MEET THE OUT-OF-WORK

Local profiles of jobless adults and strategies to connect them to employment

Martha Ross
Brookings Metropolitan Policy Program
September 25, 2017
Central actors in workforce development

**Workers**: Skills, readiness, interest, location

**Firms**
- Internal human resources capacity
- External partnerships (chambers of commerce, educators, nonprofits, workforce system)

**Public system**: Workforce boards, state/local employment agencies

**Community colleges**: customized training, Associate degrees, certificates

**Ecosystem**: the above + other regional organizations involved with education, employment, and training
Who is out of work at the local level?

Study jurisdictions include 130 cities and counties with populations over 500,000, accounting for 48% of the U.S. working-age population.
Defining who is out-of-work

79 million adults aged 25-64 in the 130 study jurisdictions

4 million unemployed

4 million unemployed + 16 million not in the labor force
Defining who is out-of-work

From the 20 million who are unemployed and not in the labor force, we subtracted the following:

- Most students and some parents (stay-at-home parents married to employed spouses with middle class or above earnings)
- People receiving retirement and/or disability benefits

The subsequent out-of-work population totals 11.3 million
We identified seven major groups across the 130 study jurisdictions

To create these groups, we clustered the out-of-work into segments likely to benefit from similar types of workforce assistance, based on their likeness to each other across the following characteristics:

- Disability status
- Caring for children
- Work history in past year
- Poverty level
- Education
- Age
- Race/ethnicity
- English language learner

We also included “ecological” variables: rates of poverty, unemployment and labor force participation at the local level
The seven major groups among the out-of-work in the study jurisdictions as a whole

- **11%**
  Young, less-educated, and diverse

- **38%**
  Less-educated prime age

- **6%**
  Diverse, less-educated, and eying retirement

- **14%**
  Motivated and moderately educated

- **12%**
  Moderately-educated older people

- **9%**
  Highly educated and engaged younger people

- **11%**
  Highly educated, high-income older people
## Less-educated prime age

### Age

<table>
<thead>
<tr>
<th>Age</th>
<th>Male share</th>
</tr>
</thead>
<tbody>
<tr>
<td>25-34</td>
<td>15.1%</td>
</tr>
<tr>
<td>35-44</td>
<td>32.8%</td>
</tr>
<tr>
<td>45-54</td>
<td>34.8%</td>
</tr>
<tr>
<td>55-64</td>
<td>17.3%</td>
</tr>
<tr>
<td>65+</td>
<td>8%</td>
</tr>
</tbody>
</table>

### Educational attainment

<table>
<thead>
<tr>
<th>Education</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;HS</td>
<td>44.5%</td>
</tr>
<tr>
<td>HS</td>
<td>55.5%</td>
</tr>
<tr>
<td>Some college</td>
<td>0.0%</td>
</tr>
<tr>
<td>Associate</td>
<td>0%</td>
</tr>
<tr>
<td>BA+</td>
<td>0%</td>
</tr>
</tbody>
</table>

### Race

<table>
<thead>
<tr>
<th>Race</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>White</td>
<td>29.7%</td>
</tr>
<tr>
<td>Black</td>
<td>17.2%</td>
</tr>
<tr>
<td>Latino</td>
<td>42.9%</td>
</tr>
<tr>
<td>Asian</td>
<td>8.1%</td>
</tr>
<tr>
<td>Other</td>
<td>2.0%</td>
</tr>
</tbody>
</table>

### Male share

- 35.5%

### Has a disability

- 16.3%

### Limited English proficiency (LEP)

- 37.5%

### Caring for children

- 32.1%

### Looking for work

- 27.5%
Less-educated prime age

**Joseph** is a 51-year-old white man with a high school diploma. He last worked two years ago doing construction, and gave up looking for work about six months ago; construction has slowed down in his economically depressed area. He is single and lives with his brother and family.

**Carmen** is a 40-year-old married mother of teenage children. A green card holder, she immigrated to the U.S. when she was very young, and never completed high school; she prefers to speak Spanish at home. She has been thinking about looking for work to help support the family, whose income is just above the poverty line.
Motivated and moderately educated

### Age

<table>
<thead>
<tr>
<th>Age</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>25-34</td>
<td>55.2%</td>
</tr>
<tr>
<td>35-44</td>
<td>21.7%</td>
</tr>
<tr>
<td>45-54</td>
<td>21.8%</td>
</tr>
<tr>
<td>55-64</td>
<td>1.3%</td>
</tr>
</tbody>
</table>

### Educational attainment

<table>
<thead>
<tr>
<th>Educational Attainment</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;HS</td>
<td>0%</td>
</tr>
<tr>
<td>HS</td>
<td>0%</td>
</tr>
<tr>
<td>Some college</td>
<td>75.7%</td>
</tr>
<tr>
<td>Associate</td>
<td>23.4%</td>
</tr>
<tr>
<td>BA+</td>
<td>0.9%</td>
</tr>
</tbody>
</table>

### Male share

- 38.0%

### Has a disability

- 12.4%

### Limited English proficiency (LEP)

- 11.9%

### Caring for children

- 39.3%

### Looking for work

- 45.9%
Motivated and moderately educated

Carlos is a 42-year-old second-generation American. He is single. He dropped out of college after his first year, and since then has mostly worked in retail and as a product promoter. He has not worked in the past 18 months while trying to get his business off the ground.

Anna is a 31-year-old single mother of a young daughter. She recently quit her home health aide job to find work with hours that will allow her to study to become a licensed practical nurse. Food stamps and public assistance are meager, but keep her afloat during this transition period.
### How do the out-of-work differ by place?

<table>
<thead>
<tr>
<th>Location</th>
<th>11%</th>
<th>18%</th>
<th>6%</th>
<th>21%</th>
<th>12%</th>
<th>9%</th>
<th>9%</th>
<th>22%</th>
</tr>
</thead>
<tbody>
<tr>
<td>130 study jurisdictions</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Washington, DC</td>
<td>19%</td>
<td>31%</td>
<td>16%</td>
<td>7%</td>
<td>8%</td>
<td>20%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Montgomery County, OH (Dayton area)</td>
<td>41%</td>
<td>13%</td>
<td>9%</td>
<td>25%</td>
<td>3%</td>
<td>9%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Phoenix, AZ</td>
<td>18%</td>
<td>19%</td>
<td>18%</td>
<td>10%</td>
<td>6%</td>
<td>2%</td>
<td>14%</td>
<td>8%</td>
</tr>
<tr>
<td>Seattle, WA</td>
<td>11%</td>
<td>18%</td>
<td>6%</td>
<td>21%</td>
<td>12%</td>
<td></td>
<td></td>
<td>32%</td>
</tr>
<tr>
<td>King County, WA (adjacent to Seattle)</td>
<td>13%</td>
<td>28%</td>
<td>19%</td>
<td>9%</td>
<td>9%</td>
<td></td>
<td></td>
<td>22%</td>
</tr>
</tbody>
</table>
In focus: Washington, DC
Where do the out-of-work live?

<table>
<thead>
<tr>
<th>19%</th>
<th>31%</th>
<th>16%</th>
<th>7%</th>
<th>8%</th>
<th>20%</th>
</tr>
</thead>
</table>

- Young, less educated, and diverse
- Less-educated prime-age
- Motivated, moderately educated younger people
- Moderately educated older people
- Highly educated & engaged younger people
- Highly educated, high-income older people
Evidence-based workforce solutions

Research and practice provide the following general guidance:
• Offer training & job placement that align with regional labor market needs & in-demand skills
• Provide guidance, counseling, and other appropriate supportive services to participants

What does it mean to be evidence-based?

The following list of programs is based on those that have been formally evaluated, and is meant as a starting point rather than a comprehensive inventory. Because evaluations are complicated, expensive, and time-consuming, only a minority of programs undertake them. Look for programs with clear logic models, performance management systems that measure progress towards goals, and a commitment to performance improvement.
Job search assistance and counseling: Services to help employers and job seekers connect more efficiently, including assessments (skill, interest, aptitude), career and training planning, and assistance with resumes and interviewing skills.

Bridge programs: Prepare people with very low math and reading skills for further education and training, sometimes in combination with occupational skills training.

Transitional jobs programs: Short-term subsidized employment and supportive services for people with barriers to employment and very limited work history.

Social enterprise: Mission-driven businesses that hire people with barriers to employment and limited work history to carry out the work of the business. Similar to transitional jobs programs, and also provide supportive services.
**Sector initiatives:** Partnerships among employers, educators, and other workforce stakeholders to identify and address workforce needs of specific industries in a regional labor market.

**Two-generation programs:** Link education, job training and career building for low-income parents with early childhood education for their children

**Apprenticeships:** Combine paid employment with on-the-job training and related classroom instruction

**ASAP (Accelerated Study in Associate Programs):** Program to increase the graduation rate of low-income community college students seeking an Associate degree. Students must attend full-time and receive a range of academic, financial, and personal supports.
HELP WANTED
WORKFORCE CHALLENGES IN THE MIDDLE MARKET

Thomas A. Stewart, Executive Director
The National Center for the Middle Market
The National Center for the Middle Market is a collaboration between The Ohio State University’s Fisher College of Business, SunTrust Banks Inc., Grant Thornton, and Cisco Systems. It exists for a single purpose: to ensure that the vitality and robustness of Middle Market companies are fully realized as fundamental to our nation’s economic outlook and prosperity. The Center is the leading source of knowledge, leadership, and innovative research on the middle market economy, providing critical data analysis, insights, and perspectives for companies, policymakers, and other key stakeholders, to help accelerate growth, increase competitiveness and create jobs in this sector.

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- Research and Expert Perspectives
- Interactive Benchmarking Tools

**EXPERTISE & OUTREACH**
- Share Research & Discuss Trends

**EDUCATION**
- Executive Programs
- Webinars

www.middlemarketcenter.org
THE MIGHTY MIDDLE MARKET

60% OF JOB GROWTH
3% OF ALL U.S. COMPANIES
1/3 OF PRIVATE GDP
1/3 OF PRIVATE EMPLOYMENT
AND
THE UNSUNG HEROES
OF AMERICAN BUSINESS

Source: 3Q’16 Middle Market Indicator Report
THE ALL-AMERICAN MIDDLE MARKET
Q2'17 U.S. MIDDLE MARKET EXECUTIVE SUMMARY

REVENUE GROWTH
6.7%
PAST 12 MONTHS
4.75% S&P 500
5.3% NEXT 12 MONTHS

EMPLOYMENT GROWTH
5.7%
PAST 12 MONTHS
1.3% SMALL BUSINESS
2.5% LARGE BUSINESS
4.7% NEXT 12 MONTHS

CAPITAL INVESTMENT
67% WILL INVEST

CONFIDENCE
70% GLOBAL ECONOMY
84% NATIONAL ECONOMY
87% LOCAL ECONOMY

Source: 2Q'17 Middle Market Indicator Report
HELP WANTED: WORKFORCE STUDY

Survey of 1,000 middle market company senior executives

Roundtable discussions with executives in Philadelphia and Atlanta

Findings from ongoing research by the Brookings Metropolitan Policy Program & NCMM
ACROSS THE COUNTRY, FIRMS REPORT HIRING DIFFICULTIES

Share of U.S. employers reporting hiring difficulties

- **2015**: 32%
- **2016**: 45%

Hiring and retaining qualified employees is the top concern for CFOs for the first time in 21 years …
over government policies, cost of benefits, economic uncertainty, data security.

— Duke University Fuqua School of Business Quarterly Survey, Q2 2017

MIDDLE MARKET COMPANIES FEEL THE TALENT PINCH INTENSELY

- **77%** Of middle market executives consider the ability to attract, train, and retain talent somewhat/highly challenging.
- **49%** Of middle market executives feel they do not have a sufficient number of people to fill key leadership positions.
- **31%** Of middle market executives struggle to attract people for top-level management positions.
- **37%** Of middle market executives say that a lack of talent is constraining their growth.
TALENT CHALLENGES ARE NOT CONFINED TO ONE OR TWO INDUSTRIES

LACK OF TALENT CONSTRAINING ABILITY TO GROW

<table>
<thead>
<tr>
<th>Yes</th>
<th>Total Market</th>
<th>Middle</th>
<th>Services</th>
<th>Manufacturing</th>
<th>Wholesale Trade</th>
<th>Retail Trade</th>
<th>Construction</th>
<th>Financial Services</th>
<th>Health care</th>
</tr>
</thead>
<tbody>
<tr>
<td>37</td>
<td>46</td>
<td>44</td>
<td>20</td>
<td>29</td>
<td>46</td>
<td>33</td>
<td>49</td>
<td></td>
<td></td>
</tr>
<tr>
<td>63</td>
<td>54</td>
<td>56</td>
<td>80</td>
<td>71</td>
<td>54</td>
<td>67</td>
<td>51</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: NCMM and Brookings: Help Wanted, 2017
MOST IN DEMAND: FULL-TIME OPERATIONS EMPLOYEES

New Hires by Function

- Operations: 69%
- Marketing and sales: 47%
- IT: 36%
- Manufacturing: 25%
- Human resources: 21%
- Finance: 18%
- Other: 8%

New Hires by Employee Type

- Full time: 74%
- Part time: 9%
- Hourly: 10%
- Contractor: 3%
- Temporary/seasonal: 3%
- Other: 1%

Source: NCMM Middle Market Indicator 2Q 2017
## THE TOP CHALLENGES, AS REPORTED BY MIDDLE MARKET COMPANIES

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Candidates lack necessary skills</td>
<td>44%</td>
</tr>
<tr>
<td>Competition from other employers</td>
<td>40%</td>
</tr>
<tr>
<td>Low number of applicants</td>
<td>39%</td>
</tr>
<tr>
<td>Lack of work experience</td>
<td>32%</td>
</tr>
<tr>
<td>Outside budget range</td>
<td>30%</td>
</tr>
<tr>
<td>Lack needed credentials</td>
<td>25%</td>
</tr>
</tbody>
</table>

Source: NCMM Middle Market Indicator 2Q 2017
## TALENT PLANNING AND ITS IMPORTANCE

<table>
<thead>
<tr>
<th>How Important?</th>
<th>Total Middle Market</th>
<th>10%+ Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extremely/Very</td>
<td>71%</td>
<td>81%</td>
</tr>
<tr>
<td>Somewhat</td>
<td>21%</td>
<td>15%</td>
</tr>
<tr>
<td>Not very / Not at all</td>
<td>8%</td>
<td>4%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>How Well Done?</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>14%</td>
<td>22%</td>
</tr>
<tr>
<td>B</td>
<td>46%</td>
<td>47%</td>
</tr>
<tr>
<td>C</td>
<td>28%</td>
<td>23%</td>
</tr>
<tr>
<td>D</td>
<td>11%</td>
<td>6%</td>
</tr>
<tr>
<td>F</td>
<td>2%</td>
<td>2%</td>
</tr>
</tbody>
</table>

Source: NCMM Mastering Talent Planning 2017
BIGGEST TALENT PLANNING CHALLENGES: LOOKING AHEAD

Identifying external talent pools
Lining up successors for key players
Identifying current and future skills gaps
Identifying retention risks
Lining up successors for critical, "can't lose" players
Identifying critical, "can't lose" players
Aligning talent strategy and business strategy
Identifying critical positions (i.e. to be filled by excellent players)
Identifying internal talent pools
Engaging senior management in talent management
Engaging line management in talent management
Processes to identify and develop high potentials
Processes to regularly assess employees performance and potential
Identifying the key positions in the business

Source: NCMM Mastering Talent Planning 2017
MIDDLE MARKET COMPANIES ARE MOSTLY REACTIVE AND INSULAR

Recruiting
- Set, ongoing outreach effort: 41%
- Wait until specific position: 59%

Partnering
- Do Not Partner: 70%
- Partner with Educ. / Training Orgs: 30%

Training
- Set, ongoing process: 55%
- Wait until there is specific need: 45%

Source: NCMM and Brookings, *Help Wanted*, 2017
COORDINATE THE SUPPLY SIDE (WORKERS & SKILLS INVESTMENTS) WITH THE DEMAND SIDE (EMPLOYERS & SKILL REQUIREMENTS)

- AWARENESS
- INCENTIVES
- PROGRAM DESIGN
- COMPANY CONSORTIA
- INTERMEDIARIES
LOUISVILLE-LEXINGTON: Large, mid-size firms create Advanced Manufacturing Technician apprenticeship
CUYAHOGA COUNTY: “SkillUp” business consulting service for economic / workforce development

Small, business-facing team within the Economic Development Office

- Helps firms define, document skill needs
- Identifies, links to training options
- Coaches employees
- Reimburses employers for some training expenses

Professional services to businesses, not a program
INLAND EMPIRE (CA): Mid-size firms co-invest to train for cross-industry skill needs, certifications