

2009
State of the Workforce Report
West Central Indiana

***Workforce Innovations in a Fast-Changing Economy:
Puzzles – Facts – Recommendations***

Produced by

Alliance **4** 
Advancement

West Central Indiana Region 4 Workforce Board

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Foreward

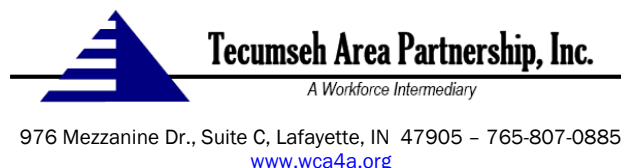
This report seeks to link economic change in Indiana's Economic Growth Region 4 with its human capital – the skills and talents of its workforce. It is a 'State of the Workforce' report that seeks to document both the human potential of the Region and the initiatives being taken to mobilize that potential. It recognizes that human capital is but one ingredient to economic progress, albeit a very important one. Other ingredients are technological innovation, entrepreneurship, efficient government and superior quality of life and environment. But if the United States is to maintain its competitive position in the global economy (ranked # 1 for 2008 by the World Economic Forum) its winning states, regions and localities will be those that double efforts to help their workers learn about and adapt to rapidly changing opportunities while supporting their agile employers with a highly productive workforce.

Most importantly, this State of the Workforce report is both an investigative document and an engagement process, helping to vitalize the Region during what could well be a prolonged economic recovery. The onslaught of a global recession threatens to undo much recent good work in education, character building, attitude change, and skills preparation in the Region. This document is intended to keep the Region's elected, civic, education and business leaders focused on moving forward in preparation for even more opportunistic times once today's economic doldrums give way to the inevitable expansion of the next business cycle. The West Central Indiana Region 4 Workforce Board is committed to strengthening leadership and fostering partnerships for this next leg of 21st century growth.

The report is sponsored by the West Central Indiana Region 4 Workforce Board with funding from WIRED/U.S. Dept of Labor. Acting as the Board's administrative entity, the Tecumseh Area Partnership, Inc. (TAP, Inc.) engaged GrowthEconomics Inc. of Florida and Indiana to convene various roundtables and interviews, undertake fresh data analyses, collect workforce facts relating to existing efforts to target 'industry clusters', explore the work force needs of the region's recent growth businesses, and assess economic growth and productivity in relation to the talent base.

"This product was funded by a grant awarded under the Workforce Innovation in Regional Economic Development (WIRED) Initiative as implemented by the U.S. Department of Labor's Employment & Training Administration. The information contained in this product was created by a grantee organization and does not necessarily reflect the official position of the U.S. Department of Labor. All references to non-governmental companies or organizations, their services, products, or resources are offered for informational purposes and should not be construed as an endorsement by the Department of Labor. This product is copyrighted by the institution that created it and is intended for individual organizational, non-commercial use only."

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Introduction

This is Region 4's first State of the Workforce report. It is intended to set the stage in order to heighten region-wide dialogue about positioning the Region with a competitive workforce and designing growth strategies for the next 10-20 years: a period when the nation, its states and regions adapt to new economic realities and opportunities. It is a fact-finder, not a strategy report. That will come later in 2009.

Economic growth in the Region has been sub-par for over a decade. Now a severe recession and major disruptions to manufacturing put the unemployment rate over 12%.

Going forward, the Region must reinvent itself economically – something that can only be done with an energetic, well-educated, skilled workforce.

Where the word 'talent' is used, it means the accumulated knowledge, experience and skills of the Region's workforce, energized by positive worker attitudes.

Age groupings have been defined as follows:

- 18-24 years: **School-to-career workers** (incl. college entrants to the work place)
- 25-34 years: **Early-career workers** (incl. the 'Creative Class' as defined by R. Florida)
- 35-44 years: **Mid-career workers** (often called 'prime working age')
- 45-64 years: **Mature workers**
- 65-79 years: **Deferred retirement workers**
- 80 and older: **Elders**

Sources of data include a wide array of federal and private sources cited in the "Data Snapshot" supplement available from TAP, Inc.

In addition to a statistical Snapshot, four in-depth reports (all available on line) were prepared to provide background intelligence for this report:

- Critical Occupations in Demand by the Region 4's Recent Growth Businesses
- Talent Flows in Region 4, Indiana
- The Education Pipeline and Skills Assets of Region 4, Indiana
- The Mature Workforce, Region 4 Indiana

Region 4 was formed in 2005, encompassing 12 counties: Benton, Carroll, Cass, Clinton, Fountain, Howard, Miami, Montgomery, Tippecanoe, Tipton, Warren and White counties.

Data on Fulton and Wabash counties was also collected on this project since they are part of the 14-county WIRED Region. All data in this report shown as 'Region' refers to the 12 counties only.

Most of the quotes through the report come from project interviews or roundtables convened between August 2008 and March 2009.



The Region

Precursor

For the East sub-region, a State of the Workforce report was prepared in 2004 covering Cass, Fulton, Howard, Miami, Tipton, and Wabash counties. The report

"We don't believe in the region yet... need a passion/vision that can make a difference"

- Community worker, 2008

emphasized the uncertain nature of our contemporary economy and its labor markets under the title, *"Embrace Uncertainty, Create our Future."* The report was used widely and, in retrospect, was on target. It envisioned a disruptive, fast-changing economy and called for expanded efforts to position the Region's human capital for greater flexibility and businesses for agility.

Now, as this Region 4 report is released, it seems uncertainties have magnified, primarily due to the current severe recession: the likes of which we have not seen since the Great Depression. Recently the Federal Reserve Bank warned that a recovery through 2011 will likely be weaker than initially forecast – more uncertainty!

The 2004 report focused on four priorities:

1. Increase the value placed on education and lifelong learning
2. Make the mature workforce a primary economic development selling point
3. Support workforce needs of small businesses and entrepreneurs
4. Think and act like a region

To date, considerable progress has been made in the pursuit of these priorities, especially by education, training and workforce providers.

Region 4 Quick Facts

The Region's 2008 population of 488,778, consists of 12 counties in West Central Indiana: Benton, Carroll, Cass, Clinton, Fountain, Howard, Miami, Montgomery, Tippecanoe, Tipton, Warren and White. It comprises rich agricultural counties serviced by two small metro areas, greater Lafayette and greater Kokomo. For many, combining these two metro areas into one workforce region in 2005 was a stretch. They are distinctive employment nodes with different economic histories and structures. However, their combination into one region provides opportunity to pursue more diversified talent and economic growth strategies, engaging a broad mix of manufacturing and services, and denser webs of supply chains across the region. The Region's economic diversity will prove to be an increasingly valuable asset in the turbulent and unpredictable economic environment ahead.

Key regional facts as of May 2009 (state data in parenthesis):

• Population (Census), 2008:	488,778
• Population Growth, 1998-2008:	5.1% (7.9%)
• Net Domestic Migration, 5-yr. annual average	-1640
• Net International Migration, 5-yr. annual average	1119
• Employment (covered by Unemployment Ins.):	194,554
• Employment Growth, 1997-2007:	3.9% (4.0%)
• Labor Force Participation Rate (ACS), 2007:	63% (66%)
• Number of Businesses (NETS), 2006:	23,772
• Output (Gross Region Product) (EMSI), 2007:	\$15.170 (bn.)

Historically, the West sub-region has had low unemployment; the East sub-region fluctuates with the fate of manufacturing. A short-run economic forecast prepared by the Center for Econometric Model Research at IU Bloomington (May 2009) states:

- Kokomo is one of the six Indiana metro areas projected for employment decline, 2007-2012
- Lafayette is one of five regions to show job growth. Income growth expected to surpass the state average by 2012.

Region 4 is uniquely positioned for next growth with assets including:

- Economic diversity: broad mix of manufacturing and services, web of supply chains across the region.
- Broad array of 'economic foundations': post-secondary education, transportation – highway/air, highly productive farmland
- Ease in regional commuting, increasing from East to West
- Proximity to 2 major metro areas - Chicago and Indianapolis
- Cohesive small cities/rural communities
- Able and Available Workforce – a supply of skilled, experienced people ready for work
- Regional opportunities abound. Clusters (target industries) identified by the Purdue Center for Regional Development are: Manufacturing Super-cluster, Advanced Materials, Agribusiness, Transportation and Logistics, and Education and Knowledge Industries. Specific opportunities include:
 - Technology businesses and entrepreneurial initiatives
 - Retooled, specialized manufacturing
 - Enhanced agriculture; food processing
 - The Life Sciences/Biotechnology
 - Healthcare
 - Next Energy

Major Unknown:

How well will the Region's leaders collaborate to routinely monitor assets - then capitalize on them to regional advantage?



Challenges

State of the Workforce reports cannot be cookie-cutter products. Constantly changing conditions pose different challenges – five are discussed below briefly.

“...when employment is changing faster than our memories”

*- Wachovia Economics Group,
June 19, 2009*

Challenge 1: New Economic Realities

The 2007-2010 contraction is shaping up to be no ordinary recession. Rather, it will likely be an extraordinary turning/opportunity. In 2008 according to PIMCO, a leading bond investment advisory firm, “**the unthinkable became the thinkable.**” In 2009, “**the thinkable has become shrinkable.**” While in 2010-15, “**the shrinkable could well become the renewable.**” Prior to his recent death, noted economist Peter Bernstein described this recession as “an epochal event.” In other words, the U.S. economy, and Midwest economy in particular, could look quite different going forward.

In this new environment there could be more ‘bubble troubles’ or things could settle down. In either case one can expect the concurrent movement of people into/out of a region, jobs created / jobs destroyed, markets expanding/markets contracting, businesses starting/businesses failing, and old knowledge/skills updated while new skills are constantly acquired. There will be no end to an individual’s learning to maintain one’s job marketability.

“Simply put, what do I do with a pool of dislocated workers?”

- Small town mayor, 2009

Not surprisingly then, this State of the Workforce report comes at a time of new soul-searching by state and local leaders across the nation: **How do regions/localities recoup from 10-13%**

unemployment (and average national unemployment duration of 24.5 weeks) in a world of very different and changing economic realities? In the aftermath of this “Great Recession” – the worst economic contraction since the Great Depression – how can

prosperous regions be sustained over the next 10-20 years? As one of our small town mayors put it directly at a roundtable convened for this project:

"If we are not going to make cars, what else is there?"

Regional leaders have **no time to lose**. Today's economy is taking its toll on the Region with a June 2009, unemployment rate of 13.2%, 2.6% above the Indiana average and 3.5% above the U.S. According to the latest 2007 data, new jobs were being created in the Region at a rate of 5.4 per 100 employed, lower than the state rate of 5.8 per 100. In 2008, 13 'primary employers' closed, accounting for 2375 jobs lost. In February 2009, approximately 55,000 workers were "able and available" for work. These displaced and underemployed workers provide an added supply of human capital ready for the Region's next growth phase. Many are well qualified and according to Indiana Career Connect data, May 2009, 29% have college degrees. What the Region needs coming out of this recession is **return to growth and back to work**.

A core challenge for regional leaders is that this recession will likely end in a "jobless recovery." If so, this will be the third recession in a row where a jobs rebound does not eventuate – something Midwest leaders have found difficult to cope with. Further, if history is any guide, not all regions in the nation/Midwest will do equally well in a rebound. Likely, only 6-10 States and 20-30 Regions will be the growth leaders when the national business cycle turns up. Can Region 4 be one of them?

Challenge 2: Changing the Midwest View of Recessions

Recessions are taken in their stride in the Midwest partly because the economy is "pro-cyclical"; it is assumed severe economic contractions are followed by a quick healthy rebound that pretty much brings employment back to normal. However, such assumptions are based on experiences between 1948 through the twin recessions of 1980-82. Since then, the recessions of 1990-01 and 2001 were followed by "jobless recoveries." The current recession appears to be shaping up similarly. Each time these jobless recoveries occur, they permanently alter

business strategy, spur productivity and innovation and change labor demand; resulting in employment shifts away from manufacturing towards the services industries. Moreover, each time this occurs, those with education, training, skills and the willingness to retool/relearn survive, sometimes ending up better off than before.

In a long 'jobless recovery' one can expect:

- Consumers striving to get out of debt, spending less,
- Households saving more,
- Banks lending conservatively,
- Overseas demand for American goods returning only gradually,
- Capital investment being cautious,
- Businesses managing with less people at higher productivity and innovation, and
- Governments getting their fiscal houses back in order.

One reason jobs could be in short supply is that some will go offshore. According to one business interviewee:

"High precision, low volume runs are made here; low precision, high volume now go offshore"

Preparing for such a scenario calls for a **robust set of regional strategies that will work under choppy conditions, uniquely building off human capital assets and the workforce system.** A flexible workforce and adaptable workforce system built for such an operating environment also serves extremely well if less disruptive conditions prevail.

Challenge 3: Paradigm Shifts

It is apparent from this project's roundtables and interviews that education and workforce paradigms are changing across the Region. While generalizing, the following statements capture new ways of thinking that did not exist to the same degree at the time of the 2004 study:

Mature workers are talking about "the end of retirement, as we know it."

REACH Centers are talking about getting clients skills rather than placing them in a job – any job, and working closely with 'premier employers'.

Postsecondary educators are thinking beyond student recruitment to student retention/return.

School educators are trying to break away from the stigma of “vocational education” because fast and smart learning requires both thinking and doing. And there are plenty of jobs in critical occupations identified in this and previous studies where a school-leaver does not need to be immediately college-bound. As one school administrator put it:

“How do I prepare young people for college and a career? ---by offering career-centered learning”

In addition, Regional leaders are trying to think and act like a region in the knowledge that hard charging, regional solutions will likely make a positive difference for communities, businesses and residents. Michael Porter (Harvard University) put this paradigm more sharply by stating: **regions, not states or nations are becoming the “locus of competitive advantage.”**

Challenge 4: Changing Nature of Work and Workplace

All three challenges above take place in the context of changing work, workplace and work relationships. One corporate staff recruiter reflected:

“Hard skills get them hired. Soft skills get them fired. Workforce development is as much about culture as skills”

This report acknowledges that “work” is taking on more of the following characteristics:

- Less job permanency, varied career paths, more self-employment, more self-directed learning
- Very mobile labor force – domestic and international
- End of the “Grand Bargain”
 - Less traditional loyalty, new loyalty compacts emerging
 - More job-hopping
 - More contingent employment
- Changing worker needs
 - Greater work-life balance
 - Extended work-life
 - End of retirement as we know it

Challenge 5: Thinking more holistically about Workforce Development as an Ingredient for Economic Growth

Once upon a time the mantra of economic development was, “build and they will come.” States and localities competed against each other for business investments based on location advantage (good transportation and other infrastructure, superior sites, and financial and tax incentives). The relevance of such business attraction continues today especially given prospects for foreign sourced inward investment. But in the 90’s, two other mantras gained notoriety: “grow your own, locally innovate new technologies/products and spur entrepreneurial growth” and **“workforce development = economic development.”** The latter is the focus of this report.

In bygone days, the education/training system was founded on the mantra **“teacher knows best.”** Beginning the early 90’s, demand-driven workforce development took root where **“the market knows best.”** In the economy going forward, **“regional networks made up of both businesses/industry groups and education/training providers will work best.”** Constantly adapting to a changing market place at speed will be the hallmark of winning Regions.

The tech world is abuzz with ‘apps’ talk – software applications that extend the productivity/utility of tech tools like smart phones. An analogy can be drawn to the Region’s workforce challenge:

Educators and workforce professionals have been doing much to equip and retool workers with basic skills and knowledge.

- **However, can better ‘apps’ be acquired whereby worker skills and knowledge are responsive to and rewarded by businesses and industries in constant change?**
- **Can workers be equipped with ‘skill-apps’ that help them be more productive in real world situations?**
- **In addition, can unemployment downtime be minimized by acquiring relevant ‘skill-apps’ in quick time?**

A good example where such an approach has been working in Region 4 is its REACH Centers. Here the guiding principle is “rather than just place adult clients in jobs, get them skills matched to the job openings of participating employers (known as premier employers) and then have them apply for the job.” Such an approach requires rethinking how employment demand is signaled to workers, students and educators/trainers. It assumes the prosperity equation is more synergistic than “workforce development = economic development”; rather it requires a set of linkages, engaging all key parties: vocational counselor, employer, corporate human resource professional, skills tester, trainer, etc.



Key Findings

1. Diverse, Innovative Education/Training Providers

The region is well endowed with education/training /lifelong learning and labor exchange organizations including:

- A world class research university, Purdue University
- Five other universities /colleges: IU-Kokomo, Ivy Tech Community College-Kokomo, Ivy Tech Community College-Lafayette, Harrison College, and Wabash College
- Innovative 'store front' skills upgrade programs including the Lafayette Adult Resource Academy, community learning centers in Clinton County (Extension Office) and White County, and One Step Up (Kokomo)
- Regionally coordinated Adult Basic Education and GED
- Experimental basic skills preparation for foreign-born workers such as Plaza Comunitaria in Frankfort
- Manufacturing Skills Standard Certification and Manager Supervisor Institute (Ivy Tech)
- Business and Professional Exchange (Lafayette, Kokomo)
- A much improved and enhanced public employment office: Work One Centers and Reach Centers in Lafayette and Kokomo
- Maturity Matters™ workshop offerings
- Temp Agencies in effect becoming "contract Human Resource Depts." to small companies
- Project Complete (Ivy Tech, IU Kokomo), a program for 'stop outs'
- More transfer credits at Ivy Tech – Fast Track to College 17+
- Expanded Purdue Statewide Technology in Lafayette and Kokomo

Further, across the Region, high schools are innovating to make learning more relevant by linking academic and vocational curricula and better catering to the student who is not immediately college-bound, for example:

- Career academy learning in schools (Peru Community Schools and Jefferson Career Academy, Lafayette)
- Career certifications in the high school, e.g. MSSC at Century Career Center Logansport
- Integration of academic and vocational tracks, e.g. Logansport High School

- Widespread high school STEM initiatives (Science, Technology, Engineering, Math) and Project Lead the Way (high school pre-engineering)
- A cutting edge high school model: New Tech High at Rochester
- The expansion of dual credit and advanced placement offerings to accommodate the student who remarked:

"12th grade school is a bore; can't I just skip it!"

The presence of this "infrastructure of talent-building organizations" bodes well for the Region's future, assuming ongoing commitments to experimentation and serious efforts at further collaboration.

2. Above-Average Education/Training Capacity

The sum total impact of these organizations and their ongoing innovations is resulting in a Region well capable of producing quality traditional educational product:

- Relative to the State, the public high school graduation rate is higher.
- Both full and part-time 1-year retention rates for college freshmen are above the state average; dropout rates lower
- Full-time on-time completion rates substantially above the state average

Proportionally there are fewer non-traditional enrollments, e.g. part-time. This could well change as educational providers speed up responses to business needs and faster-changing conditions. In addition, demands on provider capacity will be felt by changing labor requirements in growth industries. Out of the 31 occupations identified as critical occupations in fast growth industries, 17 (6 with degree requirements) are on this study's Occupational Watch List because of potential future supply constraints.

Further, new and emerging industries will require additional provider response. Green jobs deserve particular attention at this time due to the national policy focus on green energy and the potential for the northwestern quadrant of Indiana to be particularly suitable for biomass electric generation, as determined by Purdue researchers.

3. Below-Average Educational Attainment

While the educational capacity and pipeline is strong, the Region suffers from a below average educational attainment, with a share of its 25 year and older population holding an Associate (Bachelor's) degree or above at 26% (20%) compared to the State average of 29%

(22%). Further, labor force participation rates for the Region are three percentage points below the state average indicating fewer adults choose to work. It appears the lower attainment is primarily due to early- and mid-career workers with limited post secondary education leaving for opportunity elsewhere (see item 5) coupled with increasing numbers of new comers with lower level skills (see item 7). The wage structure is a disincentive for all jobs regardless of educational requirement; earnings in Region 4 are below respective state averages (see item 8).

Nevertheless, improvements in attainment level are occurring. Those with Associate's degree or above have increased in number over the last 7 years by 22,217 and basic skills levels are encouraging. Even though employers have expressed concerns about basic skills and work ethic for some years, a sample of 2945 workers tested on WorkKeys at Work One Centers between 2007 and 2009 indicates an impressive basic skills profile (25% achieving WorkKeys Gold level certificates and 59% Silver). While this sample may not be representative of the population at large, it is of sufficient size to signal encouraging signs that the Region's workers could well be capable of higher levels of performance / productivity and technical sophistication as businesses now retool and make necessary adjustments in the post-2009 economy.

4. Reservoir of 4-Year College-Educated Residents – What "Brain Drain"?

Contrary to a widespread belief, the Region does not suffer from a brain drain, in that demand is satisfied by supply of 4-year college graduates. In fact, the Region has a surplus of college-educated residents relative to professional jobs available. While 22.0% of the adult population is 4-year college educated, only 18.2% of jobs require a four-year degree or

EGR4 Educational Attainment vs. Demand		
	Educational Attainment Of the 25 years+ Population	Job Requirements
No degree	74%	74%
Associate's Degree/Vocational	6%	8%
BA or higher	22%	18.2%
<i>Source: EMSI, 2008 Estimates Note: assumes people do not work in jobs with educational requirements below their attainment</i>		

better. Consequently, the Region can boast a reservoir of 4-year degree talent relative to its needs. This is an advantage as economic development grows/attracts businesses demanding advanced

knowledge and skills. Further, the mature workforce is experiencing a “brain gain” as older workers return for Bachelor and Master’s upgrade.

5. Shortage of Mid-Level Workers

However, like much of Indiana, the Region has a shortage of mid-level workers, many younger. While 8.0% of jobs require an Associate’s degree, individuals so qualified account for only 6.0% of the adult population. Between 2000 and 2007, the cohort of early and mid-career workers decreased by 19,000, mostly educated at the ‘some college’ level. However, there is some good news: while these younger cohorts are shrinking in number, their share with Associate degrees is increasing. As businesses in the Region shift to ever more agility, technological sophistication, and “lean production” principles, they may well require fewer workers but with more advanced skills coupled with individual initiative. Evidence this decade already indicates that the Region’s fast-growth businesses require a high share of mid-level occupations. Well-qualified mid-level workers will be in high demand, especially if a “jobless recovery” occurs, resulting in technology being substituted for labor. As one local plant manager put it:

“High precision, low volume runs are made here; low precision, high volume goes offshore -- we are ‘leaning’ down! Where is everybody? We need fewer workers but higher skills.”

While fewer workers may be needed in highly productive enterprises, the proportion of mid-level workers is increasing. These jobs range from pre-school and elementary school teachers to machinists to health care paraprofessionals. Many do not require a Bachelor’s degree, and, in some cases, a skilled Associate-degreed mid-level worker is paid above less-demanding professional jobs requiring a Bachelor’s degree. They are a route to good paying jobs without the high cost of obtaining a four-year degree. One noteworthy mid-level occupation is first line supervisor. This occupation is in high demand across many industries and growth businesses. Local preparation for these jobs is available through SHRM supervisor certification, the Manager Supervisor Institute at Ivy Tech and the Purdue School of Technology.

6. *Mature-Age Workers To The Rescue!*

In recent years, Region 4 has been a state leader in advancing the role of mature-age workers, thanks to the vision of the Workforce Board, TAP, Inc.'s Maturity Matters™ program and funding from WIRED. Data is continuing to affirm the soundness of this approach. Between 2000 and 2007 the mature workers cohort increased by 51,000. Near-retiring age labor force participation is increasing, especially in full-time jobs and the share of mature workers with 4-year college degrees or above has been increasing, although overall mature workers in the region remain under-skilled. To date, labor market needs by broad occupational category are largely being met because the mature-age group continues to work. In fact, evidence is mounting that the Region might benefit from a short reprieve from its anticipated shortage of well-qualified manufacturing workers as more of those nearing retirement stay on. This would provide educational planners time to ramp up 'skills-apps' programs in response to a rapidly changing manufacturing "super-cluster", as defined in the Purdue cluster study. (See Challenge 5 for discussion of 'skills-apps').

Mature workers are also showing signs of high energy on the entrepreneurial front. After all, many of the small/mid-size businesses in the Region are owned or managed by mature-age individuals. As one 65 year old entrepreneur put it:

"Who says I'm not one of the 'Creative Class'?"

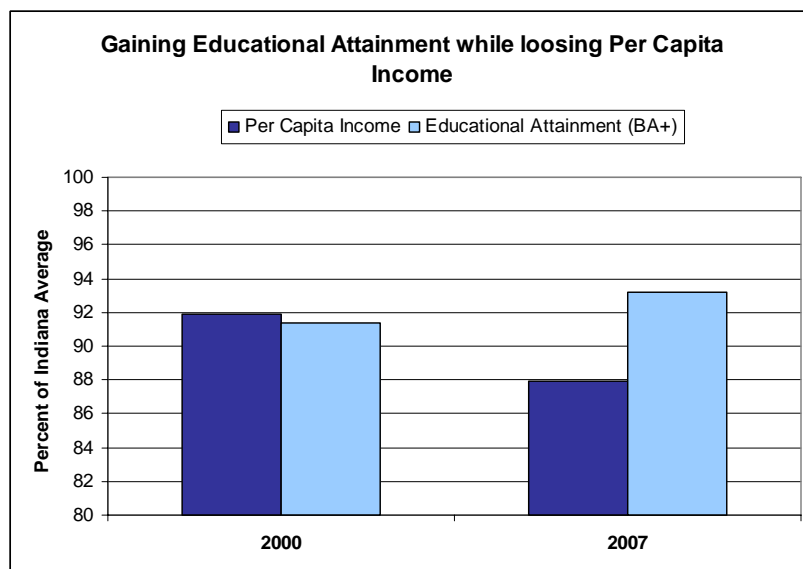
7. *Many Newcomers Needing Skills Upgrade*

In addition to the loss of mid-level younger workers and a constant need to retool older experienced workers, the Region's other major skills challenge is the under-preparedness of its new comers, domestic and foreign. Every year approximately 44,000 workers join the ranks of the Region's workforce while about the same number leave. Domestic net migration amounts to a loss of 1,640 residents per year (5-yr avg.), while the net international migration average is a plus 1,119 per year. In a region of approximately 200,000 workers, this is a substantial turnover and notable annual addition of foreign-born individuals. This pattern is altering the ethnic and racial make up of the Region – over the next 10 years, all net population growth is forecast to come from non-white populations.

The educational distribution of these new residents is biased towards those with high school diplomas or less. Consequently, the demand for ESL and GED–equivalent classes, basic skills training, and occupational certifications - can be expected to rise. Much of this learning will take place in less traditional settings, such as on line learning, storefront learning, worksite learning, and self-directed learning. Reaching these new learners calls for the end of the classroom, as we know it. The Region benefits from several frontier organizations in this regard like the Lafayette Adult Resource Academy and the Clinton County Learning Center. An estimated 12,910 students, aged 25 years and above, were enrolled in Region 4 in 2007. Thirty two percent of those aged 16-19 were enrolled in school and also working. The widespread adoption of WorkKeys as a portable skills profile is another step in the right direction.

8. Opportunity, Income and Value Creation Sluggish

These workforce facts and trends take place in the context of an under-performing regional economy. If workforce development equaled economic development then, given the Region’s above average educational capacity, the Region should have been doing better economically. This is not the case. The Region’s per capita income (\$29,199; 2007 - infl. adj.) is below the state average of \$33,215 and not keeping pace with state income growth (1997-2007 at 4.1%; state 10.3%), even while educational attainment, as measured in the percent with 4-year college, catches up to the state, as shown in the table below.



Source: American Community Survey, 2000 Census

A rule of thumb that higher educational attainment leads to improved income does not appear to be playing out in the Region. One clue is that value-creation, measured as sales per worker, declined 2.6% from 2002 to 2006. Despite laudable private sector efforts at cost containment, innovation and productivity improvement in the Region, businesses have been up against substantial competitive pressures, putting downward pressure on pricing and wages. Putting it more bluntly, one adult worker complained:

"My take home pay won't take me home!"

Since the 2001 recession, net job gains from established businesses (expansions minus contractions) at +3.7% failed to outpace net job losses from business openings minus closings at -9.4%. Overall, job growth this decade has cooled off significantly – 1995-2000 a 6.3% gain, while 2001-2007 a loss of 1.3%. The percentage of the population employed, peaked at 58.3% in 2000. It is now 54.9%. The Region's average annual earnings per worker have consistently fallen below the state average – 96% of the state earnings in 2009 for the East Region and 92% for the West. In short, the Region is not creating the jobs, opportunities for advancement or the wages to attract and retain more talent. The Region is at a critical turning point where upgrading the economy calls for better ways to link innovation, entrepreneurship, productivity improvement and new market penetration with worker knowledge and skill acquisition. Moreover, this must occur at great speed if the Region is to be counted among the winning Regions. To address this trend there has been growing support for business start-ups, modernization, productivity improvement, and retooling through:

- o Wabash Valley Lean Manufacturing Network
- o PU: Center for Advanced Manufacturing
- o PU: Technical Assistance Program
- o Ivy Tech 6 Sigma Institute
- o Chapters of the American Society for Quality, Lafayette & Kokomo
- o Technology company incubators: Purdue University Tech Park, Kokomo Inventrek
- o Small Business Development Centers

Simply put by one business leader:

"Successful businesses will be those that 'adopt-adapt-improve' constantly and at speed"

9. A More Focused Mantra: 'Skills-Networking Powers Growth'

As discussed in Challenge 5, educators and workforce professionals have been doing much to equip and retool workers with basic skills and knowledge. Going forward:

- Can better 'apps' be acquired whereby worker skills and knowledge are responsive to and rewarded by businesses and industries in constant change?
- Can workers be equipped with 'skill-apps' that help them be more productive in real world situations?
- Can unemployment downtime be minimized by acquiring relevant 'skill-apps' in quick time?

An exemplar of such an approach is the design and operation of the Region's REACH Centers. Here the needs of premier employees are articulated to the Centers where prospective applicants are tested provided remediation as needed, and prepared for interview. Education and workforce development that is in tune with local employment and responsive to rapid economic change requires such a level of "skills-networking" among employers, employment intermediaries and skills providers.

This report proposes a revised or modified mantra going forward—one grounded on **skills networking for growth**. Such a mantra embraces the widely held belief that "workforce development = economic development" but calls for integrating talent-building efforts with growth strategy by building synergistic relationships between education/training providers and the Region's businesses. Only with denser more effective networking can workers be readied in a timely fashion as businesses constantly and quickly adapt to new opportunities and threats using innovation, technology, entrepreneurship, and new market penetration.



Strategic Implications

While progress has been made, the themes of the 2004 report for the East sub-region still hold true today for the whole Region:

- Increase the value placed on education and lifelong learning
- Make the mature workforce a primary economic development selling point
- Support workforce needs of small businesses and entrepreneurs
- Think and act like a region

More specifically this report highlights the following key strategic considerations going forward. Each deserves deeper exploration over the next 6 months:

1. Cultivate an infectious winning attitude about regional economic success in the next business cycle.

Not all regions in the nation/Midwest will do equally well in 21st economy. If the past is an indication, likely only 6-10 states and 20-30 regions will be the growth leaders when the national business cycle turns up. The Region's leaders must not only concern themselves with 'economic stimulus' now but with harnessing a creative workforce, ingenuity, individual initiative, entrepreneurialism, and private investment to "grow the Region out of its economic slump."

2. Utilizing tighter linkages with education and workforce entities, strengthen business modernization/retooling, productivity improvement and new market penetration by firms across all industries and size.

3. Utilize the Region's 4-yr college educated labor force to strategic advantage.

4. Continue recognition that mature workers will play into both labor supply and entrepreneurial role in next growth.

- 5. Expand efforts at re-skilling under-prepared workers, especially newcomers and aging workers.**
- 6. Continue efforts to routinely measure worker skills and link to business technology and modernization efforts (item 2).**
- 7. Foster a much improved regional “infrastructure for collaboration” utilizing existing regional resources/solutions/innovations, such as:**
 - Region 4 Workforce Board
 - Adult Basic Education Regional Coordinating Council
 - WIRED experience
 - Regional Leadership Institute (IU Kokomo lead)
 - Center for Regional Development, Purdue University
 - The regional Board of Realtors



Wrap Up - Recommendations

It is difficult to imagine a prosperous Indiana by mid-century without Region 4 as a key growth engine. The winds of economic change, both national and global, bode well for the Region provided its leaders and key institutions prepare for the long haul, delivering on a pro-innovation, pro-talent, pro-investment climate: the same three key drivers well articulated in the state's economic development plan *Accelerating Growth*. The region is well endowed with a diverse industry mix and its agricultural base remains strong. While its manufacturing is undergoing substantial adjustment to technological change, international competition and the recession of 2007-2010, it will emerge leaner, more productive and better skilled.

This State of the Workforce report is a first step toward the formulation of both near term and long haul approaches to mobilizing resources, organizations and leaders around talent creation, attraction and retention going forward. It marks a turning point in how the Region thinks about growth strategy. The message is clear; while the Region has made strides in strengthening its workforce over past decades, these efforts do not appear to have been coordinated and targeted sufficiently at growth, business dynamism and economic trends/opportunities to achieve the intended impact on regional economic progress. Value-creation: measured as sales per worker, wealth-creation: measured as per capita income, and higher average earnings have been sluggish and disappointing. Given that today's severe recession is likely to end within the next 12 months in a 'jobless recovery', the Region should consider three immediate next-steps:

RECOMMENDATION 1: ROUTINELY TRACK CHANGE

Agree upon an entity to routinely monitor and report on economic/workforce changes + regularly explore and recommend creative solutions to fast-changing circumstances.

All bets are off! The un-chartered nature of the next business cycle means we don't know when, how, what industries will lead; what new technologies will take hold; what jobs will be in demand; or what opportunities/threats will arise. It is critical to keep track.

RECOMMENDATION 2: PREPARE WORKFORCE AND GROWTH STRATEGIES

Craft a region-wide human capital strategy coupled with a regional economic growth strategy, and update biennially.

Today's regions are paying inordinate attention to near-term "stimulus" at the expense of long-term sustainable growth strategies tailored to regional conditions and harnessing a creative workforce, ingenuity, individual initiative, entrepreneurialism, and private investment.

RECOMMENDATION 3: AN IMPROVED NETWORKING INFRASTRUCTURE

To address competitive pressures, Harvard Professor Rosabeth Moss Kanter calls upon regions to improve their "infrastructure for collaboration." The formation of the Regional Leadership Institute with secretariat support from IUK and WIRED funding is a step in the right direction. This board, along with the Region 4 Workforce Board and any other region-wide group, could form a nucleus of leaders committed to "thinking and acting like a region" with focus on tracking changing conditions (Recommendation 1) and crafting long term strategy (Recommendation 2).



Next Steps

Upon release of this report and with additional funding from the WIRED initiative, the following steps are being taken over the second half of 2009:

- Preparation of both human capital and growth strategies for the Region, guided by an Advisory Panel with representatives from all 14 counties
- Roundtables with educators, workforce and human resource professionals and their boards
- Roundtables with employers, business organizations and Chambers
- Roundtables with technology and productivity providers in the Region
- Interviews with banks and financial institutions
- Strengthening leadership networks between the Regional Leadership Institute, Region 4 Workforce Board and other region-wide related groups
- Coordination with a Steering Committee of Local Economic Development Directors
- Convening this Forum on July 29 to release this Report
- Convene a Leadership Summit on Sept. 30, 2009