Managing Change:
Building Career Clusters

Notes to Accompany Discussion

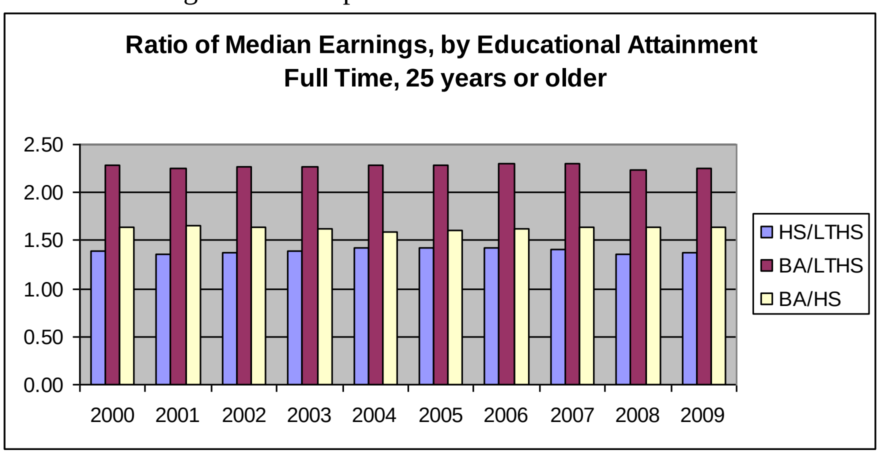
This workshop addresses two important questions regarding the accessibility of quality jobs for all local people, but particularly low-wage workers:

1. What can public policy do, post-crisis, to close the income gap, and ensure more sustainable employment with good career progression for the 'working poor'?
2. Which public agencies should be involved (local government, colleges, employment agencies) and what should be the role for each?

This handout provides some background notes, from the experience in the US, that may be helpful in stimulating discussion.

Gap between the Skill "Haves" and the Skill "Have-nots"

Education and training have paid off for both businesses and workers during the past decade in the United States. Workers with higher levels of education earn more and have greater attachment to the workforce. During the past decade, median weekly earnings are 64 percent higher for college-educated workers than for high-school-educated workers, and the gap is nearly twice that for high school drop outs.



College graduates are twice as likely to be employed as high school dropouts, and one-third less likely to be unemployed. Yet, businesses still complain that they cannot find enough qualified workers. Projections show that the supply of qualified workers will not keep up with the large number of vacancies left by the retirement of the "baby-boomer" cohort, even after the current recession.

Who Hires Low-wage Workers

A third of low-wage workers are employed in retail and food and drinking establishment sectors. More than half are employed by firms with fewer than 100 employees. These companies are less likely to provide training for low-wage workers and typically do not have the organizational slack and expertise to implement policies to provide career opportunities if they have not yet established them.

Industry	Low Wage	Non low wage	Size	Low Wage	Non low wage
Construction	4.7%	8.2%	<10	23.0%	10.3%
Manufacturing	11.4	18.3	10-24	14.7	9.7
Retail	20.3	10.1	25-99	17.8	15.4
Prof. Srvs.	9.2	123	100-1000	18.0	23.5
Food/Drinking	12.5	2.4	1000+	26.3	40.8
Health	9.9	13.0			
Agriculture	2.5	0.5			
Accommodation	2.6	0.9			
Other	26.9	31.4			
% total workers	18.5	82.5			

Note: Low Wage: adults in private sector working for poverty-level wages or less, 2006

What to Do?

The two key issues are: 1) for workers to be trained to meet the needs of businesses and 2) for employers to understand the benefits to their bottom line of providing career ladders to workers. Employers, the public sector, and employees have been funding training for decades. But who receives and benefits from training is uneven. A recent survey shows that half of working adults participate in some form of work-related adult education. Yet, the low-skilled workers, who comprise an increasing share of the nation’s workforce, receive disproportionately less training. Even though businesses can benefit from efforts to upgrade their skills, they are less likely to provide training to low-skill workers than to their more skilled employees. The public workforce system also places low priority on training low-skilled incumbent workers. The emphasis in recent years has been predominantly on “work first,” getting people into jobs first rather than providing the necessary skills training for higher paying jobs. Many employees who can potentially benefit from training don’t have the resources, the inclination, the wherewithal or the time to participate.

For workers to be able to advance in their careers, employers must be willing to provide that opportunity for advancement and in turn see a benefit in doing so. For decades, many firms in manufacturing and other structured industries offered career ladders within their companies. During that time, success stories are told of mailroom clerks becoming company presidents. Facing greater global competition during the 1970s, these businesses began to flatten their organizations as a cost-saving measure and eliminated many of the rungs on the career ladders. By contracting out goods and services, they were able to push more of the cost and liabilities onto small businesses. This has been a boon for small businesses and independent contractors, but it has left workers with fewer opportunities for advancement (career ladders) within a structured organization. Companies are now apt to purchase what they need of workers’ services (paying for performance but not for benefits) and leaving the other aspects of full employment to be paid by someone else. In many industries, jobs are defined more broadly so workers must acquire more and broader skills than necessary for any particular job. As firms hire and fire, and open and close more frequently, it is unclear what skills are most valued today and in the future. Today, instead of moving up the career ladder within a company, most workers expect to have to change jobs to pursue success, making networking outside the company much more important. Workers identify more with their occupation (or skill set) than they do with a company (or even industry).

Old Employment Relationship	New Employment Relationship
Job Security	Employability Security
Firm-specific training	General training
De-skilling	Up-skilling
Promotion opportunities	Networking opportunities
Command supervision	Micro-level job control
Longevity-linked pay and benefits	Market-based pay
Collective-bargaining and grievance arbitration	Dispute resolution procedures for individual fairness claims

Adapted from: Katherine Stone, The New Psychological Contract, UCLA Law Review, 46, 2001

Obviously, today career ladders are not necessarily established within single firms, but equally likely within a network of firms. For most workers, this network will encompass a local labor market so they can access jobs without uprooting their families. What perhaps was once provided within a single organization, with a common goal and management structure, will now have to be offered with a network of organizations with shared goals and shared accountability. Therefore, several key elements must be included for successful career ladders within this network. First, the needs of business must be met, and employers must be convinced that providing career ladders themselves or participating in network-based career ladders is beneficial to their bottom line. Second, workers must be given guidance as to what skills and aptitudes are necessary for advancement (not within a company, but over a network of companies or a cluster of occupations.) Third, workers must have access to education, training, and reemployment services. Fourth, their qualifications must be communicated and advocated for through a network that includes appropriate businesses (which requires common language as to what certain skills and aptitudes mean).

Who Should do What?

1) *Get businesses on board*. Business consultants, business trade organizations (e.g., American Management Association), business schools, chambers of commerce, and economic development agencies should tout the benefits of a stable, skilled (productive), and loyal workforce. There is plenty of research that shows such benefits. These organizations should work with companies within local regions, set up industry councils, and provide opportunities to share and celebrate best practices (such as Fortune 100 best places to work, or Baldrige National Quality Award, Workforce Chicago). For example, for smaller companies with flatter organizational structures, simply advocating firms to pay for "what you know" instead of "what your job title is" may encourage more skilled workers and more workplace flexibility.

2) *Focus national and local policy on innovative workplaces:* Federal and state governments should provide technical assistance (similar to what it provides through its manufacturing and agriculture extension programs) that help companies organize and manage their workplaces better. Tax advantages (such as lower tax rates for UI, or a wage subsidy when training is provided) should be given to companies that engage in workplace innovations in establishing career ladders in the same way they are granted to companies that invest in other types of research and development. Higher minimum wages would perhaps force firms to adopt more creative workplace structures and provide more training to low-wage workers. Higher minimum wages need to be enacted at the federal level (or at the state level) so not to give some local areas a disadvantage. Local economic development incentive programs should not encourage low-wage jobs; rather they should target firms offering high-paid skill jobs.

3) *Develop a common language among businesses, educators, and workers*. Successful career ladders within individual companies give workers through additional training and on-the-job experience the skills that a company expects to need in the future. To establish career ladders for a network of firms, the same information must be gathered and shared across businesses and educational institutions (occupation and industry clusters). All parties must be clear on business needs, the pathways to meet those needs (courses, curricula, credentials, certifications), and must establish trust that workers/students fulfilling these requirements actually meet them.

4) *Advocate for workers.* Someone must bring low-wage workers into this network, guide their informed decisions about career opportunities, lead them down the proper pathways to prepare for these opportunities, and advocate for them while they are in school, in workforce training, when searching for jobs, and when working. Low-skill workers (and even long-tenured middle-income workers) do not have the networks or the experience to navigate this system along. The public workforce system, educational institutions, and non-profit workforce intermediaries can offer this service. Some of these services may also be performed by private placement agencies (or non-profits), since some businesses do not want to be subject to intense public scrutiny, as might happen within the public workforce system. Need strong leadership to pull together and maintain a meaningful partnership among workforce development agencies, educational institutions (including community colleges), and economic development agencies. Workforce intermediaries are defined as those that a) work with both employers and employees, b) target low-wage workers, c) provide a mix of services and not simply job placement, d) invest in longer-term career advancement past the placement stage (National Network of Sector Partners).

Challenges

1) Not many attempts have had the scale or sustainability in good times, and even harder with resource constraints in difficult economic times.
2) The firms that employ a larger share of low-wage workers are the most difficult to enlist in such an effort. These firms include retail and food and drinking establishments (one-third of all low-wages workers). Also, small businesses (<100 employees) employ 55 percent of all low-wage workers. These firms complain of lack of organizational slack, managers are stretched too thinly, do not see the benefits of training low-wage workers since they'll leave anyone, can't predict requirements, and don't know much about the education and training system (Ball State University, 2003).
3) Firms that are more appropriate and willing to assist are those with many rungs on the career ladder, can't easily move to other locations, depend on public policy (occupational licensing, performance standards, other regulations) to structure their industry and workforce, and experience high turnover. Health care industry, particularly hospitals, fit this description.
4) No national champions in the US for a broad-based effort to expand career opportunities for low-wage workers. Attempts have been made by foundations and local groups, but not at higher levels.