2009
State of the Workforce
Executive Summary
West Central Indiana

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

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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.

Wrap-up of 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 10-12% unemployment (and average national unemployment duration of 24.5 weeks) in a world of very different and changing economic realities?** In the aftermath of the "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?"

This report contributes to the search for a revised or modified mantra grounded on **skills networking for growth** for Region 4. It embraces "workforce development = economic development" but integrates talent-building efforts with growth strategy by building a synergistic relationship between education/training providers and the Region's businesses as they quickly adapt to new opportunities and threats using innovation, technology, entrepreneurship, and new market penetration. Talents are the accumulated knowledge, skills and experiences of the workforce, energized by positive attitude -- much needed in this new era of economic transition.

This report alerts regional leaders that they have **no time to lose**. Today's economy is taking its toll on the region with a May 2009 unemployment rate of 12.1%, 1.5% above the Indiana average and 2.7% above the U.S. and approximately 55,000 workers '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 -- according to Indiana Career Connect data, May 2009, 30% have college degrees. What the Region needs coming out of this recession is a well-crafted growth path.

The Region, 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.

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?

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, 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 workforce needs of the region's recent growth businesses and assess economic growth and productivity in relation to the talent base. Data was organized using the following age categories:

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 included a wide array of federal and private sources cited in the 'Data Snapshot' supplement available from TAP, Inc.

This report can be summarized by nine story lines:

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,
- Five other universities /colleges: IU-Kokomo; Ivy Tech-Kokomo; Ivy Tech-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,
- Temp Agencies in effect becoming 'contract Human Resource Depts.' to small companies.

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; 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), and
- A cutting edge high school model: New Tech High at Rochester

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 a degree requirement) 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's (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 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's 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 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."

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 item 9 for further 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

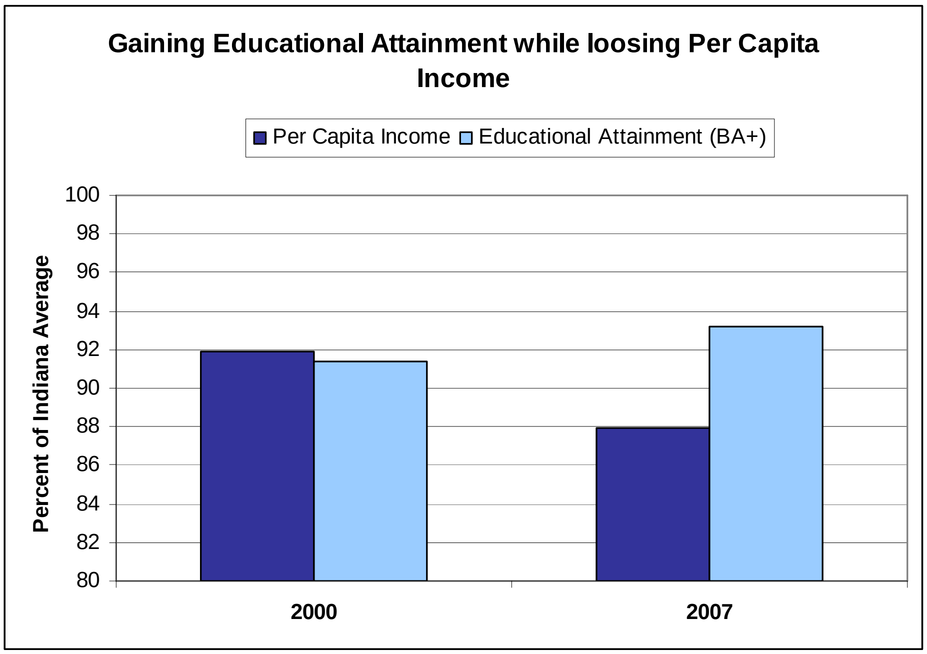
In addition to the loss of mid-level younger workers and a constant need to retool older experienced workers, the Region's other major skills challenge is the under-preparedness of its newcomers, domestic and foreign. Every year approximately 44,000 workers join the ranks of the Region's workforce while 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. 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.

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 is below the State average and not keeping pace with State income growth, 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 value-creation, measured as sales per worker, has not improved this decade. Despite laudable private sector efforts at cost containment, innovation and productivity improvement, the Region's businesses have been up against substantial competitive pressures putting downward pressure on pricing and wages.

Since the 2001 recession, net job gains from established businesses (expansions minus contractions) at +3.7% has failed to outpace net job losses from business openings minus closings at -9.4%. Overall, job growth since the last 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.**

9. A MORE FOCUSED MANTRA: 'SKILLS-NETWORKING POWERS GROWTH '

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. 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?**

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'), 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.

IN SUMMARY

This State of the Workforce report marks a turning point in how the Region must think about talent creation, attraction and retention going forward. The message is clear: While the Region has made strides in strengthening its workforce over past decades, these efforts do not appear to be coordinated and targeted sufficiently at growth strategy, business dynamism and economic trends / opportunities to have the intended impact on regional economic wellbeing. 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 followed by the prospect of a 'jobless recovery', what 'breakaway initiatives' are 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; what opportunities /threats will arise. It's 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 (Recommendations 1) and crafting long term strategy (Recommendation 2).

For more information contact:

Tecumseh Area Partnership, Inc.
A Workforce Intermediary

976 Mezzanine Dr., Suite C, Lafayette, IN 47905 – 765-807-0885
www.wca4a.org