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Everything Must Change: Rethinking Workforce Development

In the 1600s, a farrier fit shoes to a horse in a stable. In the early 1900s, a welder molded a driveshaft part for an early-model car in a factory. Today, a computer programmer develops code for a gaming application at a coffee shop. While the definitions and locations of jobs have evolved over time, the importance of job skills has also increased because of technological and other innovations.

Employers have always needed appropriately trained workers to maintain and grow their businesses. The public and private sectors have responded to these evolving needs by developing various efforts to facilitate skill development. Employer-based incumbent worker training, vocational colleges, and state offices of workforce development are successful initiatives that were launched over the last century.

Furthermore, workforce boards—usually nonprofit organizations that bring together communities' public and private sectors to address workforce needs—have also been an important component to ensure a community's skilled labor aligns with the needs of local employers. Yet ensuring that human capital talent matches local needs remains complicated for workforce development professionals, both private and public. Local workforce development channels must adapt by becoming more innovative and nimble.

Skills mismatch hinders employment

To no one's surprise, the increased focus on workforce development is especially

pronounced because of the current economic climate of high unemployment. Most of us know at least one person who wishes to work but has not found a job. That inability to find work may be partially attributable to a skill deficiency; factors related to the business cycle are the cause of the largest share of unemployment. In addition, even in areas where there are fewer open jobs than job seekers, available jobs often go unfilled because of insufficient local talent and skill development pipeline issues.

In some cases, and despite the significant efforts of workforce development initiatives, communities are comparatively underprepared to supply the types of workers local employers demand, resulting in a skills mismatch. In a 2011 International Monetary Fund (IMF) paper, economists Marcello Estevão and Evridiki Tsounta created an index of skill mismatches across the 50 states and the District of Columbia. Their research shows how shrinking industries—such as construction and financial services during the recent downturn and manufacturing on a more structural basis—could have contributed to the swelling of a particular skill set among the unemployed. That skill set may not necessarily be absorbed by expanding industries such as health and education or professional services.

While the IMF study suggests that skill mismatches increased in the country as a whole during the recession, the more striking feature is the statewide variation in the skill mismatch index. Among the

southeastern states, Louisiana and Mississippi have the highest levels of skills mismatches. Alabama, Florida, and Tennessee follow with high skills mismatches. Only Georgia has average skills mismatches.

Another pressing issue for workforce developers is the soaring ratio of older workers relative to younger workers in the country. Simply stated, there will be fewer workers to fill jobs, and ensuring that workers' skill sets match local needs will be even more important. In a recent speech at the Atlanta Fed, Dowell Myers of the University of Southern California, a professor of urban planning and demography, suggested that immigrant workers and underemployed minority youth will be important to the workforce of the future. These populations often are not the targets of workforce development efforts but perhaps should be.

Policymakers and practitioners at all levels are increasingly looking at policies and programs to ensure that workers have the skills they need to maximize job opportunities. Unfortunately, the funding for workforce development has been in decline. Federal funding for key education and training programs under the U.S. Department of Labor declined by over 25 percent in inflation-adjusted terms between 2001 and 2009, according to a 2010 report by Armand Biroonak and Kermit Kaleba published by the Institute for America's Future and the National Skills Coalition. Consequently, local workforce development must learn to do more with less. Reduced funding has encouraged some communities to develop effective programs, including free or low-cost strategies. One example is intern programs that partner local businesses with high school students.

A new workforce development strategy: Focus on soft skills

While workforce development has traditionally focused on hard skills, numerous studies—including a 2007 Southern Growth Policy Board report—have identified soft skills as a significant bar-

Watching the Workforce

The Atlanta Fed's Human Capital Compendium is an online clearinghouse of information compiled from the entire Federal Reserve System related to workforce development, job creation, and other labor market issues. See frbatlanta.org/humancapitalcompendium. Please also visit the *Economic Development* podcast series at frbatlanta.org/podcasts/economicdevelopment/ to listen to or read about what various national experts have to say about workforce development and job creation. ■

rier to employment. Reporting to work on time and drug-free, having the ability to work on a team, and showing respect for the boss are soft skills often ignored by workforce development programs. Yet employers appear increasingly likely to indicate the soft-skill deficit as a challenge to meeting their workforce needs. Clearly, workforce development channels must embrace approaches that address soft skills to meet this employer concern.

Working better, together

The Atlanta Fed and several other Federal Reserve Banks have conducted local focus groups to understand better the relationship between local workforce development and unemployment (see the sidebar). While a summary report will be released later in the year, preliminary results suggest the need for more robust, responsive, and efficient local workforce development structures.

Many promising workforce development practices are emerging at the regional, state, and local levels. For example, while many states have adopted models that define a standard for employers regarding the skill set of prospective employees (determined through testing, usually offered by the state), Georgia has taken this concept a step further. It developed a standard in which communities themselves receive a designation. Areas designated under the Georgia Certified Work Ready Communities have meaningfully committed to ensuring that their populations receive a minimal training opportunity for jobs. They have also taken steps to improve high school graduation rates.

In Mobile, the Southwest Alabama Workforce Development Council recognized that it needed to be more responsive to that region's critical workforce develop-

ment needs. Rather than have traditional monthly meetings, the formalized work teams meet much more frequently—often weekly—to address both short- and long-term workforce development challenges.

The New Orleans area economic development entity GNO Inc. has identified the digital media industry as a target to diversify local economies. GNO recognized that local workforce development efforts need to be strengthened to support the growth in this specialized sector. It is considering a number of strategies, including embedding local digital media business employees within high schools and encouraging technical colleges to offer onetime intensive courses to meet the needs of this fast-changing industry.

There is also interest and commitment to support local workforce development initiatives from nontraditional and new sources. In the Mississippi Delta, the Annie E. Casey Foundation and Kellogg Foundations are partnering with local organizations to integrate workforce development as a part of other community improvement efforts.

In Carrollton, Georgia, the public school system has partnered with one of the region's largest employers to provide high school courses within a manufacturing plant. This program helps students develop relevant work skills while helping to meet the labor demands of a company faced with labor shortages. Moreover, because the workforce needs of companies are changing at a rapid pace, communities will need to be more agile in their workforce development approaches. Traditional committees and boards with representation from various community and industry stakeholders will require innovative approaches to meet the needs of local employers. ■