

**BUILDING A WORKFORCE FOR THE 21ST CENTURY:
WORKFORCE DEVELOPMENT POLICY THAT INVESTS IN CALIFORNIA'S
“HUMAN INFRASTRUCTURE”**

April 2001 (revised)

Preface

This paper was originally prepared for presentation to the California Workforce Investment Board, at the invitation of Governor Davis's Director of Policy, Mr. Tal Finney. CCRL President Nick Bollman made the presentation on October 6, 2000. We are grateful to the following for their contributions in drafting the original document: Trish Kelly, CCRL Program Consultant; Virginia Hamilton, Executive Director, California Workforce Association; and Janet Hendrickson, then Assistant to Director Finney.

This revision of the paper is intended to contribute to the new strategic thinking at the CWIB, under the leadership of Chair Larry Gotlieb, Vice Chair Barbara Beck, and new Executive Director Andy Baron.

A NEW CONVERGENCE BETWEEN CALIFORNIA'S ECONOMY AND QUALITY OF LIFE, AND ITS HUMAN INFRASTRUCTURE.

Our "structural" workforce crisis

Even as the national economy and California's regional economies currently are disturbed by a cyclical slow-down and possible downturn, the long-term prospect for most of California's regional economies continues strong. However, this prospect is put in jeopardy if we do not solve our short-term and long-term workforce crisis. This is as true of regional hyper-economies which may lose their competitive edge because of a shortage of skilled workers, as it is of under-developed regional economies which can only hope to grow or attract competitive companies and industries if they can offer the possibility of a skilled workforce.

Workforce quality matters more than ever to our economic strength

We have always known this, of course, that the strength of an economy is largely dependent upon the quality of our workforce. California cannot sustain its competitive edge and its quality of life without developing and maintaining a world-class workforce. According to the Governor's Economic Strategy Panel "The economic foundations that facilitate an industry's growth and expansion are capital, infra-structure, taxation and regulatory policies, *education and workforce preparation* [emphasis added], research laboratories and universities, and supplier networks." In the new knowledge-based economy, where competitive edge is almost always a narrow margin, this is even more important. And it is not only true of the so-called "high tech" industries, but very substantially in traditional manufacturing and service sectors as well. Put simply: competitiveness requires ever-increasing productivity in all economic sectors; increasing productivity requires improved use of new technologies; and knowledge is the key to that improvement.

Skills and a family wage

California is, with some variations across regions, a relatively very expensive place to live and raise a family. The pressure to keep family income sufficient to meet family living expenses that is true across the country is even more critical in high-expense California. And the pressure is not just on income, but also on family assets. The level of income needed in most California regions to become a homeowner, which is the single most important asset for most American families, is dramatically higher than most of the rest of the country. And job security has declined here, as elsewhere, with the loss of high-wage unionized jobs.

Therefore, from the perspective of working families, an effective strategy for skills upgrading and continuous skills improvement, though it is no guarantee of job security and a family wage, is certainly of central importance.

Policy matters

Though most decisions about the economy are made in the private sector, by private sector employers, organized labor, and workers, whether or not those decisions produce economically and socially desirable outcomes is of interest to state and local government. After all, it is in the public interest to have a strong economy, strong workforce, and vital, stable middle class. And policy, particularly state policy, and especially state policy that is aligned effectively with regional public agencies and local governments, can make a difference in whether those outcomes achieved. We recognize this fact easily with respect to policies that do or do not produce a high quality K-12 education system, and a world-class system of public (and private post-secondary education). We have yet to fully recognize the same principle with respect to publicly guided and funded workforce training and development systems. Most experts agree that California must, and can, develop a world-class workforce development system, but it must be guided by strategic, state-of-the-art policies.

Governor Davis has embraced this goal and this challenge and assigned responsibility to the California Workforce Investment Board

We must have a more systematic and effective, policy-guided and data-based approach, a more *systemic* approach to development of our “human infrastructure.” The Governor’s Executive Order establishing the California Workforce Investment Board creates just such an opportunity, when it states the Governor’s “...responsibility to implement innovative and comprehensive workforce investment systems tailored to meet the particular needs of local and regional labor markets.” The Board is the one place in state government where the public and private sector leadership deliberate, and adopt state policies for workforce development.

The “prize”

Put simply, California’s human infrastructure is essential to our future economic success and quality of life, and a world-class workforce development system is dependent on the strong and capable policy leadership of the California Workforce Investment Board. This idea is further elaborated below.

WHAT ARE THE ECONOMIC AND HUMAN DEVELOPMENT FOUNDATIONS OF AN EFFECTIVE STATE WORKFORCE DEVELOPMENT POLICY?

- 1) **Understand the new economy.** California's economy, the engine of Prosperity and opportunity, has changed dramatically and permanently over the last decade. This "new economy" is global in nature, rapidly changing, information-based, and network-based. It is as applicable to manufacturing and service sectors as to the "high tech" economy. Small, fast growing firms rather than large corporations are the primary job generators. The state government has developed an important body of knowledge about this new economy over the past few years, and this is a competitive advantage for our businesses and workers.
- 2) **The quality of the workforce is central to our economic competitiveness.** In the paradigm of the new economy, quality rather than low cost is a primary determinant of success. The "knowledge worker" is key to individual, company and community success. The fact that human capital is the greatest asset is even more critical in California where the majority of businesses are facing shortages of skilled workers.
- 3) **Innovation and partnership within the private and public sectors, and between them, is a key to economic success.** California's current success is driven by innovation in our leading industry clusters, from high tech to value-added agriculture. Supporting the clusters are its workers, managers, and investors, but also government and education, including our workforce investment systems. The new economy demands information-age sophistication and "just in time" flexibility from business, so that products and services can get to market with speed and saliency. This same sophistication and dynamism is demanded of our workforce preparation systems, upon which our businesses and workers depend. Only if we have new, more effective partnerships between the private sector and these public systems can we stay competitive in the global economy.
- 4) **Workforce preparation begins in K-12 and continues throughout our worklife.** The Governor emphasizes the fundamental importance of high quality K-12 education, but we need the same kind of attention to the need for lifelong learning. Skills upgrades help workers both to avoid job or income loss and, put more positively, to advance along new career pathways. This is as true for incumbent workers as for entry-level former welfare recipients. The world of work has changed. Lifetime employment with one company is no longer the norm; the average worker will change jobs an average of six times. The workplace is a "high performance" arena, requiring literacy, English language, computational skills, and skills relating to technology, work readiness, and flexibility. Job requirements change, and skills must change with them, throughout our lifetimes.

5) **Leave no one behind.** Ironically and tragically, California, the home of a booming economy, suffers from one of the nation's largest gaps between rich and poor. This is in large part because California, the engine driving the national economy, suffers from one of the largest "skill gaps" in the nation. It is an economic as well as social and moral imperative that California help all those who are capable of working to become and continue to be productive in the mainstream economy, or we will lose our competitive edge.

WHAT ARE THE BARRIERS TO AN EFFECTIVE STATE WORKFORCE POLICY?

We are challenged in meeting these changing conditions and new economy requirements by several factors, including:

- Past under-investment in many of the state's core human infrastructure systems, from K-12 to community colleges to nonprofit employment and training agencies.
- High levels of population and economic growth that place extraordinary demands on our public and private workforce investment systems.
- A changing ethnic and demographic base, with increasing diversity and cultural viewpoints, and the need for new teaching and training strategies and skill-sets.
- Suburban sprawl has put many jobs at a long distance commute from residences, and transportation systems haven't caught up with this fact.
- Changes in technology and its applications throughout all sectors of the economy, requiring costly but necessary investments in new hardware and software.
- A "digital divide" that prevents many minority and low-income families, students, workers, and businesspeople from having access to technology-based resources.
- Anachronistic and rigid government structures and programs that no longer reflect the economy or the needs of business.

WHAT ARE THE KEY COMPONENTS OF AN EFFECTIVE STATE WORKFORCE POLICY?

- 1) **A vision and a policy framework for investing strategically in California's people and places.**
- 2) **Timely information about the changing economy and marketable skills.**
- 3) **A collaborative realignment of the statewide and regional service delivery systems with new economic and workforce development needs and practices.**

1) **A Workforce Development Policy Framework.** Policy direction from the state government should be based on the following core ideas:

- a) Invest in the fundamental and necessary first building block - a successful K-12 system.
- b) Recognize that the economy drives and shapes the workforce development system.
- c) Ensure that businesses, workers, and those seeking learning and employment are the system's co-equal customers.
- d) Establish continuous skills upgrading and lifelong learning as the curriculum.
- e) Provide a workforce development system for all workers.
- f) Anticipate demographic change, instead of always catching up to it.
- g) Close today's digital divide and plan for tomorrow's new technology divide.

Whose responsibility is it? The Governor's "California Workforce Investment Board," with its broad membership of private and public sector leaders and constituencies, should be responsible for developing and overseeing the implementation of this vision and policy framework.

2) **Information.** Good data, continually updated and analyzed and readily accessible to all interested sectors, is fundamental for understanding the changing economy and determining emerging skills requirements, jobs-skills mismatches, and unmet needs. It should focus on industry clusters and regional patterns of employment and business relationships, how the regional industry clusters are organized, and what factors can facilitate their growth and expansion. This information, embedded in a mechanism for continuous evaluation and assessment of the economy at the local and regional levels, should be used to inform policy development by the California Workforce Investment Board and regional Workforce Investment Boards, and linked with the ongoing assessment of the economy by the California Economic Strategy Panel.

3) **Collaborative realignment of delivery systems.** The resources of the education, employment and training, and economic development systems must be integrated and realigned at the state and regional levels to support the needs of workers and businesses in the new economy. Because the delivery of services to workers and businesses must be flexible, customer-driven, timely and decentralized, we must find new ways to avoid the duplication and waste associated with funding-stream-driven delivery systems, while increasing the real-time effectiveness and reducing the paperwork burdens of our performance accountability systems. The One-Stop centers, in which California already has significant investments, should be the building block for this new system.

NEXT STEPS.

The California Center for Regional Leadership is committed to continue working with the Governor's office, CWIB, the Employment Development Department, the regional WIBs, the Collaborative Regional Initiatives throughout California, the segments of post-secondary education, statewide and regional industry cluster organizations, and local public and nonprofit agency leadership, to help move California toward a world-class workforce development policy framework.

For more information on CCRL's work in this area, or in other of California's major economic, environmental, and social equity challenges, please visit our website at www.calregions.org, or give us a call at 415-882-7300, or write us at:

Nick Bollman, President
California Center for Regional Leadership
455 Market Street, Suite 1100
San Francisco, CA 94105
nbollman@ccrl.org