MR. JACOBSON: This isn't a facetious comment. Have you actually gone to a one-stop and asked them if they could help you?

SPEAKER: No, I never even heard of this stuff so this is --

MR. JACOBSON: I'm not kidding. You should actually do this. You don't even have to go there. You could actually do this online. But particularly in our area there are a lot of jobs available for well-educated people that the job service or the one-stop could actually help you locate and also help you devise an appropriate strategy.

So I actually think your example is a really good one. You didn't even know that there was this program. It's so underfunded that they don't even advertise that they have these opportunities because if they did, they'd be inundated with so many people they couldn't help them anyway.

MR. CAPPELLI: But don't get your hopes up that you're going to get a job tomorrow out of this. Can I just follow up on this a little bit because what you've articulated is the sociologist's critique of this whole thing and that is the story that actually competition is relative. So you may not know this, but an interesting piece of trivia that in the 1990s when IT and Silicon Valley was created, only 10 percent of IT people had any kind of academic training or degree in IT-related fields. So they trained themselves. They were pulled into the organizations. They learned as they went along. Now, of course, nobody would hire anybody in those companies if you didn't already have a degree and if you didn't have a degree that was highly specific and just happens to be exactly what you want today.

So employers are not crazy, and I think actually the HR programs are not nuts. They are crazy from the perspective of somebody trying to get a job. They've got a

huge queue of people. They've got people who are way overqualified for all these jobs, and they can be picky. So what we'll discover -- I mean this idea that jobs have requirements which are fixed and you just have to have somebody who fits them, I call this the Home Depot view of employment; that it's just like putting a nut on a washer. By the way, this is all in my book, *Why Good People Can't Get Jobs* -- \$9.95, Amazon -- makes an excellent Christmas present if you're wondering what to give people.

And this is also the problem with the arguments which we've heard from some presidents, that unemployment rates are lower for college graduates so if you get a college degree, everything will be fine. What's happening is people with college degrees are bumping out the people with high school degrees who would have done a lot of these jobs. If you look in the U.S. right now, there's a study in a journal called *Social Forces*, a sociology journal, in 2005. And they look at people's academic credentials and they look at the job they're doing and they find the average U.S. employee is substantially overqualified right now for the job they've got and that gap has been growing. So the sociological critique is this is all relative. Employers are going to pick the best person and that's certainly right. So if you suddenly loaded up lots of credentials onto to the workforce, it wouldn't necessarily make unemployment go away. It would change who gets hired, but there is certainly some element of queuing in this.

MS. McNELLY: I think there's one other dynamic in the workforce that I haven't heard come up today, but it speaks to your experience. And that is -- so I'll go back to our manufacturing study and what it tells us. So back to that 8 percent are really using the public system, the public trust, and where we put public dollars, but the number two choice beyond word of mouth for hiring -- and I will not argue that we're all really sophisticated in how we hire; we do the best we can -- is staffing agencies. And staffing agencies are part of the solution, too, because I do think it starts to give people

experience. And I'll say I worked with a lot of one-stops in their partnerships with staffing agencies for individuals that had a difficult time finding employment that moved them into experience and then into jobs. We did pilot programs across the country when I was at the Department of Labor that brought consortiums of employers that created that pool of candidates.

So again, I don't think it's one single answer today. I think we've had an incredibly robust discussion that stresses why WIA has not been reauthorized ten years later. It's an incredibly complex answer and we're looking for a single solution? What we need to do is have the federal government enable us to allow the right solutions in our own backyard to work effectively.

MR. CAPPELLI: Just one quick comment on this. I had a conversation last week with a group of Silicon Valley CEOs, and I asked them the following question: I said, what does it cost you if your parts are delayed? You don't have the parts you need to get something done. Could you figure that out? Do you know the answer to that? Yes, they know that. I said, what happens if a job is unfilled? Do you know what that costs you? No idea. And do you know what it costs if somebody quits? Don't know that either. So I think some of this, too, is a certain amount of education on the part of employers who have assumed, for example, that they can't raise their wages.

When you were talking about the *60 Minutes* guy, you may remember that conversation. They asked that employer why don't you raise your wages? He said, I can't afford that. Why don't you train people? I can't afford that either. Do you know what it's costing you to leave a position unfilled? If you do any kind of reasonable calculation on that, and there are calculators that are out there, you'd know that it wouldn't cost -- it would actually save you money if you paid a little more to fill the position. Do we know we can't train? Who did that calculation for you that calculated

that you can't do this? Do you know there are other ways you could engage your employees using community colleges rather than laying people off to hire new people in? Do you know that? The answer as far as I can tell from every employer I've talked to, is no, they don't know. And I think --

MS. McNELLY: I just need to clarify the Click Bond comment, though, and I'd encourage you guys to take a look at the *60 Minutes* piece because he didn't say he couldn't train. He said he couldn't teach them basic reading and math.

MR. CAPPELLI: Oh, he said he couldn't afford it as well.

MS. McNELLY: But this gets back to the fundamental discussion we had earlier of is it the role of the employment network to get to foundational skills that didn't get taught in the K-12 system? And I think that's been a common theme in today's discussion.

SPEAKER: But I have -- though, like my first question.

MS. McNELLY: There are 88 million plus that have what are defined -- and this is in the Reach Higher America report that came out several years ago. So there are 88 million Americans that have one of more barriers to advancement in employment. It could be a language barrier. It could be basic academics. They could be classified as a high school dropout. So there are 88 million in that kind of pool. I don't know if there are more or less.

MR. CAPPELLI: But that doesn't mean they're unemployed.

MR. JACOBSON: I want to pick up on something very important that Jennifer said.

MS. JACOBS: You're going to make the last point. My least favorite thing. It's my absolute least favorite thing to do, to cut off a panel just when people start arguing, but unfortunately we're out of time. So, Lou, you make the last point and then

we'll wrap up.

MR. JACOBSON: Okay, very quickly. One thing she said is that friends and relatives are the best sources of jobs. The reason for that is that if you go to an employer and are referred by someone who's currently working there, they're usually likely to pick someone who's going to do a fairly competent job.

MR. CAPPELLI: Not true.

MR. JACOBSON: So one of the things that the workforce system can do that's very effective is they could actually act as a helper or a broker, where they can go to an employer and say what kinds of workers do you need? We'll find them for you. We'll guarantee that we'll find someone who will fill your position or you can return them and we'll pick someone else. I've seen in action a lot of these opportunities that are created by a combination of the community colleges and the one-stops because there is a tendency -- I don't understand it myself -- to hire people with credentials but with very little work experience even though there are many workers who have shown themselves to be extremely competent for many years, but they have trouble getting hired. But if they get an endorsement from a group or a certificate that doesn't take too long, it really does make a difference and gets them in a different place in the line.

MR. VAN KLEUNEN: Elisabeth, can I just -- because I've been waiting in the queue and I'd be happy to make the final comment, but I want to go to this gentleman's question. The question about how many of the 20 million need to be retrained. Right now the President's called for retraining 2 million people. It was what he ran on. It was part of kind of the key plank of his economic platform. That's only one out of ten of the 20 or depending -- or one out of six if you're counting the 12 million unemployed. That 2 billion number? That's a big number based on what is it we are currently spending on investments in workforce training and that's just a down payment of

what we really need to do. So even if you only believe that's only 10 percent of the problem, we're not even spending that right now.

So moving forward the debate is going to be are we even willing to rise to that minimum level of getting 2 million people retrained to get back into the labor market. And that's going to be the debate that we're going to have this coming year.

MS. JACOBS: I will let that be the last word. Thank you all so much for coming.

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